



Controlling the Financial Performance of Jordanian Municipalities by Improving Financial Regulations An Analytical Study

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Abstract

This study aims to know the symptoms of weak financial control in Jordanian municipalities, and the role of regulations that cover the performance of the municipalities as a reason for these symptoms. To achieve this, the researcher analyzed the symptoms of weak financial control that appeared in the annual reports of the Accounting Bureau for the years 2009-2012, and associated these symptoms with the weaknesses in regulations that cause the symptoms. The researcher analyzed the articles of the Law and the Financial Bylaw of the Municipalities. The most important findings of the study include the existence of very weak compliance with financial laws and regulations, in addition to weak financial conditions of the municipalities. In addition, the Law of the Municipalities was found to be lacking and ambiguous in stating the authorities of the municipality mayor and the municipality manager, and that it gave additional executive and control authorities to the Minister of Municipality Affairs. The Financial By-Law of the Municipalities was found to contradict with the Law of the Municipalities in several areas, and was found lacking sufficient accounting principles that would enhance the financial control in the municipality. The study suggested a number of recommendations including the need to modify the Law of the Municipalities, and the need to replace the Financial By-Law of the Municipalities in order to implement a modern financial system with clear accounting, control, and organizational standards that apply local and international best practices. In addition, the study recommended the establishment of an internal control unit in the municipality.

Keywords: *Jordanian Municipal Financial regulations, accounting for municipalities, Municipalities law, Municipalities Financial By-Law, Municipalities Financial Performance.*

Introduction

The history of the Jordanian municipalities starts with the inception of the kingdom in 1920, at that time, there was eleven municipalities (Maharmeh, 2013); after that, they increased to reach 328 municipalities by 2000, then the government merged the convergent ones reducing them to 93 municipalities (General Budget

Dept, 2013), then in 2013, 7 new municipalities were established bringing the total number to reach 100 municipalities (Al-Urdun Alyaum agency news, 2013).

During this long period, the state gave one of its priorities to municipalities for the purpose of rendering services and developing local societies.

For this purpose, the first Municipalities' law was issued in 1925, replaced by 1938 law, 1955 law, 2007 law, and finally by the current law of 2011.

Municipalities are public sector enterprises (United Nations, 1993:87), that their financial affairs are related directly to governmental regulations.

Governmental regulations can be either a constitution, law, bylaw, or an instruction (Ahmaro, 2003, 43).

A municipality in Jordan is managed by a board, consisting of mayor and a number of members.

As per law, there are four classes of municipalities, depending on its location in governorates and population as follows (article 4):

- First class: municipalities of the centre of a governorate and any municipality that has more than 100000 habitants.
- Second class: municipalities of the centre of a sub-governorate and any municipality that has habitants between 15000 and 100000.
- Third class: municipalities of the centre of a shire and any municipality that has habitants between 5000 and 15000.
- Fourth class: any other municipality.

Ministry of Municipal Affairs (MOMA), do its best to help municipalities in many aspects such as; using resources, increasing their ability to serve effectively and efficiently, this effort also include technical, financial and administrative assistant.

In addition to MOMA's control, municipalities are controlled by its internal control unit and by Accounting Bureau as an external governmental auditor.

Despite the effort of all parties, municipalities suffer from a hard financial situation, that affects negatively on their ability to serve the society.

2- Study Problem

There are many types of reasons behind the hard financial situation of municipalities, such as: the number of workers is more than its actual needs, shortage of qualified staff, shortage of financial resources, a wide spread area that should be served, shortage of a financial legislature coverage.

The study problem will be clarified in the following questions:

- What are the symptoms of the financial troubles of the municipalities?
- What are the characteristics of the legislatures that control the financial function of the municipalities?

- What are the defects of the municipalities' legislatures?
- What are the improvement opportunities in the municipalities' financial legislatures that are needed to control their financial situations?
- What are suggestions that may prevent municipalities' financial suffers?

3- Study Objective

This study aims to realize the following objectives:

- To recognize the municipalities actual financial situation.
- To identify the regulations that control the financial function of the municipalities compared with those in other countries.
- To reveal any defects in the municipalities' regulations.
- To clarify any improvement opportunities that may found in the municipalities' regulations.
- To present conclusions and recommendations that may help in control the municipalities financial difficulties.

4- Study Terminology

- Municipalities: all types of municipalities in Jordan, excluding Amman Greater Municipality, Aqaba special economic zone, and Petra tourism region authority.
- Municipalities financial regulations: Valid regulations at the time of the study include both:
 - a. Municipalities' law no. 13 of 2011, and
 - b. Municipalities financial bylaw no. 77 of 2009.
- Financial Performance: A general measure of a firm's overall financial health over a given period of time (investopedia.com).

5- Methodology

A. Data collection method: The researcher used the analytical approach, because it is the most suitable for the subject of this study (Abu Sal, 1998), the secondary and primary resources are as follows:

- Secondary resources: Include Jordanian and other countries' regulations, texts, and published scientific researches.
- Primary resources: Include financial and nonfinancial data that are collected from the annual reports of the Jordanian Accounting Bureau for the period 2009-2012 . (Accounting Bureau, 2009, 2010, 2011, 2012).

- B. Study Society and sample:** Study society is the Jordanian municipalities, while its sample includes the municipalities that are referred to in the annual reports of Jordanian Accounting Bureau for the years 2009-2012 which represent more than 75% of the society.
- C. Analysis Tool:** This study collects and analyzes remarks and notes about municipalities that are included in the sample.
- D. Comparative Tool:** This study compares the financial articles of the Jordanian's municipalities regulations with the following:
- 1- With municipal regulations in Lebanon (Municipalities Law, (1977), Iraq (Law of management of municipalities,(1964), Palestine (Law of the Palestinian local bodies, (1997), Algeria (Law of regional groups, (2011), Oman (Law of municipal boards, (2011), Egypt (law of local administration, (1979).
 - 2- With the Financial bylaw no 3 of 1994 of the Jordanian central government.
 - 3- With International Public Sector Accounting Standards.

6- Study Limitations

The following matters are beyond the scope of this study:

- Amman Greater Municipality, Aqaba special economic zone, and Petra tourism region authority because the municipalities' law exclude them from most of its articles.
- Any nonfinancial related municipal regulations such as human resources, land and other taxes and fees, and procurement regulations.

7- Previous Studies

Reviewing the literature about this subject reveals the following:

- Zurob sudy, 2006: This study aims to discover the most important difficulties that faces municipalities of Gaza strip while preparing and execution budgets. The study reveals that most of the difficulties may referred to lack of knowledge of the importance of budgets, lack of cooperation between employees, lack of cooperation of management, lack of experience, appearance of unexpected situations. The study recommend that municipality should conduct training courses for staff, all administrative levels should participate in preparing budgets.
- Rahahleh study, 2006: The study focused on comparing the law of Jordanian Accounting Bureau with other similar laws in Arab countries, with international standards with focus on conducting control. The study declares that the law is not coincide with international standards, laws in other Arab countries are more

advanced than the Jordanian law. The study recommended that the law should be amended to agree with the international standards.

- Taher study, 2011: This study aimed to declare to which extent that the legal tools of Algerian law helped the municipality conducting its role for developing local society. The study revealed that the law has an important role in managing a municipality, but municipalities failed in using the legal coverage for development, it reveals also that municipalities still required more independence from the central government that may allow it to serve society better.
- Palestine Municipalities development project, 2013: This study focused on how to develop Palestine municipalities regulations. The study presented the identical form that a municipality has to be, declared the processes and tools that a municipality should follow to serve and develop local society, and suggested the best legal framework a municipality needs.
- Durgham and Sheikh Eid study, 2008: The study aimed to evaluate efficiency and effectiveness of a municipality's budget as a basis for planning and control, the study concluded that most of the required tools for this purpose are available and could be used and the municipality's budget could be used a planning and control tool. It recommended that a municipality must employ a qualify staff, get benefit from information technology implements, use a permanent data base.
- Sader study, 2012: The study aimed to show the Lebanese municipalities' achievements and any challenges that prevent them from serving the local society. The study declared that municipalities face deferent kinds of managerial, technical, and regulation challenges . The study also declared that most of municipality's regulations are not suitable as they are deteriorated. It also declared that municipalities face many challenges some with preparing budgets. It present some recommendations that may help municipalities serve better, some of these recommendations focused on regulations and the need to update them.
- Balgelili study, 2010: The study aimed to clarify the reasons for the increasing budget deficit in Algerian municipalities and to present solutions for that worry. The study declared that the major challenges that face the Algerian municipalities include weak truly resources, weak the regulative and control structure that be able to manage a municipality, shortage of technical, talented, trained staff in most of the municipalities, bad collecting system, little or no managerial abidance, shortage of revenues. The study recommended that a municipality should reduce and ration expenditures, increase revenues, repair collecting system, pay more attention for staff, local society must be involved in a municipality reality, the central government must help municipality financially and technically.

- Al-Najdawi study, 2013: The study aimed to examine the application of governorate principles and basics at public sector entities in Jordan. The study declared the direct role of some Jordanian public sector entities in the governorate of the public sector as a whole. The study also focused on some challenges that face the application of the governorate principles and basics in Jordanian public sector entities. The study then introduce some recommendations that the public sector entities may use to push application of governorate basics and principles.
- Batareseh study, 2004: The study aimed to analyze all municipalities' regulations and their application. The study finds that there is some disagreement between financial regulations in Jordan, there are two kinds of control applied on municipalities at the same time; from ministry of municipalities affairs and from ministry of interiors causing some kind of difficulty in municipality. The study recommends that the financial regulations need to be reviewed and organized.
- Mashagbeh study, 2006: The study aimed to analyze factors affected the financial performance of the Jordanian municipalities. It declared that the following factors have a major effect on the financial performance: changing of financial regulations, control of Accounting Bureau, merge of municipalities, other technical, organizational, and behavioral factors. The study recommended that financial regulations have to be amended to be more suitable for municipalities, also municipalities organizational structure, managerial behavioral should be improved.
- Abu- Fares and Al-Maani study, 2006: The study aimed to know the effect of merge Jordanian municipalities on their managerial and financial efficiency. It declares that merge of Jordanian municipalities has a positive managerial and financial effect on them. It recommended that municipalities should select qualified staff, the local society can share municipalities in decision making.
- Muwaffq study, 2007: The study aimed to examine the financial independency of municipalities from the central government. It shows that municipalities cant exert any kind of independency, it shows also that central government has two kinds of tools to exercise over municipalities; the first tool is a direct one through laws and other regulations while the other is indirect one through the use of governmental contributions to finance specific projects. The study recommended that a municipality can be more effective and efficient if it exercise its financial independency.
- Merza study, 2007: Study aimed to examine the challenges that face of Canada's Municipal Infrastructure and threaten their ability to conduct capital services in water, transportation, wastage water, and other services. It declared that municipalities suffer from increased demand of services, shortage of

financial resources, deterioration of infrastructure assets, many other challenges with geographical and population reasons. The study recommended that municipalities should increase its attention to renew their infrastructure assets.

As a result, these studies focused on clarifying municipal duties and challenges, most of them insisted on the importance of financial regulations in obtaining the municipal effectiveness and efficiency.

This study distinguished from other studies as it focuses on the financial regulations of the Jordanian municipalities from accounting and legal aspects.

8- Study Analysis

8-1: Analysis of municipalities financial infringements:

From the annual reports of Accounting Bureau, The researcher noticed the following infringements:

- Municipalities loans: municipalities take loans to pay wages and salaries instead of financing development projects, take a loan without recording it in books.
- Delay in performing duties, and delay in paying liabilities.
- Delay in recording financial transactions, , in reconciling bank and other accounts, and in preparing the year- end financial statements.
- Accounting records: No budget or accounting records is maintained, or delay in recording in it.
- Disallowing Accounting Bureau's staff from conducting their duties.
- Incorrect calculation of taxes and fees on occupational and buildings' licenses, or issuance of illegal occupational and buildings' licenses.
- Lack of qualified staff, and little control is exercised over employees.
- Little controls exercised over fleet.
- Unauthorized staff can collect cash, and can record into accounting system, conduct auditing.
- Delay in depositing funds into bank account.
- Absence of internal control unit or unqualified staff conducting its tasks.
- Lack of control over warehouses.
- Permanent financial deficiency, budget insufficiency.

8-2: Analysis of Municipalities Law no. 13 of 2011:

The analysis covered the following dimensions:

- 1- Municipality Independence and its financial effect: As per law, a municipality has financial and administrative independence (article 3), which means that its budget and all other financial affairs are separated from those of the government, the municipality's board has the ability to take financial decisions.

This is the same in Lebanon, Iraq, Palestine, and Algeria, while municipalities in Oman and Egypt are an integral part of the governmental body, the role of their boards is nearly to be advisory.

This independence, however, does not include many core financial aspects of a municipality, as a municipality must obtain a prior ministerial approval for budget, end- year accounts, loans, staffing, purchase, rent, hire and retire of assets (articles 41-56).

As a result, The independence of a Jordanian municipality means that it does not have a full ability and power to conduct its roles and priorities without interference from the ministry.

Some of the reasons of municipalities financial difficulties may be referred to a lack of independence.

2- Financial effect of a municipality classification: As per law, a municipality may be classified in one of four classes (Article 4/a). The classification clarifies financial rights and obligations of a municipality (Article 4/c).

But the law leaves the explanation of these rights and obligations to a bylaw that must be issued, but as the researcher's best knowledge, no bylaw has been issued yet.

In Arab states, no municipality classification found in Oman, Lebanon, or Palestine, while in Algeria the classification relates to elections and boards but has no financial effect, in Egypt; they have three levels of municipalities with three different levels of rights and obligations including financial issues, in Iraq, municipalities are classified into six categories with different financial and administration effects.

As a result, A new Jordanian bylaw is required to clarify the financial effects of a municipality's classification.

3- Municipality functions and responsibilities: As per law, a municipality has (29) non financial functions, (2) financial functions ones.

Municipalities functions in Iraq, Lebanon, Algeria, and Palestine seem to be similar with the Jordanian ones, but in Egypt and Oman a municipality is treated as part of the central government therefore it has different functions depending on its type, the role of its board.

As a result, The law gives Jordanian municipalities sufficient functions, authorities, and responsibilities that allow them fulfill their duties to local society, therefore it can't be understood that municipalities financial difficulties are referred to lack of responsibility.

4- Financial authorities and responsibilities of Mayors: As per law, a Mayor in any Jordanian municipality has the following responsibilities despite its class: he works on behalf of the municipality's board in signing contracts, tenders, mortgages, rents and loans, can begin legal actions on behalf of a municipality,

put the boards' decisions on effect, follow up and collect the municipality's debts (article 52), and prepare the year- end final accounts, but he has no authority to take a major financial decision without obtaining the minister approval (article 56).

Mayors' responsibilities in Jordan are similar with those in Lebanon and Palestine, While in Egypt and in Oman a Mayor has faces some restrictions on performing duties because he must work under a direct supervision of the governor, But in Algeria and in Iraq a Mayor has two clear roles; a supervisory role, and an executive one as the head person of a municipality, a mayor has a full authority that allow him conducting his responsibilities.

Some infringements shown in the analysis of the financial situation of the Jordanian municipalities can be referred to the limit, confusing and imbalanced role given to a mayor, some can be referred to the equality of treatment of municipalities which does not differentiate between the four classes of municipalities, and some can be referred to the actual role done by a mayor.

As a result, the following points should be taken into consideration in the law:

- A mayor should have clear controlling and executive responsibilities to allow him control and manage municipalities activities.
- A mayor's responsibilities should be dissimilar depending on the class of a municipality, this means, in the third and fourth class municipalities, a mayor may have wide controlling and executive financial responsibilities, while in the first and second class municipalities he can authorize some of these responsibilities to administrative and financial staff of a municipality.
- It could be better if the Jordanian law give a mayor controlling and executive authorities and responsibilities similar to those in Algeria and Iraq.

5- Financial authorities and responsibilities of a municipality's manager: As per law, a first and a second class municipality is required to appoint a manager, while the other municipalities is not.

The manager is the head person in a municipality, responsible for controlling all employees activities, he has to carry out the boards decisions, implement contracts, supervise maintenance of properties, prepare annual budget, annual and quarterly reports, final accounts, supervise collections, and approve expenditures (article 41/c).

The law doesn't mention who conduct these responsibilities in the third and fourth class municipalities.

No manager function mentioned in municipality laws of Egypt, Algeria, Oman, or Lebanon. In Palestine, the law accepts appointing a manager, but no clear responsibilities given to this function. In Iraq, a municipality is managed

by an executive committee headed by a mayor with clear responsibilities and authorities.

Some infringements shown in the analysis of the financial situation of the Jordanian municipalities can be referred to lack of managerial commitment by municipality managers in conducting their duties with employee staffing, vacations, terminations, lack of follow up, violation of regulations in tenders, maintenance, stores and collections. It is shown also that some of those indicators can be referred to lack of a manager's function in third and fourth class municipalities.

As a result, it is seemed to be necessary that the law must be amended to mention who conduct the manager's responsibilities in the third and fourth-class municipalities.

- 6- Financial Authorities of Ministry of Municipalities Affairs: As per law, the ministry has wide range of financial authorities on municipalities, these authorities include approval of annual budget, end- year closing accounts, municipality loans, sale of or rent of municipality's properties, municipality capital projects, propose municipalities financial bylaw and other bylaws (articles 40-58).

Concentration of authorities with the ministry serves as a controlling tool on municipalities, that is, a municipality has to obtain prior approval for any major financial action, while, at the same time, it could be seen as a barrier against any favorable decision a municipality may take, a ministry may take unfavorable actions against the board's willing, or the ministry's approval may be delayed.

Some infringements shown in the analysis of the financial situation of the Jordanian municipalities can be referred to restrictions and unfavorable decisions made or approved by the ministry, therefore a municipality's board may argue that any difficulties face a municipality is a result of the ministry's actions not a board's one.

In Lebanon, a municipality has to obtain prior approval of different bodies (minister, governor, or head of a shire) depending on the value and kind of the decision. In Oman, all of the financial decisions of a municipality are taken by a governor. In Iraq, depending on the municipality class, financial decisions have to be approved by either a minister, a governorate board or a shire board. In Palestine, the relationship between a municipality and the ministry is similar with that in Jordan, that is a municipality has to obtain a prior ministry's approval on its financial decisions. In Algeria, no ministry's approval is required for financial matters. In Egypt, the financial decision of a municipality is taken by a governor, a minister, or the board of ministers depending on its subject.

As a result, depending on what is observed in other states, it seems more practical if the law gives authorities to head of a shire, governor, or the minister depending on the value and the nature of a decision.

7- Auditing a Municipality's Accounts: As per law, a municipality's accounts are audited by the Ministry of Municipal Affairs and Accounting Bureau (articles 59-60).

a. Auditing conducted by the Ministry of Municipal Affairs: due to lack of information about the methodology and results of the ministry's auditing, the researcher noticed that the ministry suffers from many difficulties and has many infringements (Accounting Bureau, 2012), which indicate that the ministry doesn't have the ability to scope effectively this duty over 100 municipalities due to the shortage of skilled and specialized team.

Some infringements shown in the analysis of the financial situation of the Jordanian municipalities can be referred to inability of the ministry to perform effectively auditing on municipalities.

Every Arab State, has its own system on conducting audit on municipalities as follows: In Lebanon, municipalities are subject to the General Controller power not a ministry. In Oman, no reference is mentioned to audit on municipalities. In Iraq, some municipalities are audited by the ministry, while others are audited by Bureau of Financial Control. In Palestine, the Minister has the authority to setup a controlling committee on municipalities. In Algeria, the Accounting Board is the body who conduct auditing on municipalities. In Egypt, the Ministry of Finance is performing audit on municipalities.

As a result, The Jordanian law offers the ministry the authority to complete auditing, but it seems that the ministry is not capable to do so without enriching its staff with skilled and specialized team.

b. Auditing conducted by Accounting Bureau: Accounting Bureau is the external auditor to conduct audit on municipalities (Accounting Bureau law, (1952), and Municipalities law,(2011)).

Accounting Bureau, an independent governmental unit, presents its annual report to the legislature authorities showing remarks and notes appear while auditing public sector entities (Alqbeilat, 2010).

Accounting Bureau conducts duties using many ways or means, such as preceding auditing, later on auditing, and unexpected check.

As a result, , The Jordanian laws offer Accounting Bureau the authority to conduct auditing without any restriction, but it seems that the Accounting Bureau is not capable to prevent the unfavorable exercises happen in municipalities.

8-3: Analysis of Municipalities Financial Bylaw no. 77 of 2009:

The following dimensions are discussed:

1- A new version of the financial bylaw is needed: The financial bylaw was issued in 2009 while the law requires a new financial bylaw to be issued to be applicable with the 2011 law.

2- Lack of congruence between the law and the financial bylaw: It is noticed from comparing law articles with those of the bylaw that there is a lack of congruence between them in many major financial areas as follows:

a. Terminology definition: The law define a municipality as (a private enterprise with a financial and administrative independence; established, dissolved and locate its border; declare its functions and responsibilities as per the law articles). While in the bylaw, a municipality is the municipal council.

As a result, a terminology definition of a municipality should be the same in both the law and the bylaw, which means that the bylaw should be amended to match the law definition.

b. Financial responsibilities of a mayor: The bylaw gives the mayor some executive financial responsibilities that are not mentioned in the law; such as treating him as one of the financial staff of a municipality, he has the ability to enter the accounting system, make entries, make licenses and put stamps, sign on accounting books and records (Financial bylaw, articles 2 and 176).

For control purposes in any accounting system, The executive responsibilities of any member should not be joined with the controlling responsibilities (Romney & Steinbart, 2006).

As a result, in the municipality financial bylaw, adding any executive responsibilities to a mayor has to be agreed with the law.

c. Financial responsibilities of a municipality manager: The municipalities financial bylaw does not attach any financial responsibility to the manager, while in the law; the manager has many financial responsibilities. In addition to that, some responsibilities attached to the manager in the law while it is for the mayor in the bylaw (article 15 of the bylaw & article 41/c/3 of the law), this means that there is kind of disagreement between the two legislatures in this point. As a result, the bylaw has to be modified to agree with the law's articles.

d. Financial responsibilities of a governor: As per law; no financial responsibilities attached with the governor, while in the financial bylaw he has many financial responsibilities; such as his approval on opening a bank account of a municipality is required (article 105), to determine the cash balance a municipality has to retain (article 147), to determine rules of

moving cash to and from banks (article 148), to approve destroying accounting books and records (article 164), to establish committees for counting cash and check accounts and any financial records (articles 169, 172, 177), to approve drafts of any municipal bylaws to be sent to the ministerial council (article 179), the municipality should send to the governor on quarterly basis financial reports (article 168) or any shortage or loss of money (articles 3/f and 183) or keys (article 134). As a result, the bylaw has to be modified to agree with the law's articles.

e. Financial responsibilities of the interior minister: As per law; the minister of municipal affairs is the person to whom municipalities should refer in all financial issues, but the municipalities financial bylaw refer many of these financial issues to the interior minister such as: approving the annual budget, accepting refunds and bills, paying advances, establishing committees (articles 7, 9, 12, 68 99, 102, 109, 112, 145,147, 170, 174,178). As a result, again the bylaw has to be modified to agree with the law's articles.

f. Financial responsibilities of the municipal affairs minister: As per municipalities financial bylaw, the municipal affairs minister has only one financial responsibility which is the minister has to approve any loss of a municipality's properties before taking a decision from the ministerial counsel (article 184).). As a result, again the bylaw has to be modified to agree with the law's articles.

3- The municipalities financial bylaw does not reflect any modern accounting principles: The bylaw contains many procedural details and restrictions, but it does not contain any local or international modern accounting principles or rules that are guarantee a protected accounting system, nor it contains any local or international rules that are applied in many countries and represent the best practices in the public sector accounting; sum of these rules and principles are: using the double entry method, applying accrual accounting, issuing a balance sheet, a statement of financial performance, a cash flow statement, adapting cost accounting principles, introducing modern budgeting and performance measurement concepts, using a classified chart of accounts, linking budget accounts with the general ledger accounts, etc. (The central government financial bylaw, 1994, and IFAC, 2012) :

4- The municipalities financial bylaw does not contain any requirement that can reinforce the internal control system in a municipality: such as (Abdullah, 2001) building an effective management organizational structure, accounting system, procedural concepts to perform duties, staffing rules, performance rules, prevent and detect illegal transactions in an accounting system, etc.

5- Multi control levels over municipalities: In addition to the control of Accounting Bureau, the financial bylaw give the minister of municipalities affairs, a governor and a mayor the authority to set up committees to check any loss or count any money or any property of a municipality at any time, which seems to limit a municipality's ability to perform its duties (Al-Abbady, 1995), that's requiring the control levels to synchronize their efforts (Al-Khalaileh, 2010).

6- The municipalities financial bylaw ignores establishing an internal control unit in a municipality: None of the municipalities financial bylaw articles mention establishing an internal control unit in a municipality, while this requirement is found in the central government's financial bylaw (Financial bylaw, 94). The internal control unit of a municipality realizes the following three general objectives: minimizing the probability of shortage, loss or falsification, assuring that a municipality pledge with rules of receiving or paying money or uses of resources, and assuring of the correctness of data deliberation on a municipality (Anthony & Young,1988).

At the end of this discussion on the municipalities bylaw, it is declared that the bylaw is too far from the rules of municipalities law, rude and far from reflecting the best practices of other Jordanian as well as international public sector enterprises in all accounting, budgeting and control areas, which may cause many of difficulties that face Jordanian municipalities. Therefore the opportunity appears here to amend the municipalities financial bylaw.

9- Study Results:

The following results have been reached in this study:

- 1- Jordanian Municipalities suffer from many financial difficulties; most of them are continual, long aged, and comprehensive.
- 2- The financial difficulties could be described as durable shortage of funds, indebtedness, lack of accuracy, delay in or not issuance of annual reports, dissenting regulations, incorrect of accounting reports, theft or shortage of money, stores or other assets.
- 3- Jordanian municipalities suffer from secure internal control system
- 4- It is declared that municipalities law has a role in municipalities financial difficulties as follows:
 - a. The government doesn't issue a bylaw to declare municipalities rights and responsibilities based on their classification.
 - b. The Minister has many executive and control duties, that reduces the ministerial controlling power.
 - c. The ministry could not carry its control power that are required by law.

- d. The law doesn't clarify the municipality's manager duties in third and fourth class ones.
- 5- In municipalities financial bylaw: It is declared that the Bylaw doesn't agree with the Law, has many weaknesses, and it is far from international practices. Some of the Bylaw's attributes are:
- a. The Bylaw was issued in 2009, or two years before issuance of the Law; It doesn't include the Law's modifications.
 - b. There are differences in definitions of some articles between the Law and the Bylaw.
 - c. The Bylaw contains a Mayor's executive responsibilities that are not included in the Law.
 - d. There is a kind of conflict between the Mayor's responsibilities and the Manager's responsibilities.
 - e. The Bylaw contains financial responsibilities for the governor that are not contained in the Law.
 - f. There is a kind of conflict between the Interior Minister's financial responsibilities and that of the Municipal Affairs Minister.
 - g. The Bylaw doesn't include any article supporting the internal control system of a municipality.
 - h. The controls included in the Bylaw are old, not suitable to the modern accounting systems, not agree with those of the Jordanian central government financial regulations or the International public sector standards.

10- Recommendations:

The study recommends the following:

- A. For the Municipalities Law:
 - A new Bylaw should be issued to declare municipalities financial rights and responsibilities based on their classification.
 - The Law must be amended in order not to give the Minister any executive financial responsibilities in a municipality.
 - The Law must be amended to reinforce municipalities ability to take its financial decisions.
 - The ministry should reinforce its control power over municipalities financial performance.
 - The role of a municipality's manager in the third and fourth-class municipalities should be remedied.
 - The Law must include articles that can reinforce the internal control in the municipality's financial information systems.
- B. For the municipalities financial bylaw:

- A new municipalities financial bylaw is to be issued in order to be consistence with the law.
 - The new Bylaw has to reflect the international and local best practices in all financial aspects of municipalities especially the International Accounting Standards in Public Sector.
 - The new Bylaw has to organize rights and responsibilities of municipality's Mayor and Manager.
 - The new Bylaw has to eliminate the financial role of the Interior ministry.
 - The Bylaw must include articles that can reinforce the internal control in the municipality's financial information systems.
- C. An internal control unit has to be established in the municipality.

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