

Financial Control and its' impact on Organizationalm performance – An empirical study of J/Municipal Council

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Abstract:

In the modern management, financial control is very important. If the financial control is effective, the organization will grow effective in future. Financial control is one of the performance control tool that are used by managers. Today many Public organizations provide services to the public. Jaffna municipal council is a public organization that deals with people of Jaffna city to fulfill their daily needs. The Jaffna municipal council provides different services to the public and it faces many difficulties to manage these activities. However it serves with the help of government grants and other funds from various non government organizations it faces some problems regarding finance and other physical resources. The purpose of this study is to analyze how the financial control of the Jaffna municipal Council affects its organizational performance. For this purpose two hypothesis were tested. One is “Effective budgetary control has positive impact on its organizational performance” and other is “Effective financial control leads to better organizational performance”. To test this hypothesis the data were obtained through primary data such as interview, interrogation and discussions with financial officers and from annual reports and statements as secondary data. Financial information is analyzed by using various analysis methods. Ratio analysis, percentage analysis and gap analysis are used to measure effectiveness of financial control. Organizational performance is measured by budgetary control with the significance of variance. In this research, when the budgetary control is ineffective the organizational performance based on budgetary control is worst. And the effective financial control leads to better organizational performance. Finally, this research has proved that there is positive relationship between financial control and organizational performance and there is positive control and relationship between budgetary control and organizational performance. So, It can be concluded the public organization should take attention in the financial control to manage the activities effectively.

Key words: Financial control, organizational performance, Budgetary control.

1. Introduction:

Financial control could be critical for monitoring and measuring an organization's performance. One of the primary purposes of every business is to earn profit. Managers might for instance, carefully analyze income statements for excessive expenses. They might also perform several financial ratio tests to ensure that sufficient cash is available to pay on going expenses, (that debt levels haven't become too high), or that assets are being used productively.

In the traditional financial control measures managers might include ratio analysis, budget analysis and statement of cash flow. These ratios only briefly here to remind that managers use such ratios as internal control devices for monitoring how efficiently and profitability the organization uses its assets, debt, inventories and likes. Budget is a planning tool because it gives direction to work activities. It indicates what activities are important and how much resources should be allocated to each activity.

For this purpose, Jaffna Municipal Council is selected to identify whether the government organization has effective financial control. Jaffna municipal council was established to maintain and provide the following public services.

1. Streets, culverts, Bridges and street lighting.
2. Solid waste management, environmental protection, health and services.
3. Water supply and sewerage scheme.
4. Market.
5. Recreational facilities, playgrounds and stadium.
6. Libraries, Educational and cultural development.
7. Cemeteries and Burial Grounds.
8. Fire Brigade.
9. Ponds, channels and drains.
10. Maternity homes, Clinics and child development.

Therefore, this study will attempt to identify the relationship between financial control and organizational performance. Effective financial control of the organization leads to better performance of the organization. The organization must have effective financial control to use their funds in an effective manner.

2. Problem Statement:

Generally, Public organizations face financial difficulties to manage their daily operations due to lack of financial control tools which lead to lower organizational performance. It is said that the public organizations do not take care of its financial control and performance. The problem of this study is to identify as the following research question. The central research question here is;

RQ: "What extent the financial control contributes to the organizational performance?"

3. Purpose and aims of the study:

The purpose of this study is to identify the association between financial control and organizational performance. The following objectives are also important to be met by this study:

- To identify the factors which influence effective financial control in the Municipal council.
- To identify the factors influence the performance of the Municipal council.
- To recommend the alternative action to overcome the problem of ineffective financial control in the municipal council.
- To find out the ways to reach the good performance in an effective manner.

4. Theoretical Concept:

Managers use a series of control methods and systems to deal with differing problems and elements of their organizations. The methods and system can take many forms and can be intended for various groups. However, financial controls have a special prominence, since money is easy to measure and tally. Financial statements provide insight into an organization's performance and long term prospects.”[stoner, Freeman and Gillbert, 2003] Financial control focuses on finding the best operation decisions. Financial control focuses on an overall assessment of how well operations control is working to improve financial performance. Financial control information singles when operations control is not working well and, hence, needs to be evaluated and improved. There are useful tools for financial control. They are budgetary control, Statement of cash flow, financial ratio and Accounting system. If actual performance is different from their forecasts once the budget variance is discovered, the last two steps of budgetary control can then be taken in order analyzing the causes of the variance and taking the appropriate course of action to connect the situation.

4.1 Budgetary system of municipal council

After consultation with the several outstanding committees, the mayor of the each municipal council shall on a date to be fixed by him in each year, submit to the council a budget containing an estimate of the available municipal income and details of the proposed expenditure to the financial year.

The statement of cash flows shows the cash inflows and cash outflows from operating, investing, and financing activities. Statement of cash flow:-Summary of an organization's financial performance that shows where cash or funds came form during the year and where they were applied. [Stoner, Freeman and Gilbert, 2003]

Financial statements are used to track the monetary of goods and services into and out of the organization. They provide a means for monitoring three major financial conditions of an organization. They are Liquidity, General financial condition and Profitability. The financial manager calculates various financial ratios using his accounting records to help him gauge the returns and risks of the company. He uses these ratios to gain a better insight in to the financial performance and stability of the company. Ratio analysis is involves the selection and interpretation of relationships among various balance sheet and income statement items at a given point in time.

Besides budgets, there are other accounting and financial concepts and techniques which are used as control devices. These include responsibility accounting, cost accounting, standard cost approach, and direct costing and ratio analysis. Cost accounting helps to provide information and control costs. This approach deals detailed analysis of costs and show the cost of providing particular products and operating particular departments. Cost accounting uses standard costs as a measure in its approach. Standard costs are estimates for each product prior to production and after production they are compared against actual costs. Thus, they save as control devices. Analyses through the use of ratios are also utilized by managers as control mechanisms.

4.2 Accounting System of Municipal Council

Accounting system is a set of records and the procedures and equipment used to perform the accounting functions. Manual systems consist of journals and ledgers on paper. Computerized accounting systems consist of accounting software, computer files, computers, and related peripheral equipment such as printers.

a. Annual Administration report

The major shall, as soon as possible after the close of each financial year, prepare a detailed report of his administration during the previous year, with a statement showing the nature and amount of receipts and disbursements on accounts of the municipal fund during that year such report and statement shall be submitted to the council with any resolutions and may be passed there on by the council and shall the date, when the same were first submitted to the council.

b. Audit of Accounts

The Accounts of every municipal council shall be audited by the Auditor-General or by such officer as may be authorized by him, and he or they shall maintain a continuous audit of such accounts. For the purpose of any audit and examination or accounts under this ordinance, the auditor or auditors appointed by or under section 219 may, by summons in writing, require the production before him or them of all books, deeds, contracts vouchers and other document and the papers which required they may deem necessary, and may require any person holding or accountable for any such books, deeds, contracts, accounts vouchers documents or papers to appear before him or them at any such audit and examination or adjournment there of, and to make sign a declaration with

respect to the same. The Auditor or Auditors submit a monthly report of his their audit to the council and shall also submit an annual report of audit to the council and a duplicate of such annual report to the minister as soon as possible after the close of the financial year.

Provide value to customers is important for organizations. If customers are not receiving something of value from their interactions with organizations they will look where managers should monitor how well they are providing customer value, and they can do that when they measure performance. For example, at IBM's industry solutions laboratories in Hawthorne, New York, Stuttgart, Germany and Yamato, Japan, customers interact with IBM research to come up with technological solutions' that their unique and challenging needs. For instance Britain's safe way stores PLC and the Hawthorne Lab collaborated on a customer application that gives top customers the ability to conveniently create and maintain personalized grocery shopping lists and preorder groceries using a portable handheld devices and the Hawthorne Lab completed a project for south west Airlines that automated the crew pairing process- a company logistics nightmare in which 2700 pilots, 4500 flight attendants, and more than 2400 daily departments had to be logistically coordinated. It was important for the lab's managers to be able to measure how well they solved customer problem and gauge their ability to provide customer value.

Dowin onu, in his paper attempts to look at the background of Nigerian local Government system. It traces and analysis the cumulative effect of the background and the extent it has come to shape the present local Government system in Nigeria. It explores formal control measures within a unified local Government system aimed at achieving accountability, higher performance and greater productivity. It wants further to examine the Nigerian environment which have hindered or affected performance and productivity. The concept of Government has been briefly attended to and its peculiar affect on performance.

Every organization, whether private or public place a lot of emphasis on organizational goals. Accountability & actual performance aimed at a accomplishing the avowed goals of such establishment.

Accounting producer also are the roles of Head of personal management (HPM) and local government treasurer. In the process of ensuring accountability, it becomes the statutory role of the HPM to sign all checks contractual agreements. Local purchase order forms and other documents relating to contacts suppliers, Subject to the prior approval of the approving authority

The local government treasure, in his capacity as the chief financial adviser to the local government, has the responsibility for the administrative control of the financial department of the local government. The treasure has the responsibility for budgetary control and must ensure proper supervision of the accounts of all the departments of local government. He prepared and published monthly and annual financial statements of the local government and must be a signatory to local government checks vouchers. All

instructions relating to the expenditure of public funds are in writing. The treasurer must make all accounting officers to understand that they are responsible to the public accounts committee for all monies votes for each local government.

The Head of the personal management department and treasurer to the local government signs vouchers and checks. Each payment voucher must have attached to it, the written authorization of the competent officer or organ. The local government chairmen must observed and comply fully with the checks and balances spelt in the existing guidelines and financial regulation governing receipts and disbursement of public funds and other assets ensured to his care and shall be liable any branch thereof.

According to the hand book on local government in Nigeria published by the federal government in 1991, The chairmen as chief executive and accounting officer shall face periodic checks in order to ensure full adherence to finance (control and management) Act of 1958.

In furtherance to the accounting procedure of the local Government, each local Government in Nigeria has an internal audit unit. The Audit is headed by a qualified Accountant. However, the internal Auditor is subject and directly responsible to the Accounting officer. If these measures are followed as stated, they will go a long way in ensuring better performance and greater productivity.

According to Sven Modell, Stockholm University – School of Business in the research of Performance Measurement Myths in the Public Sector that the public service provision may be improved by heavy reliance on financial control and come to affect operating-level action. (www.msn.com)

5. Methodology:

5.1 Sample:

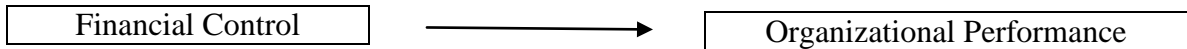
The Jaffna Municipal Council has been selected to find out the relationship between the Financial Control and Organizational Performance in the Public Sector Organizations. In the public sector organizations, the unique features of control system are implemented by the government and the responsibilities of the executives are assigned by them. There fore one of the organization has been selected to find out the results. The survey was conducted during the period of 2006 – 2009 and the 2010 reports were not available when the data collection has been made.

5.3 Data Sources

To find out the results, the following sources of primary data which was obtained through questionnaire, interview, interrogation and discussions with the officers of various departments and mostly secondary data which was obtained from the books, magazines, statements and annual reports were used. The Audit reports from 2006 to 2009 have been used to get the reliable information regarding the organizational performance.

Conceptual Model

Based on the research problem, conceptual model is depicted in the following figure constructed. In this model a direct correlative relationship is assumed in the independent variable of Financial Control and dependent variable of Organizational Performance.



5.2 Hypothesis

Based on assumed casual relationship given in the conceptual model, the following hypotheses were developed for testing.

- H₁** Effective budgetary control has positive impact on performance of municipal council.
- H₂** Effective financial control leads to better performance of municipal council.

5.4 Mode of Analysis

Financial information is analyzed by using various analysis methods. Past and present control system, and strength and weaknesses of control system are analyzed to find out the effectiveness of the control. Ratio analysis, percentage analysis and gap analysis are used to analyse the control of the organization. The organizational performance is measured by variance investigation which was carried out by the significance of variance.

Generally, the Gap analysis was made by all firms. Variance between two variables can be shown by Gap analysis. Variances between budget and actual amount expressed as percentage were explained by this Gap analysis. Municipal council controls their activities by this gap analysis. But, they can't implement their financial activities as planned in some unusual and unexpected situation. In this case, variances between budget and actual amount raised and this variance is shown by Gap analysis.

5.4.1 Position of Budgetary control

From the variance investigation the 15% of greater than or less than is focused as significance of variance. So, in this study the following dimension has been used to find out whether budgetary control is effective or ineffective that is based on level of variance.

Level of variance	Position of Budgetary control	Symbol
Variance is less than 15%	Effective budgetary control	E
Variance is more than 15%	Ineffective budgetary control	I

5.4.2 Position of performance

The following dimension has been used to find out the position of performance based on variance of expenditure level.

Level of variance	Position of performance	Symbol
Variance is favorable less than 15%	Better performance	B
Variance is adverse or favorable and more than 15%	Worse performance	W

To find the position of performance based on variance of revenue the following dimension has been used.

Level of variance	Position of performance	Symbol
Variance is favorable	Better performance	B
Variance is adverse	Worst performance	W

6. Results and Discussions

The financial information collected from Jaffna municipal council is analyzed as past and present situation and strengths and weaknesses. The information regarding usual activities and new development of this organization is obtained from annual programme budget reports. Income and expenditure account and balance sheet are most important to measure the control and performance.

6.1 Way of receiving fund

Jaffna municipal council is a service organization. So, it gets fund from their services. But it couldn't get sufficient fund for their function. Its services are made in limited area and the sources of getting fund are limited. It includes their receiving fund and income in six programmes. They are :

- 1 General Administration
- 2 Health services
- 3 Physical planning roads and building
- 4 Water services
- 5 Other public utility services
- 6 Welfare services

6.2 Way of spending funds

Revenue is used to fulfill recurrent expenditure and capital expenditure which are made by using excess over the recurrent expenditure and the capital receipts balance or excess of funds transferred to consolidated fund.

6.3 Analysis of financial control

There are four variable influencing financial control namely budgetary controls, financial ratios, Statement of cash flows and Accounting system.

a. Budgetary Control

Budget and actual amount are compared by this method. Annual budget for 2008 and 2009 are considered to compare and find out the results.

i. Evaluating Variance for Recurrent Revenue

Actual recurrent revenue for General administration is less than budgeted recurrent revenue by 12%, actual recurrent revenue for physical planning and water services is less than budgeted revenue by 54%, 22% respectively.

But Actual revenue for health services and public utility services is more than budgeted revenue by 6%, 20% in respectively. However Actual revenue for welfare services is more than budgeted revenue by 117%. This is the most favourable revenue to the municipal council and in overall the total recurrent revenue is less than 7% from budgeted revenue reducing by general administration, physical planning, and water services.

ii. Evaluating Variance for Capital Receipts

There are no capital receipts for General administration and water services. There are no actual capital receipts for health services and public utility services. Actual capital receipts for physical planning is less than budgeted capital receipts by 94% and actual capital receipts for welfare services is less than budgeted capital receipts by 99.8%. So, th capital receipts are totally 94% less than from budget capital receipts.

iii. Evaluating Variance for Recurrent Expenditure

Variance for General administration and welfare services actual recurrent expenditure is less than budgeted recurrent expenditure as 5.78% and 26.39% in respectively. Variance for health services, physical planning, water services and public utility services actual recurrent expenditure is more than budgeted recurrent expenditures of 3.57, 6.27, 5.40, 31.48 in respectively. The total variance of recurrent expenditure of all programmes is 32.89% as adverse variance.

iv. Evaluating Variance for Capital Expenditure

Actual expenditure for general administration, health services, water services, public utility services and welfare services is less than budgeted expenditure of 76%, 94%, 19%, 98%, 30% in respectively and actual expenditure for physical planning is more than budgeted expenditure as 23.74%. For all programmes, the actual capital expenditure is less than budgeted as 68.88%.

6.3.1 Analysis related to budgetary control

In this research, in relation to budgetary control, following dimension has been used to disclose position of budgetary control.

According to the dimension said, following table shows whether the budgetary control is effective or ineffective ie. in relation to recurrent revenue, capital receipts, recurrent expenditure and capital expenditure.

Level of variance

Revenue/expenditure	Programme						Total
	1	2	3	4	5	6	
Recurrent revenue	12%	6%	54%	22%	20%	117%	7%
Capital receipts			94%			99.8%	94%
Recurrent Expenditure	6%	4%	6%	5%	31%	26%	33%
Capital Expenditure	76%	94%	24%	19%	98%	30%	69%

Position of budgetary control

Revenue/expenditure	Programme						Total
	1	2	3	4	5	6	
Recurrent revenue	E	E	I	I	I	I	E
Capital receipts			I			I	I
Recurrent Expenditure	E	E	E	E	I	I	I
Capital Expenditure	I	I	I	I	I	I	I

When we consider the all programme public utility services has ineffective budgetary control in relation to revenue and expenditure. A health service has effective budgetary control in relation to revenue and expenditure, Physical planning and water services has effective budgetary control in relation to recurrent expenditure. General administration, health services, Physical planning and water services has effective budgetary control in relation to recurrent expenditure. So, when we see all programmes as a whole, most of have ineffective budgetary control.

Analysis related to organizational performance

Next, to find the relationship between budgetary control and organizational performance, the following dimension has been used in relation to organizational performance.

Position of performance based on variance of expenditure

Level of variance	Position of performance	Symbol
Variance is favorable and less than 15%	Better performance	B
Variance is adverse or favorable and more than 15%	Worse performance	W

Based variance of expenditure, if variance is favourable and less than 15%, it indicates economy and effectiveness. Favorable variance should not indicate better performance because variance is favorable but it is more than 15%. If actual amount exceeds budgeted amount for particular programme indicates adverse variance and worse performance.

The following table is considered to find out whether the organizational performance is better or not in relation to recurrent expenditure and capital expenditure.

Position of variance levels

Expenditure	Programme					
	1	2	3	4	5	6
Recurrent expenditure	6F	4A	6A	5A	31A	26F
Capital expenditure	76F	94F	24A	19F	98F	30F

Position of performance levels

Expenditure	Programme					
	1	2	3	4	5	6
Recurrent Expenditure	B	W	W	W	W	W
Capital Expenditure	W	W	W	W	W	W

From the above table variance for recurrent expenditure creates worse performance in Health services, Physical planning, Water services, Public utility services and Welfare services due to adverse variance for Health services, Physical planning, Water services and adverse or favourable above 15% for public utility services and welfare services. But variance for recurrent expenditure creates best performance in the General Administration because it indicates favourable variance less than 15%.

All programme have worse performance based on capital expenditure because all variances are above 15%.

Following dimension has been used to find out the position of performance level based variance of receipts

Position of performance based variance of Revenue

Level of variance	Position of performance	Symbol
Variance is favorable and less than 15%	Better performance	B
Variance is adverse or favorable and more than 15%	Worse performance	W

Position of variance levels

Revenue	Programme					
	1	2	3	4	5	6
Recurrent Revenue	12A	6F	54A	22A	20F	117F
Capital receipts			94A			99.8A

Position of performance levels

Revenue	Programme					
	1	2	3	4	5	6
Recurrent Revenue	B	B	W	W	W	W
Capital receipts			W			W

The variances for revenue will be against for expenditures of variance. If the actual revenue will be higher than budgeted revenue there will be favourable variances. From the above table Health services, Physical planning, Water services and Welfare services have worse performance based on recurrent revenue and capital receipts.

So, when we considering position of performance level as a whole recurrent expenditure, capital expenditure, recurrent revenue and capital receipts have worse performance in most of the programmes.

According to the analysis of budgetary control, budgetary control is ineffective and organizational performance is also worse, so ineffective budgetary control has positive impact on organizational performance.

b. Measuring financial control Using Financial ratios

Financial ratios are one of the main variables determining financial control. These are computed from data which was shown in the balance sheet of Jaffna municipal council.

Based on the data from balance sheet the following ratios are computed.

Financial Ratios

Details	2006	2007	2008	2009	Average
1.Current ratio	1.8:1	2.2:1	2.8:1	3.2:1	2.5:1
2.Quick ratio	1.7:1	2:1	2.65:1	2.65:1	2.25:1
3.Debt to accumulated fund and reserves	0.18%	0.05%	-	-	0.0575%

Source : Survey results

Analysis related to financial ratios.

Current ratio is 1.8:1, 2.2:1, 2.8:1, and 3.2:1, respectively from 2006 to 2009. Generally the standard of current ratio is 2:1. Here current ratio is acceptable in all and average also could be accepted. If quick ratio will be 1:1 that organization can perform effectively of their daily operations. From 2006 to 2009 Quick ratio is 1.7:1, 2.1:1, 2.65:1 and 2.65:1 in respectively. The average of 2.25:1 shows the surplus cash in hand in the organization. In the current ratio is as 2:1, the activities of that organization will be considered as effective. This ratio is 2.2:1 in 2007 and it is maintained the same level without large changes except 2008 as 3.2:1. So, it will lead to better organizational performance through effective financial control.

If the **Quick ratio** is 1:1 in profit organization the activities of organization will be considered as effective, here this organization is based on providing services this important to manage their running costs and it is a non profit organization, value of stock is small amount of total current assets. So it will refers better position, because this ratio is 1.7:1, 2.1:1, 2.65:1 and 2.65:1 respectively from 2005 to 2008. Liquidity resources are enough to perform their activities.

Percentage of debt to accumulated fund and reserve has been decreasing continuously during the years 2006 to 2009. Percentage of 0.18%, and 0.05%, respectively from 2006 and 2009 and there is no long term debt in the years of 2008 and 2009 and the average also very low as 0.0575%. If this ratio is lower level, the activities of that organization will be considered as efficiency. In 2006 Debt is 0.18% of Accumulated fund and reserve. So it is favorable to the organization. Like that 2005 and 2006 percentage of debt to accumulated fund and reserve is 0.18%, and 0.05%, respectively. This ratio is being decreasing continuously due to long term debts are being paid.

Evaluation of organizational performance by analyzing profitability

Profitability is one of the variables influence in organizational performance. 3 years data related to organizational performance have been collected from final accounts of Jaffna municipal council.

In 2007 excess of recurrent expenditure Rs -9074339 and capital receipts of Rs. 20254977 is equal to total revenues of Rs. 11180638. After deducting capital expenditures of Rs. 10324772 from total revenue, Rs. 855866 is transferred to consolidated fund.

In 2008 excess of recurrent expenditure Rs. 29810219 and capital receipts of Rs. 20648119 is equal to total revenue of Rs. 50458338. After deducting capital expenditures of Rs. 9435584 from total revenue, Rs. 41022754 is transferred to consolidated fund. In this period the capital expenditure is less than year 2007, so, the amount of transferred to consolidated fund is greater than 2007. The total income also is greater than 2007 so the profit is increasing with revenue.

In year 2009 excess of recurrent expenditure Rs. 235309350 and capital receipts of Rs. 9076052 is equal to total revenue of Rs. 46369623. After deducting capital expenditures of Rs. 15752916 from total revenue, Rs. 30616707 is transferred to consolidated fund. In 2009, the capital expenditure is greater than 2008, so, the amount of transferred to consolidated fund is reducing by a little variation. So, the profitability also shows a little variation. However the profitability also one of the measuring factor of organizational performance and we can conclude there is a better performance with the increasing of total revenue.

Evaluating Organizational Performance by Analysis of efficiency in the use of Limited Resources

Efficiency in the use of limited resources is one of the variable determining organizational performances. These are analysis by percentage of spend the money for the resources. In order to analyse the organizational performance the following percentages are calculated

Percentage of revenue and expenditure

Details	2007	2008	2009
1. Recurrent Revenue to total income	90.4%	92.3%	96.7%
2. Capital Receipts to total income	9.6%	7.6%	3.2%
3. Recurrent expenditure to Total income	94.7%	81.3%	83.5%
4. Capital expenditure to total income	4.9%	3.5%	5.6%
5. Percentage of transfer to Consolidated Fund	0.4%	15.17%	10.9%

Source : Survey results

From above analysis, we can identify the efficiency of limited resources. In each year it spends money for six programmes as capital and recurrent expenditures and get money from that as well as. The recurrent revenue is the major part of its total income. It increases from 2007 and capital receipts reduce from that period. Recurrent expenditure and capital expenditure to total income also decreases from 2007 except small variation of 2009. The excess of expenditure over income is transferred to consolidate fund also increases in 2008 and 2009 than 2007.

Percentage analysis related to particular programme

From percentage analysis of particular programme shows what percentage of income is obtained from particular programme.

Revenue for 2009

Programme	Recurrent income	Capital income	Total income	% of Total Income
1. General Administration	150863102		150863102	71
2. Health Services	5490957		5490957	3
3. Physical Planning	2427900	20250424	22678324	11
4. Water Services	2020135		2020135	1
5. Other Public Utility Services	21674271		21674271	10
6. Welfare Services	9200428	4553	9204981	4
Total	191676793	20254977	211931770	100

Source: Annual Reports – Municipal Council

When we analyse the trend of the income percentage of particular programme municipal council gets higher proportion of income from General Administration and lower level of income receives from Health services, Water services, Welfare services.

The expenditure of these programmes also can be measured as follows:

Expenditure for 2009

Programme	Recurrent Expenditure	Capital Expenditure	Total	% of Total Expenditure
1. General Administration	44924593	294170	45218764	18
2. Health Services	93434511	130952	93565463	37
3. Physical Planning	49935105	13047945	62983049	25
4. Water Services	19666306	1286385	20952694	8

5. Other Public Utility Services	8649165	34066	8683230	4
6. Welfare Services	18699668	959398	19659066	8
Total	235309350	15752916	251062266	100

Source: Annual Reports – Municipal Council

When we analyse the trend of the expenditure percentage of particular programme, 37% and 25% of total expenditure are spent for Health services and Physical planning respectively. 18%, 8%, 4% and 8% of total expenditure are spent for General Administration, Water services, Public utility services and Welfare services respectively.

According to the analysis related to particular program higher proportion of income is received from General administration and limited resources obtained from the programmes are used efficiency in programme of Health services and physical planning than other programmes such as General administration and water services, public utility services and welfare services.

When we measure organizational performance based on profitability and efficiency in the use of limited resources the profitability is favorable and limited resources are used efficiency. So it indicates better organizational performance. When measuring the financial control based on financial ratios and cash flow statement, financial ratios are effective in the organization, and cash flow statement also favorable and indicates effective financial control.

From this analysis we can concede that the effective financial control leads to better organizational performance.

7 Conclusion

According to the way of receiving fund, out of 100%, 65% of revenue is obtained from revenue grants and 15% of income is received from rents. According to the way of spending fund, out of 100%, 80% of recurrent expenditure is spent for personal emoluments and 60% of capital expenditure is spent from government resources.

When considering position of Budgetary control, physical planning, water services and public utility services have ineffective budgetary control and programme general administration, health services and welfare services have effective budgetary control in obtained recurrent revenue.

Physical planning and welfare services have ineffective budgetary control from capital receipts public utility services and welfare services are ineffective and general administration, health services, physical planning and water services are effective. In making capital expenditure all programme are ineffective. Therefore, more programmes have ineffective budgetary control based on revenue and expenditure.

When considering performance level based recurrent expenditure health services, physical planning, water services and welfare services have worse performance and general administration has better performance. Based on capital expenditure all programmes have worse performance.

When we considering recurrent revenue, programme health services, physical planning, water services, public utility services and welfare services have worst performance and general administration has better performance, and based on capital receipts all programme have worst performance. So, more programmes have worst performance based on budgetary control.

When measuring financial control using financial ratios, Current ratio, Quick ratio and debt to accumulated fund and reserve is effective. And these ratios as average are 2.5:1, 2.25:1, and 0.0575% in respectively. When evaluating organizational performance with its profitability total excess to revenue over expenditure is 41022754 and 30616707 respectively in 2007 and 2008. According to the percentage analysis, related to particular programme 71% of total income is obtained from general administration, 37%, 25% of total expenditure are spent for health services and physical planning respectively.

So the relationship between financial control and organizational performance is positive. Effective financial control leads to better organizational performance. Like that ineffective budgetary control leads to worst organizational performance.

We can conclude effective budgetary control leads to better organizational performance. In this study, budgetary control is ineffective and organizational performance based on budgetary control is worse. But we can conclude effective financial control leads to better organizational performance.

8 Suggestions:

After testing hypothesis some recommendations can be given related to this study. One of the main sources of recurrent revenue of the Jaffna municipal council is obtained from assessment tax this is estimated based on annual value of dwelling and business places. However, low income is obtained from these resources to past few years due to abnormal situation. Non recovery of assessment tax and poor collection of the same is the main reason for financial crisis in the Jaffna municipal council. This can be collected from efficient manner.

Major part of the financial strength depends on government grants. These grants are given for the particular project or work. In the case, amount granted is insufficient for a particular work; council utilized its own fund to complete the work. The related staff should budget it clearly and the work should be completed within the period to manage fund granted.

Other revenue includes business tax, entertainment tax and water rates. The amount of revenue received from the above sources has been decreased and affected financial position. Business tax means the transfer of ownership of the business and the license

duty for the particular business. The council faces difficulties in the recovery of business tax. The council faces difficulties in making payment for its expenses due to increasing of prices of materials and less amount of grant given by the government. The action should be taken by the respective officers to avoid these problems.

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