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Thyaka, F. V.,^{1*} & Kavale, S.²

¹ MBA Candidate, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

² PhD, Lecturer, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

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ABSTRACT

The purpose of this study was to examine and evaluate the internal control system in operation at Kenya Revenue Authority with a view of knowing whether strengthening of internal controls can have any effect of revenue collection and to answer the question “To what extent has internal controls enhanced revenue collection in KRA? A descriptive survey design was used. The target population of the study consisted of 72 domestic taxes senior officers and 156 domestic taxes junior officers that were working at Kenya Revenue Authority Mombasa Region. This study used questionnaires as the main tool for data collection. The questionnaire content was checked to ensure completeness and accuracy. The researcher used the statistical package for social sciences (SPSS) to analyze the data. The statistical method of Pearson Product of Correlation Coefficient was used to analyze relationship between various variables. The results indicated that internal controls had a positive significant effect on revenue collection. For all the items, the critical values were significant at $p < 0.05$ level of significance. This indicated the acceptance of the research hypotheses, namely; control environment, risk assessment, control activities, and information and communication have a positive significant effect on revenue collection. The test statistic results were as follows: control environment and revenue collection ($r = 0.412$, $p = 0.000 < 0.05$), risk assessment and revenue collection ($r=0.398$, $p=0.002<0.05$), control activities and revenue collection ($r = 0.451$, $p = 0.001 < 0.05$) and information, communication and revenue collection ($r = 0.471$, $p = 0.000 < 0.05$). Based on the results in the study, the researcher recommended that: the various policy managers, the top management and other stakeholders should establish and maintain an enabling control environment; KRA together with other partner agencies should come up with strong partnerships in assessing the various risks that could affect revenue collection negatively and should also ensure that the various risks are managed at any given level of operations effectively and efficiently; The KRA managers and strategists should ensure that all the control activities are identified, strategically positioned and implemented across all the departments in order to achieve improved revenue collection; and there should be well established information and communication platforms since internal controls are a good practice for avoiding information asymmetry but for revenue collection (there should be a proper tax base upon which projections are founded on information sharing/flow and proper communication). This facilitated with a revenue enhancement strategy definitely lead to maximisation of revenue collection.

Key Words: Control Environment, Risk Assessment, Control Activities, Information Communication

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INTRODUCTION

Any entity of whichever form or size should put in place its own system of controls in order to achieve its objectives (Mwindi, 2008; Abdalla, 2017; and Aaltonen & Ikavalko, 2018). A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of organizations. However, ineffective internal controls result in ineffective programs and eventually leading to losses (Olumbe, 2012; Ahmadi, Salamzadeh, Daraei & Akbari, 2019). While writing a report on Capital Markets Regulators Reign in on Rogue Firms for the Standard Media in May 2013, James Anyanzwa stated that the recent incidence of corporate failures and accounting frauds are mostly preceded by failure in companies internal control structures. This research report was intended to look into the correlation between internal controls and revenue collection in Kenya Revenue Authority (KRA).

According to Republic of African nation (2019), Amrule (2019) etc., KRA was established in 1995 as associate degree Act of Parliament. Ab initio it absolutely was came upon because the department of taxes and customs and excise and it absolutely was beneath the management of the Ministry of Finance. KRA was shaped principally to facilitate in widening the assets by streamlining tax expenditure, minimize revenue leakages and enhance trade by expediting sleek and fast clearance of products. Cognizance of the very fact that viability are increased with economical internal controls and established accounting systems KRA lead off immense capital outlay in procuring and establishing accounting computer code just like the Simba system, ITMS, ORACLE and enforced the relevant internal controls to make sure continued viability. though the organization has committed itself to the massive cost on computer code packages and internal controls there square measure still widespread claims and perception that there square measure a great deal of leakages through unscrupulous activities at intervals the organization assurance (Mwachiro, 2019). This

raises the basic question of whether or not the complete effort on the investment was vainly. The study so sought-after to explore the effectiveness of the internal controls in KRA's revenue collection given the claims and perceptions to the contrary. The paper can try and verify whether or not the massive capital outlay on accounting computer code and therefore the control systems place in situ by KRA has any impact within the revenue assortment.

According to Hamed (2009), control System refers to an organized amalgamation of functions and procedures, within an entire system of controls established by the management and whose purpose is the successful function of the business. control System is all the methods and procedures followed by the management so as to confirm, to a good extent, the maximum amount successful cooperation as possible with the director of the corporate, the insurance of the capital, the prevention and therefore the detection of fraud, further because the early preparation of all the useful financial information (Keitany, 2000; Andrews, 2019).

Awitta (2010) stated that revenue collection is that the amount of cash that a corporation receives during a particular period. It's the "top line" or "gross income" figure from which costs are subtracted to see income. Revenue collection is defined as income that an organization receives from its normal business activities, usually from the sale of products and services to customers. Revenue is spoken as turnover. Some companies receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may consult with business income normally, or it's going to sit down with the quantity, during a unit of measurement, received during a period of your time assurance (Mwachiro, 2019).

Kenya revenue Authority was established by an act of parliament in 1995 as a semi-autonomous government agency responsible for revenue collection. The overall objective was to provide operational autonomy in revenue collection and enable its evolution into a modern, flexible and integrated revenue collection agency i.e. KRA was established for assessment, collection, collection and enforcement of laws relating to revenue. The Act made KRA —a central body for the assessment and collection of revenue, for the collection and enforcement of laws relating to revenue and to provide for connected purposes. The Authority is under the general supervision of the Minister of Finance as an agent for the collection and receipt of revenue. KRA currently collects around 95% of government revenue (Odundo 2007; Mwachiro, 2019).

Since the inception of KRA, revenue collection has continued to grow while professionalism in revenue collection has been enhanced. However, a number of processes remain manual and KRA is yet to operate as a fully integrated organization (Yusuf, 2007; Ahimbisibwe, 2019). To achieve the above targets, the management of KRA must adopt measures to ensure that available resources are prudently used to obtain value for money from resources allocated to them. Management in turn should generate operational data with which they evaluate the efficiency and effectiveness of their operation. It is fundamental aspect of management stewardship responsibility to provide interested parties with reasonable assurance that their organisation is effectively controlled and that the information they receive are accurate and dependable. Developing a strong system of internal control systems provides this assurance (Mwachiro, 2019).

Research Problem

Slanislav (2006) and Mwachiro (2019) highlighted that the heightened interest in internal controls is, in part, as a results of significant losses incurred by several organizations. They explained that, an analysis of the issues associated with losses

indicated that they might probably are avoided had the organizations maintained effective control systems. Such systems would have prevented or enabled earlier detection of problems that led to losses within the industry, thereby limiting damage to the organization.

This same idea is reflected in Kaplan (2007), that, poor standards of corporate governance had led to insufficient controls being in situ to forestall wrong doing within the U. S.A within the 1990s, as demonstrated by the collapse of Enron and WorldCom. The incidence of control weaknesses, unsatisfactory and deteriorating service delivery have the undesired effect of not only weakening the company's ability to effectively collect revenue but also encourages collusion, fraud, embezzlements, loss of money (revenue), assets conversion genuine and deliberate mistakes, corruption, lack of transparency and accountability for revenue collection and other assets.

Despite considerable investment, service delivery is unsatisfactory and degenerating. For the enhancement of the attainment of the mission and goals of the corporate, it's therefore necessary that these hindrances be removed. The management of the corporate should familiarize themselves with control procedures that may ensure effective service delivery and also the desired revenue generation (Efozie 2010). Despite the inner controls that exist in Kenya Revenue Authority, collection remains below target and resources are poorly managed. This could be because the interior controls that are within the organization are weak or are undermined by the staff. It's during this backdrop that Kenya Revenue Authority in 2011 formally entered into a Memorandum of Understanding with the Kenya Anti-Corruption Commission within the fight against corruption. The Authority recognized corruption as a significant threat to revenue collection and led to development of the KRA Integrity Action Plan, which laid emphasis on leadership, transparency and business reform and modernization with the aim of reducing and ultimately eliminating

corruption in revenue collection.

Thus, the purpose of this study was to examine and evaluate the internal control system in operation at Kenya Revenue Authority with a view of knowing whether strengthening of internal controls can have any effect of revenue collection and to answer the question "To what extent has internal controls enhanced revenue collection in KRA?"

Objectives of the Study

The general purpose of the study was to investigate the effects of internal controls on revenue collection focusing in Kenya Revenue Authority. The specific objectives of the study were:

- To determine the effects of control environment on revenue collection in Kenya Revenue Authority.
- To examine the effects of risk assessment on revenue collection in Kenya Revenue Authority.
- To assess the effects of control activities on revenue collection in Kenya Revenue Authority.
- To determine the effects of information communication on revenue collection in Kenya Revenue Authority.

LITERATURE REVIEW

Control Theory

Control hypothesis has been portrayed as "an interdisciplinary part of designing and science that manages the conduct of dynamical frameworks with inputs. The outside contribution of a framework is known as the reference. At the point when at least one yield factors of a framework need to follow a specific reference over the long haul, a regulator controls the contributions to a framework to acquire the ideal impact on the yield of the framework.

The target of a control hypothesis is to figure answers for the legitimate restorative activity from the regulator that bring about framework security, that is, the framework will hold the set point and

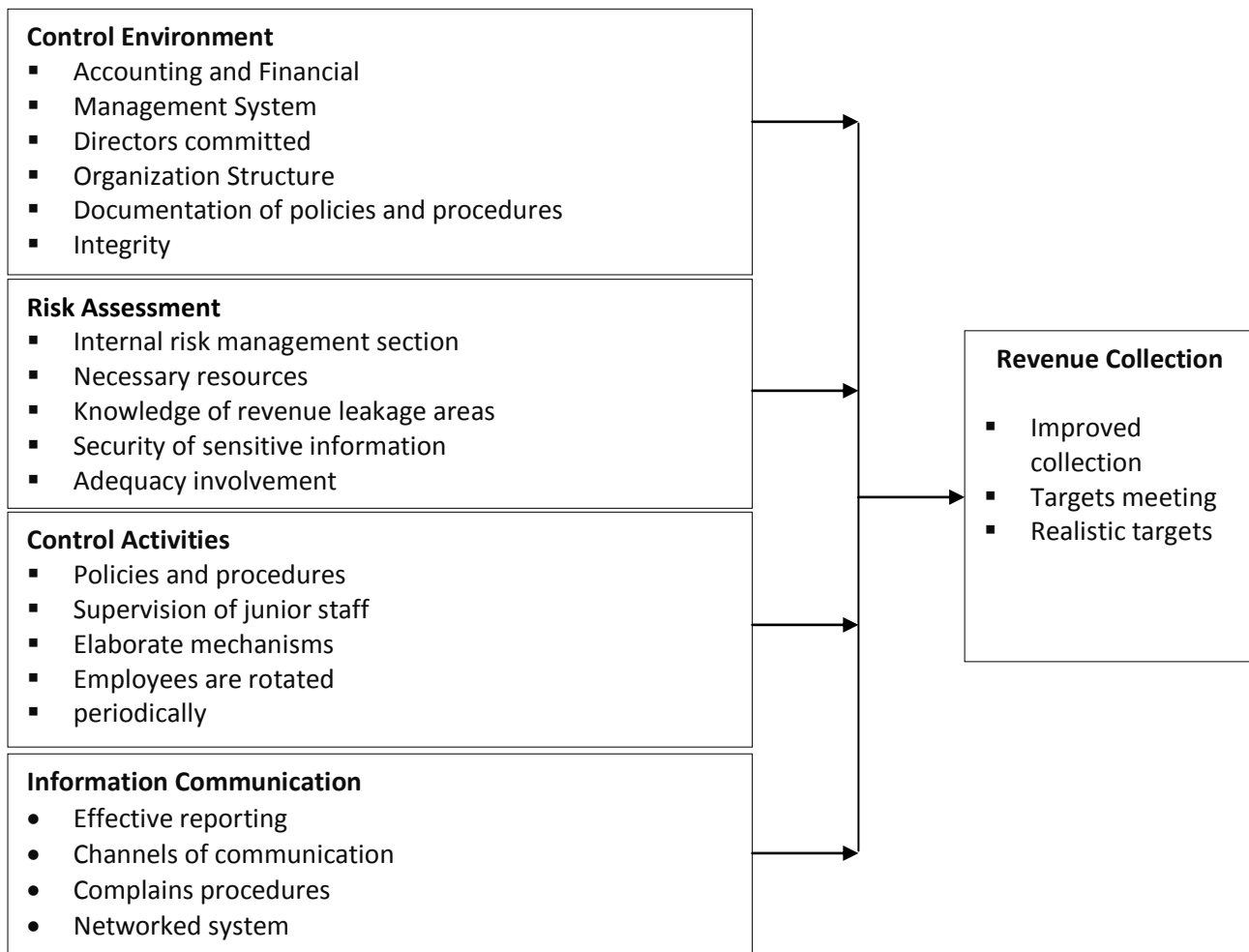
not waver around it. Frameworks have information sources and yields to bring an item subsequent to preparing thus information sources and yields of a control framework are by and large related by differential conditions.

Interior Controls

Puttick (2001) has state interior controls as a bunch of authoritative strategies and affirmed inner cycles (inside controls) made by the board of an association to apparently accomplish the executives' essential goal of guaranteeing that the business works faultless. He further clarified that a business is supposed to be running easily on the off chance that they can adhere to the administration strategies, to secure the association resources, set up a framework that would pause and annihilate control of the bookkeeping data.

Kenneman (2004) depicts inner control as those components that are set up to either keep mistakes from entering the cycle or identifying blunders once they have. He clarifies, in straightforward terms that, inward control can be characterized as those cycles that administration depends on to ensure things don't get goofed up (Mwindi, 2008).

Inward control is an interaction influenced by an element's directorate, the executives and other staff, intended to give sensible affirmation in regards to the accomplishment of goals in the region of: viability and proficiency of activities, dependability of monetary revealing and consistence with relevant laws and guideline (The Council of Supporting Associations of the Treadway Commission (COSO)). Developing the COSO definition, Monetary Administration Diary (2005), said Inside control addresses an association's arrangements, techniques, and systems used to meet its missions, objectives, and targets and fills in as the main line of guard in protecting resources and forestalling and identifying blunders, extortion, waste, misuse, and fumble (Esmailjee, 1993).



Independent Variables

Dependent Variable

Figure 1: Conceptual Framework

Review of Variables

Control environment is a bunch of norms, cycles, and constructions that give the establishment to the progression of interior control inside the association (Yurniwati and Afdhal, 2017). The control environment is the establishment of the five components in the inner control system. Its assignment and activity influence the undertaking' in general action, however the other four components. Along these lines control climate straightforwardly influences the impact of execution of inner control structure and the cutting edge ventures ought to set up a reasonable interior control climate

As per Ndamenenu (2019) the control environment typically incorporates the accompanying setting:

Faculty honesty and quality. The staffs assume a double part: on one hand, they are the subjects of inner control in the association and control the usage of their task; then again, they are the objects of inside control in the association and administered and constrained by the other. Anything of inward control framework will not go past the staffs' uprightness and quality that makes, oversees, actualizes and manages the framework. The administration style and the executives thought. The supervisor's administration style and the board thought impact the method of overseeing of the endeavors, particularly the chief individual charm and the capacity to settle on choice .Directors control the venture basically by planning the association and the executives instrument, approving and planning the framework. Association

structure including association structure settings, duties assignment, what position of the individual in the association is and what force and duty he have. Association structure is the grantee for the endeavor to accomplish generally speaking objective and ventures should design, execute, control and administer dependent on the construction of the association.

Risk assessment refers to the careful assessment of factors that affect the possibility of objectives of the organization not being achieved. It refers to identification and analysis of relevant risks associated with achieving the objectives of the organization (Karagiorgos et al 2019). They add that risk assessment is the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principal. Risk assessment may address how an entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimated recorded in the financial statement. Risk relevant to reliable financial reporting also relates to specific events or transaction. Risk relevant to financial reporting include external and internal events and circumstance that may occur and adversely affect an entity's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statement.

According to Sigilai (2018), risk assessment system is divided into three steps: risk identification, risk analysis and evaluation, risk control and report. Risk identification, asks the enterprise to judge and analyze risks, including its nature, types, and reasons of the occurrence, etc. Risk analysis and evaluation needs quantitative analysis of digital information collected by mathematical method in order to make the risk management based on scientific basis. The result of risk analysis and risk evaluation is the probability of occurrence and size of the risk so as to provide a dependable basis for decision-making. As to risk analysis and assessment, management should consider how to control risk.

The method of controlling risk usually is to transfer risk, adverse risk and disperse risk. In this study, control environment operationally referred to appropriate policies, management tone and sufficient supervision (Andrews, Beynon and Genc, 2017).

Control exercises allude to approaches, systems and components set up to guarantee mandates of the administration are appropriately completed (Aikins 2011). Proper and precise documentation of strategies and procedural rules assists with deciding how the control exercises are to be executed. An arrangement ought to be acquired on what IT means for control exercises that are applicable to arranging. A few substances may see the IT control exercises regarding application controls and general controls. Application controls apply to the preparing of individual application control guarantees that exchanges happened are approved and are totally and precisely recorded and handled, they incorporate alter check of information, mathematical arrangement checks, and manual development of special case reports. General controls regularly included powers over server farm and organization tasks framework programming procurement and upkeep; access security; and information application framework obtaining advancement, and support (Berra, 2018).

As per Awitta (2019) control exercises are to make the board guidelines planned could be viable execution of different strategies and methodology. Control exercises can assist undertakings with guaranteeing that it has just took measures to lessen a misfortune as indicated by acknowledgment the objective of the venture. From the purpose of everyday business exercises, control exercises including approved administration. It alludes to that the administrator decentralize powers his subordinate to cause them to reserve the privilege to address the issue and settle on a decision and offer comparing obligation. This alludes to characterize the power and duty as indicated by the standard of consolidating elements of division and it's trademark. Business interaction

and activity methodology. Business measure is the method of all the business. An activity technique is to say how to work of each matter in detail.

Enterprise management activities can be divided into the plan, organization, coordination, reports, etc. When managers exercise these functions, messages are always the most basic support, namely, all the enterprise business activities are inseparable from information. Therefore, the information function is the basis of management activities and the level of information processing ability is one of the most important symbols of the level of management. And this information must be delivered timely to those who fulfill its responsibility and other responsible ones in some form. Completing the information transmission is communication and it can translate the abstract goal and plans into language that encourage employees.

According to Aldridge and Colbert (1994) internal control requires that all pertinent information be identified, captured, and communicated in a form and time frame that enable people to carry out their financial reporting responsibilities. Firms should adopt internal control and information systems that produce operational, financial and compliance-related information reports to make it possible to run and control business. Effective communication should occur in abroad sense with information flowing down across and up within all sections of the organization (Theofanis et al 2011). They are pervasive characteristics that affect all aspects of the internal control framework and enable people to carry out their responsibilities to run and control the organization. It is therefore essential that current accurate and appropriate information be made available on a timely basis to those who need it. This includes communication to external regulatory agencies and governing boards. Internally communication should be multi directional within the organization

KRA was formed to develop improve on revenue collection measures as well as making sure that all revenue leakages are closed. It was also to ensure

that it expedites trade by putting in place those measures that allow controlled movement of goods and services. KRA therefore have put in place those measures to reduce the leakages. They invariably include segregation of duties, custody of assets, strict authorization procedures, internal audit, the use of passwords, proper record controls and management supervision (Obat, 2010).

Holzer and Kimes (2002) have defined revenue as the monetary unit received during a period of time. It may also mean the gross receipts. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial investment. While the KRA have termed revenue to means taxes, duties, fees, levies, charges, penalties, fines or other monies collected or imposed under the written laws set out in the First Schedule. According to Wikipedia collection has been defined as the act or process of collecting something while the Macmillan dictionary has defined collection as the activity of collecting money for a particular purpose, or the money that is collected.

Over the years KRA has been surpassing targets as set by the Ministry of Finance from. The only exception is in 2008 which was largely because of the effects of post-election violence. In 2010, revenue collections translated into 9% of the previous year's collection. This meeting of targets can be attributed to various revenue enhancement measures that have been put in place such as internal controls, internal and client audits, border patrols, authorization and segregation of duties. However there is still room for improvement by KRA in performing its mandate as a revenue collector. There are some areas where manual accounting is practiced and there is an urgent need to computerize the areas if revenue leakages are to be minimized.

METHODOLOGY

Descriptive survey design was used in this study as it provided an accurate portrayal or account of the characteristics, for the example behaviour, opinions, abilities, beliefs and knowledge of a particular individual, situation or group. The target population of the study consisted of 72 domestic taxes senior officers and 156 domestic taxes junior officers that were working at Kenya Revenue Authority Mombasa Region. The study adopted a stratified random sampling technique to select a suitable sample size to ensure all units in the population had an equal chance of being selected, thereby allowing for the generalization of the finding. This study used questionnaires as the main

tool for data collection. The questionnaire content was checked to ensure completeness and accuracy. The researcher used the statistical package for social sciences (SPSS) to analyze the data. The statistical method of Pearson Product of Correlation Coefficient was used to analyze relationship between various variables.

RESULTS

Control Environment and Revenue Collection

In the study, respondents were asked to indicate the extent to which they supported various statements in relation to control environment and its influence on revenue collection.

Table 1: Control Environment and Revenue Collection

Statement	Mean	SD
Accounting and Financial Management System	3.95	1.042
Management commitment	3.23	1.018
Organization structure	3.26	1.203
Policies, procedures and documentation	3.32	1.365
Segregation of roles	3.40	.863
Management is of high integrity	3.51	.889
Ethical values exists among staffs	3.37	1.096
Internal and independent External audit	3.67	.893

Table 1 are the details of the various indicators of control environment and it was observed that majority of the respondents fairly supported the idea that internal controls influence revenue collection at KRA. However, majority of the respondents agreed that: KRA had good Accounting and Financial Management System in place (mean=3.95, SD=1.042); KRA management is of high integrity (mean=3.51, SD=0.889); KRA has well-structured Internal and independent External audit; and systems have been put in place to correct and avoid errors/segregation of roles (mean=3.4, SD=0.863). In agreement to such findings is Kikonyogo (2017) who did a comparative study in

Kampala Capital City Authority. In the study, he established that there is a positive significant relationship between control environment, control activities and monitoring with revenue collection. The study thus concluded that control environment affects revenue collection, control activities affect revenue collection and monitoring affects revenue collection.

Risk Assessment and Revenue Collection

In the study, respondents were asked to indicate the extent to which they supported various statements in relation to risk assessment and its influence on revenue collection.

Table 2: Risk Assessment and Revenue Collection

Statement	Mean	SD
KRA has formulated the Internal Affairs Department	4.09	1.057
There are sufficient staff members who are competent and knowledgeable to manage company activities and these have been provided with adequate resources.	4.30	1.052

KRA has installed software and ICT up to date to help in revenue collection	3.72	1.333
The employees have knowledge of revenue leakage areas	3.89	1.249
Collection procedures are well documented	4.11	1.175
Revenue leakages have been addressed by management	4.14	1.060
There is laid down procedures on revenue risk identification	3.89	1.263
Surveillance officers are adequate	3.60	1.294
There is adequate involvement of all staff in internal controls	3.35	.855

In table 2, it was observed that on average, majority of the respondents supported the idea that risk assessment has a significant influence on revenue collection at KRA as indicated by mean scores of above 3.5. Specifically, majority of the respondents agreed that: KRA had formulated the Internal Affairs Department (mean=4.09, sd=1.057); members to manage resources are knowledgeable, enough and competent (m=4.3, sd=1.052); KRA has installed software and ICT up to date to help in revenue collection (sd=3.72, sd=1.333); Collection procedures are well documented (m=4.11, sd=1.175); Revenue leakages have been addressed

by management (m=4.14, sd=1.060) etc. In agreement to such findings are Amudo and (Inanga, 2019) who argued that there are many different risk management tools with the same purpose as internal control, such as loss prevention, loss reduction and risk financing tools that may be used to ensure that the firm continues to meet its objectives.

Control Activity and Revenue Collection

In the study, respondents were asked to indicate the extent to which they supported various statements in relation to control activity and its influence on revenue collection.

Table 3: Control Activity and Revenue Collection

Statement	Mean	SD
Policies and procedures exist to ensure critical decisions are made with appropriate approval	3.21	1.206
There is proper and close supervision of junior staff at KRA.	3.35	1.061
There are elaborate mechanisms put in place to address weaknesses of controls	3.49	1.182
Sensitive information is restricted to certain employees only	3.70	1.133
There is a system in place to ensure that employees are rotated periodically.	3.61	.978
Independent reconciliations of revenue collection on regular basis is done	3.51	1.283

On average, majority of the respondents supported the idea that control activity influence revenue collection a indicated by majority mean scores above 3.4. For example, majority of the respondents agreed that: Sensitive information is restricted to certain employees only (m=3.70, sd=1.133); There is a system in place to ensure that employees are rotated periodically (m=3.61, d=0.61); Independent reconciliations of revenue collection on regular basis is done (m=.51, sd=1.283) etc. From the literature reviewed, Awitta (2019) confirmed that Control Activities can help enterprises to ensure that it has already took measures to reduce a loss according to realization the goal of the enterprise.

Elsewhere, Nyakundi, Nyamita and Tinega (2018) analysed the effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya. Their findings showed that adherence to authorisation procedures and review and verification of internal controls positively affected financial performance. The literature above shows that there is a relationship between authorisation and performance of organisations. However, the empirical results were based from business sectors enterprises.

Information, Communication and Revenue Collection

In the study, respondents were asked to indicate the extent to which they supported various

statements in relation to information, communication and their influence on revenue collection. Scale of rating was 1-5 where 1= strongly disagree while 5=strongly agree.

Table 4: Information, Communication and Revenue Collection

Statement	Mean	SD
There is effective reporting of revenue targets to be achieved in a particular year	3.91	1.154
There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.	3.58	1.154
Procedures have been put in place for complains by taxpayers	4.00	0.926
Complains against staff are handled in professional manner by management	3.74	1.218
Management receives timely, relevant, and reliable reports for decision-making.	3.39	1.146

On average, majority of the respondents agreed that information and communication elements of internal control mechanisms influence revenue collection at KRA as indicated by mean scores above 3.6. In a summary, majority of the respondents agreed that: Procedures have been put in place for complains by taxpayers (m=4.0, sd=0.926); There is effective reporting of revenue targets to be achieved in a particular year (m=3.91, sd=1.154); Complains against staff are handled in professional manner by management (m=3.74, sd=1.218); There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties (m=3.58, sd=1.154) etc. In the literature review, Kibaara (2018) indicated that information and communication plays a significant role in ensuring effective and efficient revenue collection. Elsewhere, Abdulwahid et al (2017) did a study on information and communication and its influence

on revenue collection. The study concluded that, Information and Communication policies on revenue collection, Employee’s perception on revenue collection and financial allocation on revenue collection all had influence on Revenue collection. In the same note, Gitaru (2017) did a study on the Impact of System Automation on Revenue Collection in Kenya Revenue Authority; A Case Study of SIMBA. The study found out that information and communication have a very significant role to play in relation to revenue collection.

Descriptive Statistics for Revenue Collection Performance

In the study, respondents were asked to indicate the extent to which they supported various statements in relation to revenue collection performance.

Table 5: Revenue Collection Performance

Statement	Mean	SD
Collection has improved over the year	3.54	1.196
KRA has been meeting its target	2.32	1.227
Target set for collection is realistic	2.54	1.536

In relation to internal controls and revenue collection, it can be said that majority of the respondents agreed that collection of revenue at KRA over the year improved as indicated by a mean score of 3.54 and sd of 1.196. However, majority of the respondents felt that KRA has been missing its

targets (m=2.32, sd=1.22), and it hasn’t been setting realistic target for revenue collection (m=2.54, sd=1.536). According to Obat (2010), and Mwachiro (2013), KRA was formed to develop improve on revenue collection measures as well as making sure that all revenue leakages are closed. It

was also to ensure that it expedites trade by putting in place those measures that allow controlled movement of goods and services. KRA therefore have put in place those measures to reduce the leakages. They invariably include segregation of duties, custody of assets, strict authorization procedures, internal audit, the use of passwords, proper record controls and management supervision.

Correlation Analysis between Internal Controls and Revenue Collection

To establish whether internal controls had a significant correlation on revenue collection, a multiple correlation analysis was carried out between the dependent variable of employee revenue collection and internal controls the independent variables. The results were presented in Table 6.

Table 6: Correlation Analysis

	Revenue Collection	Control Environment	Risk Assessment	Control Activity	Information And Communication
Revenue Collection	1				
Control Environment	0.412**	1			
Risk Assessment	0.398**	0.405**	1		
Control Activity	0.451**	0.467**	0.259**	1	
Information And Communication	0.471**	0.483**	0.501**	0.391**	1
	0.000	0.001	0.005	0.002	0.002

The results in Table 6 suggested that internal controls had a positive significant effect on revenue collection. For all the items, the critical values were significant at $p < 0.05$ level of significance. This indicated the acceptance of the research hypotheses, namely; control environment, risk assessment, control activities, and information and communication have a positive significant effect on revenue collection. The test statistic results were as follows: control environment and revenue collection ($r = 0.412$, $p = 0.000 < 0.05$), risk assessment and revenue collection ($r=0.398$, $p=0.002<0.05$), control activities and revenue collection ($r = 0.451$, $p = 0.001 < 0.05$) and information, communication and revenue collection ($r = 0.471$, $p = 0.000 < 0.05$). This is in agreement with Kikonyogo (2018) who did a study in Uganda's Revenue Authority and found out that that internal control had a positive significant effect on revenue collection. For all the items in this study by Kikonyogo (2018), the critical values were

significant at $p < 0.05$ level of significance. This indicated the acceptance of the research hypotheses, namely; control environment, control activities and monitoring have a positive significant effect on revenue collection. The test statistic results were as follows: control environment and revenue collection ($r = 0.390$, $p = 0.001 < 0.05$), control activities and revenue collection ($r = 0.621$, $p = 0.000 < 0.05$) and monitoring and revenue collection ($r = 0.404$, $p = 0.000 < 0.05$). The preliminary results revealed that control activities had a 63 more significant effect on revenue collection followed by monitoring and control activities respectively.

CONCLUSIONS AND RECOMMENDATIONS

In relation to the first objective that touched on control environment, majority of the respondents fairly supported the idea that internal controls influence revenue collection at KRA. However, majority of the respondents agreed that: KRA has

good Accounting and Financial Management System in place (mean=3.95, SD=1.042); KRA management is of high integrity (mean=3.51, SD=0.889); KRA has well-structured Internal and independent External audit; and systems have been put in place to correct and avoid errors/segregation of roles (mean=3.4, SD=0.863).

In relation to the second objective that examined the influence of risk assessment, majority of the respondents supported the idea that risk assessment has a significant influence on revenue collection at KRA as indicated by mean scores of above 3.5. Specifically, majority of the respondents agreed that: KRA has formulated the Internal Affairs Department (mean=4.09, sd=1.057); members to manage resources are knowledgeable, enough and competent (m=4.3, sd=1.052); KRA has installed software and ICT up to date to help in revenue collection (sd=3.72, sd=1.333); Collection procedures are well documented (m=4.11, sd=1.175); Revenue leakages have been addressed by management (m=4.14, sd=1.060) etc.

In relation to the third that touched on control activity, majority of the respondents supported the idea that control activity influence revenue collection as indicated by majority mean scores above 3.4. For example, majority of the respondents agreed that: Sensitive information is restricted to certain employees only (m=3.70, sd=1.133); There is a system in place to ensure that employees are rotated periodically (m=3.61, d=0.61); Independent reconciliations of revenue collection on regular basis is done (m=.51, sd=1.283) etc.

The researcher sought to determine the effects of information communication on revenue collection in Kenya Revenue Authority. On average, majority of the respondents agreed that information and communication elements of internal control mechanisms influence revenue collection at KRA as indicated by mean scores above 3.6. In a summary, majority of the respondents agreed that: Procedures have been put in place for complains by taxpayers (m=4.0, sd=0.926); There is effective reporting of revenue targets to be achieved in a

particular year (m=3.91, sd=1.154); Complains against staff are handled in professional manner by management (m=3.74, sd=1.218); There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties (m=3.58, sd=1.154) etc.

Based on the research findings from the field, the literature reviewed and the hypotheses tested, the researcher has the following four conclusions to make:

Control environment influences revenue collection significantly. For example, if very good Accounting and Financial Management System are put in place, integrity maintained, auditing well maintained, errors avoided via well laid down control environment and many others, the revenue collection shall be influenced positively.

Risk assessment has a significant influence on revenue collection as indicated by the fact that majority of the respondents supported ideas that: KRA has formulated the Internal Affairs Department; members to manage resources are knowledgeable, enough and competent; KRA has installed software and ICT up to date to help in revenue collection; Collection procedures are well documented etc.

Control activity influences revenue collection significantly. Restriction of sensitive information to the trusted employees of KRA, periodical rotation of employees, regularly independent reconciliation of revenue collection among other control activities significantly influence revenue collection.

Information and communication elements of internal control mechanisms influence revenue collection at KRA significantly. The fact that procedures have been put in place for complains by tax payers, complains against staff members being handled professionally, well established channels of communication and many other have been useful in ensuing that revenue collection at KRA is achieved.

Based on the results in the study, the researcher

recommends that:

The various policy managers, the top management and other stakeholders should establish and maintain an enabling control environment. For example, good accounting and financial management systems that are easy to understand and use should be put in place. Further, the various stakeholders in charge of senior decision making should ensure that KRA has a well-structured internal and independent external audit. Further, the various management agencies and major decision makers at KRA should ensure that systems have been put in place to correct and avoid errors/segregation of roles.

KRA together with other partner agencies should come up with strong partnerships in assessing the various risks that could affect revenue collection negatively and should also ensure that the various risks are managed at any given level of operations effectively and efficiently. The agency should also employ experts with relevant knowledge at each position so as to minimize the mistakes associated with incompetence and lack of knowledge that can put the KRA at a risk of losing revenue or entering in battles with other bodies.

The KRA managers and strategists should ensure that all the control activities are identified, strategically positioned and implemented across all the departments in order to achieve improved revenue collection. The structure of the organization and flow of both information and command should be well outlined and

communicated to every employee at KRA. Further, KRA should put mechanisms in place that shall ensure that the management of employees is perfect with the necessary information being revealed to the right people at the right time only to avoid leakages and risk of losing revenue.

Finally, the researcher the researcher recommends that there should be well established information and communication platforms since internal controls are a good practice for avoiding information asymmetry but for revenue collection (there should be a proper tax base upon which projections are founded on information sharing/flow and proper communication). This facilitated with a revenue enhancement strategy definitely lead to maximisation of revenue collection.

Suggestion for Further Studies

This study focused on only four elements of internal controls that included: control environment; risk assessment; control activity; information and communication. This means that other elements were left out. A study therefore can be carried out to examine the other elements of internal control and then their influence on revenue collection be tested. Also, this study collected its data from KRA agency in Mombasa County. A similar study can be carried out in other KRA agencies and even the headquarters in Nairobi. This can also be extended to other agencies in charge of revenue collection like the county governments that were created during the 2010 Kenya's constitution.

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