UGANDA MANAGEMENT INSTITUTE

EFFECT OF INTERNAL CONTROLS ON REVENUE COLLECTION:

A CASE OF KAMPALA CAPITAL CITY AUTHORITY

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DECLARATION

I Henry Kikonyogo, declare that this study is my original work and has not been published or submitted for the award of any other degree to any other university or institution of higher learning before.

Signed ………………… Date…………………………

Kikonyogo Henry

APPROVAL

This is to certify that this research dissertation titled “effect of internal controls on revenue collection a case of Kampala Capital City Authority” was carried out under our supervision. We confirm that this dissertation has been submitted for examination with our approval.

Signed …………………… Date ……………………..

Paddy Mugambe

Signed ………………….. Date............................

Jemima Ninsiima

DEDICATION

I dedicate this piece of work to my Family especially my wife Mary and the Children for the support, endurance and sacrifices made as I carried out this study. I also dedicate it to my Father Wilson Musisi for his toil, sacrifice, struggle and endurance.

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ABBREVIATIONS AND ACRONYMS

B.C	Before Christ
COSO	Committee of Sponsoring Organisations
KCCA	Kampala Capital City Authority
MMSPAM	Master’s of Management Studies Public Administration and Management
SPSS	Package for Social Scientists
UMI	Uganda Management Institute

ABSTRACT

This study examined the effect of internal controls on revenue collection in Kampala Capital City Authority (KCCA). The objectives of the study were to examine the effect of; control environment on revenue collection in Kampala Capital City Authority, revenue reporting on revenue collection in Kampala Capital City Authority and monitoring on revenue collection in Kampala Capital City Authority. The study used a cross sectional design on a sample of 72 respondents from a population of 95 Kampala Capital City Authority staff that included revenue collectors, treasury staff, auditors and strategists determined using stratified and purposive sampling. Quantitative data was collected by use of a questionnaire whose validity was determined using content validity index and reliability using Cro nbach alpha. Qualitative data was collected through interviews and analysed using content analysis forming. Quantitative data was analysed using the Statistical Package for Social Scientists version 22.0 (SPSS). Data analysis was analysed based on frequencies, percentages and the mean for descriptive analysis. Inferential analysis involved the use of correlation and multiple regression. The study 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. Therefore, it was recommended that organisations such as Kampala Capacity City Authority and any other agency involved in revenue collection should establish an appropriate control environment, implement effective control activities and carry out effective monitoring.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This study examines the effect of internal controls on revenue collection in Kampala Capital City Authority. Internal controls are conceived as the independent variables while revenue collection is the dependent variable. Internal controls were measured in terms of control environment, control activities and monitoring. On the other hand, revenue collection was measured in terms of realisation of targets, taxpayers' compliance, ratio of costs to collections and timely payment of taxes. This first chapter covers background to the study, statement of the problem, study purpose, objectives, research questions, hypotheses, conceptual framework, significance, justification, scope and operational definition of terms.

1.2 Background

1.2.1 Historical Background

Revenue collection or taxation has existed in various forms since civilisation began. Clay tablets dating about 6000 B.C found in the ancient city-state of Lagash in modern day Iraq are the earliest known revenue collection records (Carlson, 2004). In days of old, the source of wealth was land and its proceeds. Before the existence of a monetary system, taxes were paid by a percentage of crops raised. Some of the most common forms of revenue collected over the millennia were poll taxes, tariffs on goods, and property taxes on the value of land, buildings, and other personal property (Bird & Slack, 2002). The Greeks, Egyptians and Romans also enforced tax policies that they used to fund centralised governments. The Greeks levied several types of taxes that are still enforced in many developed countries, including taxes on property and goods (Carlson, 2004).

The Chinese instituted a form of property tax around 600 B.C. that required 10 percent of cultivated land to be dedicated to the central government. Taxation policies developed quickly during the colonial period as wealth began to flow into Europe from colonies in Africa, Asia and the Americas (Bird & Slack, 2002). Winer (2016) indicate that in the modern world, there are broad classes of instruments, such as direct or indirect levies, and particular types of taxes, such as those on personal or corporate income. Revenue systems consist of a variety of taxes, with each causing its own set of economic and distributional consequences.

Historically, the term internal control applies to the domain of accounting and its efforts to safeguard assets and ensure the accuracy of accounting records (Apostolou & Crumbley, 2008). The earliest form of internal control dates from over 30,000 BC in form of tally sticks. A tally stick had notches cut to keep a count or score. Un-split tally sticks originally used as mathematical objects serving as mnemonic aids to counting, eventually found another use as commerce developed (Frazer, 2016). Since few people could read and write, tallies provided the earliest form of bookkeeping for recording both physical quantities and money. By the medieval period, tallies had really come into their own as the English equivalent of today's credit card and as an instrument of internal control. Internal control involved splitting the tally stick lengthwise through the notches, leaving one-half of the notches on each piece. Each party to a transaction kept one-half of each tally stick, and the auditing of accounts involved fitting the two pieces together to determine if they would tally (Apostolou & Crumbley, 2008).

The earliest known internal control records were the records of commerce in the Mesopotamian Valley in 3500 BC that continued through the Middle Ages (Frazer, 2016). In Hellenistic Egypt

(323-31 BC), there was a dual administration, with one set of bureaucrats charged with collecting taxes and another with supervising them (Marcinko & Hertico, 2013). Following the industrial revolution from 1850, internal controls became paramount leading to corporate audits for detection of fraud and clerical errors. Audit standards were developed in 1940 to 1975. During the period of 1975 to 1985, internal control were included in the audit process to determine the scope of audits. The period 1985 to 1995 fostered an increased demand for reporting on compliance and internal controls (Tanui, Omare & Bitange, 2016). In the 1990s, emphasis on internal controls emerged in response to widely publicised business failures in the USA in the late 1970s and mid-1980s. The National Commission on Fraudulent Revenue reporting(the Treadway Commission) was inaugurated to identify factors that caused fraudulent corporate financial reports and make recommendations that resolve such issues (Amudo & Inanga, 2009). In 1992, Treadway Commission published a report titled Internal Control—Integrated Framework (the framework). This document made recommendations directly addressing the problems of weakness of internal controls (Amudo & Inanga, 2009). Hu and Ni (2015) reveal that the Committee of Sponsoring Organisations of the Treadway Commission (COSO) report includes five elements of internal controls, namely; control environment, risk assessment, control activities, information and communication, and monitoring.

1.2.2 Theoretical Background

A number of theories underpin internal controls and revenue collection. However, this study was underpinned by the Agency Theory suggested by Alchian and Demsetz (1972) and developed by Eisenhardt (1985, 1989) and Jensen and Mekling (1976). The Agency Theory suggests that a principal chooses to contract with an agent for reasons of cost and expertise agreeing on the terms of the contract (Omari, Nyongesa, Ochieng, & Simeon, 2011) but also to avoid moral harzzards, ensure information asymmetry and risk aversion. It also goes further to The terms of the contract may include the inputs, processes, outcomes, quality and satisfaction parameters, monitoring and performance-reporting requirements, how the agent is to be compensated for doing the work of the principal, and the sanctions that will result if the principal detects the agent pursuing his/ her own goals above the principal's objectives. Two assumptions characterise the principal-agent theory: there is goal conflict between the power (bureaucratic and political) and budget/ wealth-maximizing behaviour of the principal and the utility-maximizing behaviour of the agent, and agents have more information than principals, which agents can exploit for self-gain rather than for the collective interests of the contracting parties leading to moral hazard problems (van Slyke, 2006). From the Agency Theory, it emerges that managers of organisations such as capital city authorities may not act in its interest. This therefore calls for mechanisms such as internal controls. Thus, this theory was the basis for relating internal controls and organisational cost efficiency.

1.2.3 Conceptual Background

The key concepts in this study are revenue collection and internal controls. Revenue collection or tax revenue represents a payment, a financial charge, imposed by governments to raise funds for direct and indirect benefits otherwise referred to as direct taxes and indirect taxes (Evans, 2002). In this study revenue collection were operationally defined basing on Van Beest, Braam and Boelens (2009) to refer to realisation of targets, taxpayers' compliance, ratio of costs to collections and timely payment of taxes. On the other hand, internal controls refer to a process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operation and compliances with applicable laws and regulations (Shanmugam, Haat & Ali, 2012). Internal control includes control environment, risk assessment, control activities, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies implemented, information and communication, and monitoring (Amudo & Inanga, 2009).

Control environment concerns philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organisation. Risk assessment involves identifying risks, evaluate their impact and assessing the probability their reoccurring (Katnic, 2011). Control activities include a range of activities as diverse as approvals, control environments, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties (Ratcliffe & Landes, 2009). Bukenya and Kinatta (2012) indicate that in this regard state that information and communication is about revenue reporting. Monitoring involves regular management and supervisory activities, and other actions personnel take in performing their duties. In this study, internal controls were defined as referring to control environment, control activities and monitoring. However despite the control system nothing much has been realised on achieving targets, taxpayers' compliance, a high ratio of costs to collections and timely payment of taxes.

1.2.4 Context of the Study

Kampala Capital City Authority is the governing body of Kampala city established Kampala Capital City Act 2010. The KCC Act came into force on March 1, 2011. The Act changed Kampala City from a local government into a government entity under the central government called

Kampala Capital City Authority. Kampala Capital City Act mandated KCCA to manage Kampala on behalf of the government following the enactment of KCCA Act. Section 50 of the KCC Act provides for the power to levy, charge, collect and appropriate fees and taxes in accordance with the law was enacted by Parliament under article 152 of the Constitution (Kemigisha, 2012). To maximize revenue collection, KCCA has made revenue collection reforms. For instance, KCCA has improved databases data and collection systems, automation, spread the tax base and improved collection procedures improvement (Kopanyi, 2015). Despite this effort, KCCA revenue collection remains low (i.e. 2011/12 41.69Bn, 2012/13 55.21Bn, 2013/14 70Bn, 2014/15 80.55Bn, 2015/16 84.9Bn and 2016/17 88.89Bn). KCCA revenue collection operates under capacity with a number of businesses or activities not contributing to KCCA treasury, as they are not charged for operating in Town (Katusiimeh & Kangave, 2015). A large section of taxpayers do not contribute their share because properties largely lack formal titling, accurate valuations and where gazetting of some street names and assignment of property numbers is still needed (IGC, 2016). There is fraud through forging of receipts and duplication of authority stamps leading to loss of revenue (Matovu, 2012). The above contextual evidence showed that revenue collection for KCCA remained low. This evidence led to the empirical question as to what was the effect of internal controls on revenue collection in KCCA.

1.3 Statement of the Problem

Cities and towns are able to work because of the tax revenues collected (Bluestone, 2014). Tax revenues are a major source of income to pay for services such as garbage collection, road works and street lighting (Murangira, 2014), education, welfare programs, water services, hospital and health care among others (Narbón-Perpiñá & De Witte, 2016). Recognising the importance of revenue collection, KCCA has made effort to improve its collection. KCCA has improved databases data and collection systems, automated tax collection, spread the tax base and improved collection procedures (Kopanyi, 2015). However, in spite of the effort to improve revenue collection, KCCA revenue collection remains low (i.e. 2011/12 41.69Bn, 2012/13 55.21Bn, 2013/14 70Bn, 2014/15 80.55Bn, 2015/16 84.9Bn and 2016/17 88.89Bn). KCCA revenue collection operates under capacity with a number of businesses or activities not contributing to KCCA treasury, as they are not charged for operating in Town (Katusiimeh & Kangave, 2015). A large section of taxpayers do not contribute their share because properties largely lack formal titling, accurate valuations and where gazetting of some street names and assignment of property numbers is still needed (IGC, 2016). There is also fraud through forging of receipts and duplication of authority stamps leading to loss of revenue (Matovu, 2012). To address the problem of low revenue collection, it was necessary to isolate factors that underpinned the problem. Therefore, this study examined the effect of internal controls on revenue collection in KCCA looking at control environment, control activities and monitoring.

1.4 Purpose the Study

The purpose of the study was to examine the effect of internal controls on revenue collection in Kampala Capital City Authority.

1.5 Objectives of the Study

This study sought;

i. To examine the effect of control environment on revenue collection in Kampala Capital City Authority.
ii. To examine the effect of revenue reporting on revenue collection in Kampala Capital City Authority.
iii. To examine the effect of monitoring on revenue collection in Kampala Capital City Authority.

1.6 Research Questions

i. What is the effect of control environment on revenue collection in Kampala Capital City Authority?
ii. What is the effect of revenue reporting on revenue collection in Kampala Capital City Authority?
iii. What is the effect of monitoring on revenue collection in Kampala Capital City Authority?

1.7 Research Hypotheses

i. Control environment has a significant effect on revenue collection.
ii. Revenue reporting has a significant effect on revenue collection.
iii. Monitoring has a significant effect on revenue collection.

1.8 Conceptual Framework

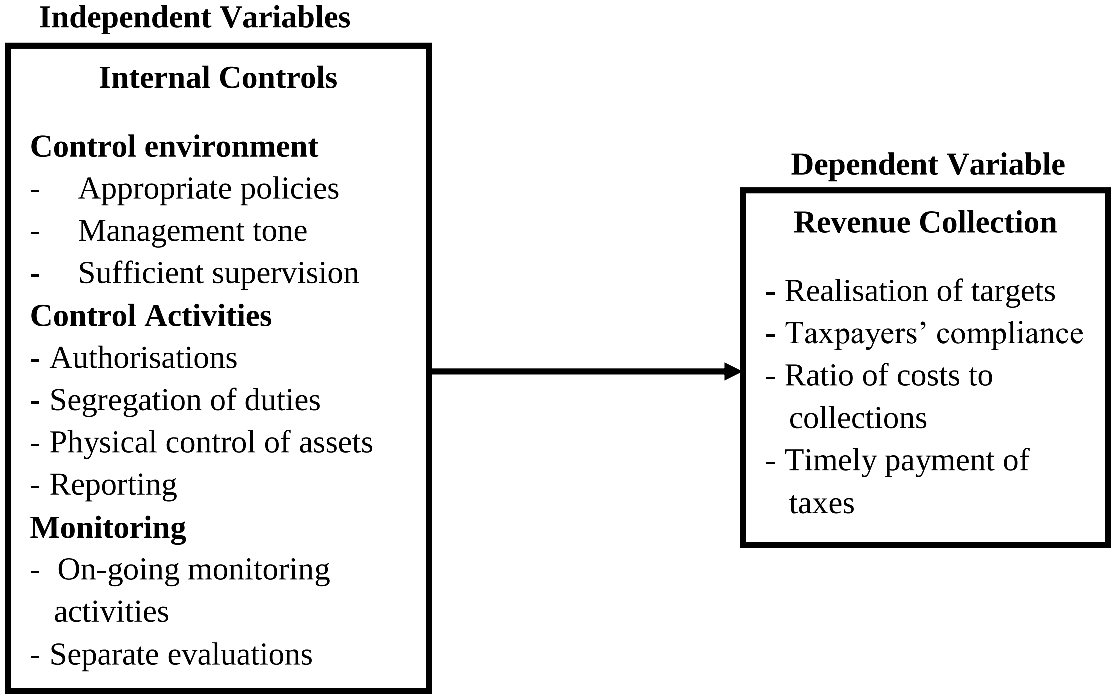

Figure 1.1: Conceptual Framework relating Internal Controls and Revenue Collection

Source: Developed basing on ideas adopted from Bukenya and Kinatta (2012); Muraleetharan (2013); Ndamenenu (2011); and Van Beest et al. (2009).

The above conceptual framework (Figure 1.1) shows that internal controls relate to revenue collection. The framework shows that internal controls include control environment, financial reporting and monitoring. Control environment involves appropriate policies, management tone and sufficient supervision (Ndamenenu, 2011). Control activities cover authorisations, segregation of duties, physical control of assets and reporting (Muraleetharan, 2013). Monitoring involves ongoing monitoring activities and separate evaluations (Bukenya & Kinatta, 2012). The framework shows that revenue collection as suggested by Van Beest, Braam and Boelens (2009) is about realisation of targets, taxpayers' compliance, ratio of costs to collections and timely payment of taxes.

1.9 Significance

This research will provide the strength and identify the weaknesses of internal controls which will be the basis for providing advice to organisations on taking corrective actions to improve revenue collections. Since the loopholes within the revenue collection processes that need to be addressed will have been unveiled, then revenue collection will be in conformity to the applicable laws.

The research findings add to the pool of knowledge about internal controls that will form a strong base in encountering challenges faced in administering internal control systems thus enhancing provision of appropriate controls for the particular revenue source or environment.

The study findings will help policy makers in formulating policies that will help in improving internal control systems for local governments. This will help to prevent loss of revenue during collection leading to better services delivery.

The study will also fulfil the examination requirement for award of MMSPAM of UMI but also trigger more future research topics on internal control systems to provide solutions to the weaknesses and their cause to internal controls.

The findings will be useful for further research especially for those researchers carrying out studies on internal control systems in organisations. This is because it adds some knowledge and insights on the study and this will help in the extension of knowledge.

1.10 Justification

The research will isolate the extent of control environment, control activities and monitoring effect on revenue collection. Tax revenues are a major source of income to pay for services such as garbage collection, road works and street lighting (Murangira, 2014), education, welfare programs, water services, hospital and health care among others (Narbón-Perpiñá & De Witte, 2016). Therefore, Cities and towns are able to work because of the tax revenues collected (Bluestone, 2014). However, KCCA suffers low revenue collection. For instance, KCCA revenue collection operates under capacity with a number of businesses or activities not contributing to KCCA treasury, as they are not charged for operating in Town (Katusiimeh & Kangave, 2015). A large section of taxpayers do not contribute their share because properties largely lack formal titling, accurate valuations and where gazetting of some street names and assignment of property numbers is still needed (IGC, 2016). There is also fraud through forging of receipts and duplication of authority stamps leading to loss of revenue (Matovu, 2012). This study was carried out to address the problem of low revenue collection by isolating factors that underpinned the problem. The factors isolated were namely control environment, control activities and monitoring.

1.11 Scope

1.11.1 Geographical Scope

The geography of the study was the five divisions of Kampala that is Central, Lubaga, Nakawa, Makindye, Kawempe and City hall the head office and the centre of control and management. These areas were selected the officials implementing internal controls and managing revenue collection were found in those areas.

1.11.2 Content Scope

The content scope of the study was internal controls relate and revenue collection. Internal controls were studied in terms of control environment, control activities and monitoring. Control environment involved appropriate policies, management tone and sufficient supervision. Control activities considered authorisations, segregation of duties, physical control of assets and reporting. Monitoring involved ongoing monitoring activities and separate evaluations. Revenue collection was looked at in terms of realisation of targets, taxpayers' compliance, ratio of costs to collections and timely payment of taxes.

1.11.3 Periodic Scope

The periodic scope was 2011 to 2016, the period when the Authority was in operation. This helped the study in assessing the internal controls employed by the Kamapala Capital City Authority in revenue collection.

1.12 Operational Definition of Terms

Control environment: Control environment is a set of standards, processes, and structures that provide the foundation for the continuity of internal control within the organization (Yurniwati & Afdhal, 2015). In this study, control environment operationally referred to appropriate policies, management tone and sufficient supervision.

Internal controls: Internal controls refer to a process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operation and compliances with applicable laws and regulations (Shanmugam, Haat & Ali, 2012). Operationally, in this study internal controls referred to control environment, financial reporting and monitoring.

Monitoring: This refers to the process of assessing the quality of controls through ongoing and periodical evaluations of the external supervision of internal controls by management or other parties outside the process (Agbejule & Jokipii, 2009). Monitoring in this study referred to involved ongoing monitoring activities and separate evaluations.

Revenue collection: Revenue collection is the raising of payment or financial charge imposed by governments on citizens (Evans, 2002). In this study, revenue correction referred to realisation of targets, taxpayers' compliance, ratio of costs to collections and timely payment of taxes.

Revenue reporting: Revenue reporting is the process of producing statements that disclose an organization's financial status to management and the government (Blessing & Onoja, 2015). In this study, revenue reporting referred to balance sheets, income statements and statement of cash flows.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is an analysis of existing literature on internal controls and revenue collection. The literature covers the theory that was the basis for relating internal controls and revenue collection. The review of related literature was based on the order of the objectives. The related literature is on risk control environment, revenue reporting and monitoring. While analysing the literature, contributions, weaknesses and existing gaps were identified.

2.2 Theoretical Review

The Agency Theory was proposed by Alchian and Demsetz (1972) and further developed by Eisenhardt (1985, 1989), Jensen and Mekling (1976). The theory suggests that a principal chooses to contract with an agent for reasons of cost and expertise. The principal may decide that their organisation lacks the expertise or resources required to produce a good or service and that the cost of hiring or developing that expertise in-house exceeds the costs associated with contracting for the expertise. The principal and agent agree on the terms of the contract including the inputs, processes, outcomes, quality and satisfaction parameters, monitoring and performance-reporting requirements, how the agent is to be compensated for doing the work of the principal, and the sanctions that will result if the principal detects the agent pursuing his/her own goals above the principal's objectives. The main tenets of agency theory focus on information asymmetry (when one party has information the other party does not possess), adverse selection or pre-contractual opportunism (when one party knows more about attributes of a product or service than another and, as a result, the uninformed party runs the risk of purchasing a product or service of low quality), and moral hazard or post-contractual opportunism(when a party to the contract uses information and expertise and acts opportunistically, in its own self-interest, to the exclusion of the agreed upon contract goals) (van Slyke, 2006).

Two assumptions characterise the principal-agent model: there is goal conflict between the power (bureaucratic and political) and budget/ wealth-maximizing behaviour of the principal and the utility-maximising behaviour of the agent, and agents have more information than principals, which agents can exploit for self-gain rather than for the collective interests of the contracting parties leading to moral hazard problems. However, the weaknesses of this theory are that it is one sided because it negatively characterizes an individual agent's moral and collective behaviour as self-seeking and focused on obtaining power and wealth; ignores worker loyalty, pride, and identification with the organisation's mission and goals; and omits opportunistic behaviour by principals (van Slyke, 2006). However, more significant is that this theory points out that managers of organisations may not act in the interests of the organisation. This therefore calls for mechanisms such as internal controls to reduce fraudulent intentions of agents. Thus, this theory will be the basis for relating internal controls and revenue collection.

2.3 Review of Related Literature

2.3.1 Control environment and Revenue Collection

Control environment is a set of standards, processes, and structures that provide the foundation for the continuity of internal control within the organisation. A good control environment creates a positive atmosphere and sets a tone for the implementation of effective internal control (Yurniwati & Rizaldi, 2015). Elements of control environment include the organisation structure of the institution, management's philosophy and operating style, the integrity, ethics, and competence of personnel and risk management practices (Ndamenenu, 2011). With respect to organisation structure of the institution, organisational structure is the way responsibility and power is allocated, and work procedures are carried out, among organisational members (Mousavian & Shahamat, 2011). Organisational structure is the observable or tangible aspects of an organisation (Suman & Srivastava, 2012). Organisational structure is the starting point for organising which includes roles and positions, hierarchical levels and spans of accountability, and mechanism for problem solving and integration (Maduenyi, Oke & Fadeyi, 2015). Organisational structure is one of the organisation components that are composed of element of formalisation, complexity, and centralisation (Shafaee, Rahnama, Alaei & Jasour, 2012). Some organisation structure is necessary to make possible the effective performance of key activities and to support the efforts of staff. The structure of an organisation affects not only the productivity but also the morale and job satisfaction of the work force. Therefore, the structure should be designed in such a way to encourage the willing participation of members of the organisation and effective organisational performance. A poor organisation structure makes good performance impossible, no matter how good the individual manager may be. Improved organisation structure will therefore always improve performance (Kalyani, 2006).

According to Basol and Dogerlioglu (2014), a successful organisational structure facilitates managerial issues, provides great potential for improving organisation's competitive power, innovation capability and labour force relations while lowering expenses. Kidd (2010) studied the effects of functionally organized tax administration. The study revealed that organisational structure based on a function-based tax administration allowed for the standardisation of common work and simplified the relationship between the tax administration and the taxpayer with one point of contact for service and one point of contact for payment leading to timely processing of all tax payments and returns. Maduenyi et al. (2015) investigated impact of organisational structure on organisational performance. The findings revealed that organisational structure had an impact on organisational performance. In addition, there was a relationship between specialisation of work processes and organisational performance. The studies above revealed that organisational structure relates to tax collection. However, gaps emerged with the study by Maduenyi et al. (2015) not carried out on revenue collection but on performance. This gap made it necessary for this study to investigate whether control environment in terms of organisational structure related to revenue collection.

Management philosophy refers to the mission, purpose and meaning for existence of the organisation. The philosophy defines actions, which an organisation expects to realise, and what type of organisation it wants to become. Organisational philosophy determines exactly what the organisation wants to achieve, what is real, unique to it, at the same time naming values that need to be used, wanting to implement this philosophy (Marcinkevičienė, Mikalauskienė & Peleckienė, 2010). Sotunde (2013) studied the Influence of vision and mission statement on organisational effectiveness. Descriptive results of the study revealed that vision and mission statement were essential if any organisation was to survive. This means that visions and missions of organisations influenced their performance. Ekpe, Eneh and Inyang (2015) critically explored the essential link between a mission statement and organisational performance. The study established that an effective mission statement led to organisational performance mainly because a mission statement is the starting point of the organisation's entire planning process, which serves as the basis for the formulation of objectives and strategies appropriate to the organisation's overall purpose and legitimate its existence. Khan, Chaudhry and Khan (2010) measured the impact of organisation's mission as an encouraging factor for overall performance The findings found out that there was a positive significant relationship between mission and performance. Organisation performance increased due to focus of employees in attainment of goals set in through organisation mission. As the above literature suggest, the philosophy of the organisation related to performance of organisations. However, this study was deemed necessary because past studies were not carried in a revenue collecting organisation.

An environment that promotes implementation of internal controls should ensure that employees know general acts governing the ethical behaviour with the special attention paid to the rules on avoidance of the conflict of interest, prevention of fraud and reporting on suspected corruption, fraud and other illegal deeds. The head of the entity adopts internal procedure that every new employee with the signing the work contract receives the legal document and is given respective training. It is important that every case of infringement is taken in procedure as a demonstration of the decisive attitude of the management (Katnic, 2011). Flowing from the above, the board of directors should show concern for integrity and ethical values. There also must be a code of conduct and/or ethics policy and this must be adequately communicated to all levels of organisation (Ndamenenu, 2011). Duggar (2011) in a critical review investigated the role of integrity in individual and effective corporate leadership. The findings revealed that a culture of integrity created a highly valued work environment providing a foundation for solid long-term financial performance. Davis and Rothstein (2006) studied the effects of the perceived behavioural integrity of managers on employee attitudes. The meta-analysis results revealed that perceived behavioural integrity of managers was positively significantly related to performance. Khademfar, Idris, Omar, Ismail and Arabamiry (2013) investigated the relationship between ethical work climate and firm performance in Malaysia. Their findings revealed a high correlation and significant relationship between ethical work climate and organisational financial performance. The studies above reveal that ethical environment led to organisational performance. However, the gap that emerged was that these studies were not carried out on revenue collection. This study was thus attracted to investigate the relationship between ethical environment and revenue collection.

Regarding competence of personnel, competency is the underlying characteristic of a person that results in effective and/ or superior performance. There are five types of competency characteristics consisting of motives, traits, self-concept, knowledge and skills. Motives are the things that an individual consistently thinks about or wants that stimulate action. Motives drive, direct and select behaviour toward certain actions or goals and away from others. Traits are physical characteristics and consistent responses to situations or information. Self-concept is an individual's attitudes, values or self-image. Fourth, knowledge is the information that an individual has in specific content areas. Skill is the ability to perform a certain physical or mental task. Knowledge and skill competencies tend to be visible and relatively surface characteristics, whereas self-concept, traits and motive competencies are more hidden, deeper and central to personality

(Vathanophas, 2007). Long (2008) examined competencies of human resource (HR) professionals in the manufacturing companies of Malaysia. Correlational results revealed that HR professional competencies (strategic contribution, business knowledge, personal credibility, HR delivery and HR technology) had significant correlation with a firm's performance. Osei and Ackah (2015) examined the relationship between employees' competent and firm performance. The findings of the study revealed that there was a positive significant relationship between employees' competent and firm performance. The studies above suggest that there is a relationship between competence of personnel and organisational performance. However, performance was not specific to task collection. This study thus investigated competence of personnel and revenue collection.

Concerning risk management practices, risk management is a systematic process of understanding, evaluating and addressing risks to maximize the chances of objectives being achieved and ensuring organizations are sustainable. Risk management enables the organisation also to be aware of new possibilities (Dugguh & Diggi, 2015). Ariff et al. (2014) sought to develop a framework for risk management practices and organizational performance. The findings revealed that organisations that implement systematic risk management practices enjoy high level of organizational performance. Channar, Abbasi and Maheshwari (2015) examined the risk management system of banks and its impact on their performance. The findings also showed that risk management had positive significant relationship with financial performance. Ping and Muthuveloo (2015) examined the implementation of Enterprise Risk Management (ERM) on firm performance of Public Listed Companies (PLCs) on main market in Bursa Malaysia based on COSO (2004) ERM Integrated Framework. The finding revealed that implementation of ERM was found to have significant influence on firm performance. The studies above suggested that risk management related to organisational performance. However, the studies were not carried on tax collecting bodies. This gap thus attracted this study to investigate the effect of the internal control of control environment on revenue collection.

2.3.2 Control Activities and Revenue Collection

Control activities refer to the policies and procedures that help ensure that management directives are carried out. They help to ensure that necessary actions are taken to address risks to the achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as authorisations, segregation of duties, physical control of assets, verifications, reconciliations and reviews of operating performance (Muraleetharan, 2013). With respect to authorisation, Natovich (2009) explains that it restricts employees and allows them to perform only predetermined activities according to their roles. In event-based systems, authorisation control is based on activity types. Each user or group is granted access only to certain activity types. In business process management systems, authorisations are not separate from the process, but are derived directly from the roles of the employees and their authority as defined in the process. Authorisation is not granted per activity type, but at the single incident level. In other words, the system grants a one-time authorisation for the execution of a specific activity. The authorisation is granted on the basis of the organisation's business process rules. Nyakundi, Nyamita and Tinega (2014) 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. This called for this study to be carried out from a revenue collection body relating authorisation and revenue collection.

Segregation of duties refers to allocating work to different persons in such a way that either the work of one is complementary to the work of another person or another person independently checks the accuracy or correctness of work performed by one person as it helps employees know what to do and what others are to do (Bukenya & Kinatta, 2012). This is done to minimise errors and fraud and detect them in a timely manner when they take place. Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets (Gyebi & Quain, 2013). Segregation of duties is a key element of effective internal control and lack of segregation of duties requires senior management to be involved in all material transactions and directly involved in financial reporting (Gramling, Hermanson, Hermanson & Ye, 2010). Ejoh and Ejom (2014) studied the impact of internal control activities on financial performance of tertiary institutions in Nigeria. The study revealed no significant relationship between separation of roles and financial performance. Nyakundi et al. (2014) 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. Tunji (2013) investigated whether effective internal controls system were an antidote for distress in the Banking Industry in Nigeria. The study revealed that functional segregation of responsibilities (authorisation, recording, custody and reconciliation) to different individuals helped organisations to check abuses that can derail an organisation improving performance. Wakiriba et al. (2014) investigated the effects of financial controls on financial management in Kenya's public sector. The results revealed that segregation of duties helped to ensure that the institution was not unnecessarily exposed to financial risks and that the financial information was used only within the business which enhanced cost efficiency. The above studies suggest that segregation of duties related to performance of organisations. However, the emerging gap is that those studies were carried outside Uganda. Besides, none of the studies was on revenue collection. These gaps called for this study to be carried out in Uganda and on revenue collection to establish the effect of segregation on revenue collection.

Physical control of assets refers to tight security and procedures to control the access to assets by personnel (Ratcliffe & Landes, 2009). Tunji (2013) suggest that physical access to assets and important records, documents, vouchers, inventory and securities should be restricted to only those who handle them. Organisations should establish information processing controls, manual information processing control procedures as well as computerised information processing control procedures in form of usage of passwords and access logs, all in a bid to eradicate malpractices that can lead to total extinction of the bank. Bukenya and Kinatta, (2012) explain that in an agency must establish physical control to secure and safeguard vulnerable assets. Examples of access controls to assets are as follows: lock systems, badge system, biometric system and data encryption. Chiezey and Agbo (2013) investigated the impact of fraud and fraudulent practices on the performance. Their findings revealed a positive significant relationship between restricting access by unauthorised staff and performance of organisations. The literature above shows that physical control of assets relates to performance of organisations. However, the empirical study reviewed was not on revenue collection. This gap thus called for this study on revenue collection to establish the relationship between controlled access and revenue collection.

Reconciliations and reviews of operating performance include such activities as financial reporting, accounting and auditing. Abata (2015) examined financial reporting practices of corporate establishments in Nigeria. The study revealed that financial statements had a significant positive relationship with compliance improving the performance of organisations. Argiles and Slof (2003) studied the relationship between the use of financial reports and financial performance using data of Catalan farmers provided by the European Farm Accountancy Data Network. These results indicated that managers carried financial accounting. However, financial accounting was associated with performance of large farms although for the average farm the performance gain was probably sufficiently large to make accounting worthwhile, but this was not the case for the smallest farms. Hutchinson and Zain (2009) explored whether the relation between internal audit quality and firm performance is associated with firm characteristics of information asymmetry and uncertainty (growth opportunities) and certain governance controls (audit committee effectiveness) using several Malaysian companies. Their findings showed there was a positive significant association between internal audit quality and firm performance.

Ljubisavljević and Jovanovi (2011) carried out a study on large and medium-sized Serbian companies, to establish the degree of development of the internal audit, the perception of accountants in respect to the tasks and responsibilities of internal audit and their performance. The findings suggested no association between the internal audit and firm performance. Kiabel (2012) assessed the internal auditing practices on the financial performance of government-owned companies in Nigeria. Regression results showed no strong association between internal auditing practices and financial performance of government-owned companies. The weak association between internal auditing practices and financial performance was attributed to these enterprises' inadequacy and poor implementation of internal auditing practices. The literature above reveals reconciliations and reviews of operating performance relate to performance of organisations. However, all these studies were carried outside Uganda and not on revenue collection. These gaps make it necessary for this study to investigate control activities in relation to revenue collection in the Ugandan context.

2.3.3 Monitoring and Revenue Collection

Monitoring is a process that assesses the quality of internal control performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties (Pickett, 2011) Monitoring involves continuous or ongoing monitoring, which occurs in the course of operations. This includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board (Bukenya & Kinatta, 2012). Gavrea, Ilieş and Stegerean (2011) studied determinants of organisational on employees of manufacturing firms' performance in Romania. Using the canonical correlation they established a strong relationship between a continuous performance monitoring process and performance. The literature above shows that continuous monitoring relates to organisational performance. However, the empirical results were obtained from the manufacturing sector. This made it imperative for this study to be carried out in the context of revenue collection.

Organisations conduct employee performance reviews to analyse problems or suggest ways to improve performance. Management reviews staff performance according to the defined standards of the organisation. The review is a process that uses dialogue and constructive feedback to help staff or entire organisations improve their performance in pursuit of the organisation's mission, while also setting goals for growth and development (Tepper, 2000). Mwema and Gachunga (2014) carried out a study on employee productivity in Kenya. In a regression analysis, they found a significant positive relationship between performance measure purposes and increased employee's performance. From the above literature, it can be deduced that performance reviews relate to organisational performance. However, the context of the study was outside Uganda and in matters unrelated to revenue collection. This attracted the investigations of this study to establish the relationship between performance reviews and revenue collection.

Monitoring requires a team for monitoring or supervisors. Supervisors are the first level of management where they are given major duties and responsibilities to form and lead work groups in organisations. They play an important role as an intermediary between management and operational employees. Supervisors monitor the organisational policies, procedures and plans. Supervisors identify the daily routine and short-term employee deficiencies, as well as report such deficiencies to the top management for further action (Azman, 2009). Ssebakumba (2013) studied performance management and performance of schools. Chi-square results revealed a positive significant relationship between monitoring by teams and organisational performance. The literature above indicates that monitoring by teams influences organisational performance. However, the study above was carried out on schools, which provides a contextual gap. This made it necessary for this study in the context of a body that collects taxes to seek to investigate whether monitoring teams influenced revenue collection.

Monitoring is a continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress. Monitoring can and should be evident throughout the life cycle of a project, program, or policy, as well as after completion (Kusek & Rist, 2004). Dean (2002) studied performance monitoring and quality outcomes in contracted services. The results of the critical review revealed that organisations rely on inspections to improve performance. However, this finding was not carried out in tax collection body. This study was therefore carried out in a revenue collection body to ascertain the relationship between inspection in organisations and organisational performance.

2.4 **In conclusion**, the literature revealed a significant relationship between revenue collection and internal controls i.e. monitoring, control environment and control activities depicted a strong relationship with organisational revenue performance.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section presents an account of the methodology adopted. The chapter includes the study population, sample size and sample selection, measurement of variables, reliability and validity of instructions, data collection tools, data processing and analysis. The chapter highlights on how the research was conducted.

3.2 Research Design

The study adopted the cross-sectional survey design. This by which data collection takes place at a single point in time, allowing analysis of a number of variables at once and helped in looking at the prevalence of the research problem in the study population. The cross-sectional design was selected because it was generally quick, easy, and cheap to conduct basing on a questionnaire survey. The cross-sectional design permitted obtaining of useful data in a relatively short period of time (Sedgwick, 2014). The study adopted quantitative and qualitative approaches with the quantitative approach as the dominant one. This was because the study tested hypotheses to establish whether internal controls were predictors of revenue collection. The approach helped in drawing of statistical inferences as the design aligns allows collection of data using questionnaire. The qualitative approach supplemented the quantitative paradigm by providing detailed information (Fassinger & Morrow, 2013). Using both the quantitative and qualitative approaches, the study drew statistical inferences and carried out an in-depth analysis.

3.3 Study population

The population for survey is the entire set of units for which the survey data are to be used to make inferences (Cox, 2010). The study population was made up of 95 staff from Revenue collection, Treasury, Audit directorates and strategy. Target population constitutes the totality of the items under study (Kothari, 2004). The reason for selecting KCCA was because of its proximity to the researcher. Population comprised of 45 staff from revenue, 24 from treasury, 14 from audit and 12 from the planning office. COX (2010) posits that a target population for survey is the entire set of units for which the survey data are to be used to make inferences.

Table 3.1: Showing the study Population

Category	**Population**
Revenue collection	45
Treasury	24
Audit	14
Planning	12
Total	**95**

3.4 Determination of the Sample size

The study sample frame involved four different departments from KCCA which included revenue collection, Treasury, Audit and strategy. Thus, the target population defines those units for which the findings of the survey are meant to generalize. In this study a sample size of 84 was determined using the Krejcie and Morgan's table (1970) cited from Krejcie and Morgan (1970).

3.5 Sampling techniques and Procedure

Sample of responding staffs were drawn from 45 revenue collectors, 24 treasury staff, 14 audit staff and 12 staff from strategy working in KCCA. According to Mugenda and Mugenda (2003), stratified sampling involves selecting subjects 'in such a way that the existing subgroups in the population are more or less reproduced in the sample. Thus, stratified sampling technique was used to select respondents from three departments that is revenue collection, treasury and audit while purposive sampling was employed on the strategy department. The study using stratified sampling sampled staff from revenue, treasury and audit to involve 40, 19 and 10 respectively while 07 were purposively selected from the strategy to involve 76 staff and this was because Neuman (2003) indicated that 10% - 20% is an adequate sample in a descriptive study. The main factor considered in determining the sample size is the need to keep it manageable enough Neuman (2003) and this enabled the researcher to derive from it detailed data at affordable cost, in time and using adequate human resource (Mugenda and Mugenda (2003). Stratified sampling is where a population is divided into homogeneous groups called strata and at random from each stratum a specific number of elements corresponding to proportion of the stratum in a population as a whole are selected (Richard &David (1978).

Table 3.2: Showing the sample size from the Sampling Procedure

Category	Population	Sample Size	Sampling Techniques
Revenue collection	45	40	Stratified
Treasury	24	19	Stratified
Audit	14	10	Stratified
Planning	12	07	purposive
Total	**95**	**76**	

3.6 Data collection methods

3.6.1 Questionnaire Survey. The researcher adopted the questionnaire survey for data collection. This was because the respondents would quickly fill the self-administered questionnaires in the presence of the researcher and discuss some few aspects of the research there and then to avoid further delays. However for the busy staff like for treasury and revenue field staff, questionnaires were delivered and picked after two weeks as respondents preferred filling them at their own convenience Out of the 76 questionnaires sent the responses were 36 from Revenue, 19 Treasury, 10 Audit and 7 Strategy giving a total of 72 responses and 94.74% representation of the sample as in table 2.

Table 3.3: Showing the Response against the Population

Category	**Sample Size**	**Response**	**Response %**
Revenue collection	40	36	90
Treasury	19	19	100
Audit	10	10	100
Strategy	07	07	100
Total	**76**	**72**	**96**

3.6.2 Interview. An interview, also called a face-to-face survey, is a method that is utilised to collect oral responses by directly asking individual respondents questions about the study problem. The method is used when a specific target population is involved. The purpose of conducting a personal interview survey is to explore the responses of the people to gather more and deeper information. Personal interview surveys are used to probe the answers of the respondents (Bordens & Abbott, 2011). The method was chosen for the proposed study because respondents largely readily answer live questions because they find it more convenient to give long answers orally than in writing. Interview data was specifically collected from five key respondents, namely head of departments of the Tax Directorate studied namely; Revenue collection, Treasury, Audit and Strategy.

3.7 Data collection Instruments

3.7.1 Questionnaire. A close ended questionnaire with a five point Likert scale (Sekaran, 2003) to evaluate respondents' opinion using answer choice that ranged from one extreme to another in order to measure the satisfaction, effectiveness, likelihood or frequency about the variable (Davenport, Thompson & Templeton, 2015).) was used. The five point Likert scale had options of strongly disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5) to ease response. The study sought to examine the relationship between internal controls and revenue collection. The objective was assessed by use of statements which were on the questionnaire where respondents indicated there degree of agreement with the statements.

3.7.2 Interviews. The interview was used to obtain qualitative data. Interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation to explore issues in depth (Boyce, 2006). Interview data was collected from five respondents, that were the heads of departments, namely Tax Directorate studied namely; Revenue collection, Treasury, Audit and Strategy. This number was sufficient because Baker (2012) indicates that a sample of 5 – 25 interviewees is satisfactory because thereafter, responses become repetitive.

3.8 Data Quality Control

3.8.1 Validity. The researcher ensured content valid of the instrument. This was through consultations with researcher's supervisor and colleagues. Inter – judge was used for the test of Content Validity Index. The formula used was;

CVI = n/N

Where: n = number of items rated as relevant

N= Total number of items in the instrument

The CVI for the questionnaire obtained was above the benchmark of 0.70 (Appendix III). This was because for the results to be valid, CVI should be above 0.70 (Natalio, Faria, Teixeira-Salmela & Michaelsen, 2014). Some adjustments were made to make the questions more valid. The results of CVI are presented in Table 3.3.

Table 3.4: Validity Indices

Items	Content Validity Index
Revenue collection	0.75
Control environment	0.90
Control Activities	0.80
Monitoring	0.80

Source: Primary Data

3.8.2 Reliability of Data Collection Instruments

Reliability is the extent to which results are repeatable on different occasions, under different conditions. It is the consistency of measurement or stability of measurement over a variety of conditions obtaining same results (Drost, 2011). Reliability for the qualitative instrument was achieved through consultation with the supervisor, prolonged engagement and audit trails. Data collected was systematically checked, focus maintained and errors identified and corrected (Morse, Barrett, Mayan, Olson & Spiers, 2002). Reliability for quantitative data was determined by calculating Cronbach Alpha using SPSS 22.0 (Statistical Package for Social Scientists). The instruments was found valid at above 0.70 (70) after a pilot study. Tavakol and Dennick (2011) indicate that a reliability index of 0.70 suggests consistency in the scores produced by the instrument. Cronbach alpha were as presented in Table 3.4.

Table 3.5: Reliability Indices

Items	**Cronbach alpha (α)**
Revenue Collection	0.72
Control Environment	0.79
Control Activities	0.74
Monitoring	0.73

Source: Primary Data

3.9 Procedures of data collection

Primary data was collected from the selected respondents using self-administered questionnaires where the respondents indicated their degree of agreement with the statements and the questions were in line with monitoring, authorization, revenue reporting and preliminary bio data questions.

Secondary data through researcher reviewing the existing literature on internal controls and revenue collection from journal articles, KCCA website and reports, newspapers, text books on related literature. The reason for reviewing related literature was to compare secondary data findings with primary data collected in order to examine the effect of internal controls on revenue collection.

3.10 Data Analysis

3.10.1 Quantitative Analysis. Quantitative Analysis involved labelling and coding of all the data in order to recognise the similarities and differences. Quantitative data was compiled, sorted, edited and coded to have the required quality, accuracy and completeness and analyzed using Statistical Package for Social Science (SPSS). The variables were analysed to establish their minima's, maxima's, frequencies and coefficients that is correlations and regression.

3.10.2 Qualitative Analysis

Responses from unstructured qualitative interview was corrected and coded for ease of analysis, these were counted and analyzed using content analysis into some form of explanation, understanding or interpretation of the people and situations investigated basing on an interpretative philosophy (Nigatu, 2009).

3.11 Measurement of Variables

The background ground characteristics variables identifying the respondents were measured using the nominal scale with appropriate options given. The nominal scale helps label or tag to identify objects, properties, or events. Independent and dependent variables namely, namely control environment, monitoring and control activities and then organisational performance were measured on the ordinal scale which is a ranking scale and possess the characteristic of order. The scale helped to distinguish between objects according to a single attribute and direction (Smith & Albaum, 2013). The ranking was on the five-point Likert scale (Where 1 = strongly disagree 2 = disagree 3 = undecided 4 = agree 5 = strongly agree).

3.12 Ethical Considerations

Throughout the study, the researcher made effort to respect the rights of others. All works of others scholars that were used in the study were acknowledged. Permission was obtained from Kampala Capital City Authority Directorate of Revenue Collection Management and Directorate of Human resources and Administration to collect data on its staff. Consent was sought from each respondent. This was followed by the explanation of the research project, the goal, objectives potential risks and how it would it would benefit revenue collection. The respondents were informed that this study was purely an academic research not for any other purpose in as far as management is concerned and therefore no risk was expected or would arise on completion of the research. Anonymity and confidentiality were ensured for all the information collected from the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter is a presentation, analysis and interpretation of the results. The presentation of the results is according to the objectives of the study. The chapter begins with the sample characteristics of the respondents such as gender, age group, educational level, current occupation, years of service and experience in the revenue collection, and were all presented using frequency tabulations, later in the chapter, more descriptive were used to present the results of the respondents, together with a combination of Pearson Correlation and Regression Analysis.

4.2 Response rate

The researcher planned to collect questionnaire survey data from 72 respondents. However, not all the respondents returned the questionnaires fully filled with appropriate data. The response rate was as presented in Table 4.1

Table 4.1: Response Rate

Item	Frequency	Percentage (%)
Response	72	94.74
Non- Response	4	5.26
Total	**76**	**100**

Source: Primary Data

The results in Table 4.2.1 show that out of the 76 questionnaires that were distributed to different categories of respondents in KCCA, only 74 were returned giving a response rate of 94.74% (n=72) and 5.26%(n=4) were not returned which implied that, overall, majority of the targeted respondents participated in the study. The interview and discussions were also considered in the qualitative presentation.

4.3 Background Characteristics

This section describes the background characteristics presenting results on gender, age group, educational level, and position held, years in service and experience in revenue collection. The data on background characteristics was as presented in Table 4.2.

4.3.1 Gender of the Respondents

Frequency tabulation was used in the study to present the gender distribution of the respondents. Table 4.2 below presents the results.

Table 4.2: Gender of the Respondents

Response	Frequency	Percent
Males	42	58.3
Females	30	41.7
Total	72	100

Source: Primary Data

The results from table 4.2 above showed that 58.3% (n=42) of the respondents were male whereas 41.7% (n=30) were female. From the findings, the male respondents were more responsive compared to their female counterparts. This is an implication that the male respondents were the majority in the organization but females were also well represented. Involvement of both genders in the study helped in capturing overall performance of revenue collection supported by Anumaka and Ssemugenyi (2013) who reported an insignificant difference in the performance of male and female employees.

4.3.2 Respondent Category by Age Group

In presenting the results on age categories of the respondents, frequency tabulation was used by the researcher. Table 4.3 below presented the results.

Table 4.3: Age Group of the Respondents

Age Category	Frequency	Percent
21-30	18	25.0
31-40	40	55.6
Above 40	14	19.4
Total	**72**	**100**

Source: Primary data

The results in table 4.3 show that the majority of the respondents 55.6% (n=40) were in the age group of 31-40 years, 25% (n=18) belonged to the age bracket of 21-30 years and 19.4% (n=14) of the respondents represented the age bracket of above 40 years. This implies the majority of the respondents were aged between 31-40 years who are energetic, strong, ambitious, and comprise of the most productive age group to boost the organisation performance with time (Max Fisher, 2010). This age group is more adaptive and easy to adhere to controls put in place than elderly group.

4.3.3 Respondent Category by Level of Education

Frequency tabulation was used in the study to present the level of education distribution categories of the respondents. Table 4.4 below presents the results.

Table 4.4: Level of Education

Response	**Frequency**	**Percent**
Diplomas	5	6.9
Bachelors Degree	36	50.0
Post Graduates	12	16.7
Masters Degree	19	26.4
Total	**72**	**100**

Source: Primary Data

The results from table 4.4 above showed that the majority of the respondents 50.0 %(n=36) had attained Bachelor degree level of education, followed by 26.4 %(n=19) who had a master's degree, the 16.7 %(n=12) had a postgraduate as their highest level of education, 6.9 %(n=5) had a diploma as their highest level of education. This implied that the authority employed educated people with diverse capacity, skills and knowledge likely to enhance revenue collection consistent with Kaifi and Mujtaba (2010) who found out that education had impact on the performance of individuals. Thus, it was to the researcher's conviction that the authority's staff effort in revenue collection was captured.

4.3.4 Respondent Category by Current Occupation

The researcher used frequency tabulation to present results on current occupation as per the distribution categories of the respondents. Table 4.5 below presents the results.

Table 4.5: Current Occupation of the Respondents

Response	Frequency	Percent
Top Management	3	4.2
Managers	9	12.5
Supervisors	23	31.9
Officers	37	51.4
Total	**72**	**100**

Source: Primary Data

According to table 4.5 results reveals that the big respondents 51.4 %(n=37) were staff at officer level, 31.9% (n=23) were supervisors, 12.5 %(n=9) were managers and the least percentage of respondents 4.2% (n=3) were from the top management. These results reveal that staff in different positions in the authority was involved in the study and thus the researcher easily captured the performance of the authority. This is because according to Anderson and Brown (2010), hierarchies underpin social groups and have a profound impact on group functioning with hierarchies like the one observed in this study helping groups succeed when they are working on routine activities in the case of this study which revenue collection.

4.3.5 Respondent Category on Experience in Revenue Collection

The researcher used frequency tabulation to present year of service and experience in the revenue collection as in the distribution categories of the respondents. Table 4.6 below presents the results.

Table 4.6: Experience of the Respondents in the Revenue Collection

Response	Frequency	Percent
1-2 years	3	4.2
2-4 years	7	9.7
4-6 years	29	40.3
6 years and above	33	45.8
Total	**72**	**100**

Source: Primary Data

The results in Table 4.6 show that the larger number of the respondents who had served for 6 years and above 45.8% (n=33), followed by 40.3% (n=29) that had 4-6 years of service, those who had served 2-4 years were 9.7% (n=7) and 4.2% (n=3) of the respondents had a working experience of between 1-2 years. These results showed that the majority of the respondents had served for several years in revenue collection that is 4 years and above which suggested that the employees studied significantly influenced revenue collection as supported by Ali and Davies (2003) who reported that experienced employees performed better than less experienced employees did.

4.4 Descriptive Findings of the Study

4.4.1 Revenue Collection

This section of the study presents results on the dependent variable of the study, namely revenue. Revenue collection was studied using 8 items (see Appendix B). The results on the items were as given in Table 4.7.

Table 4.7: Frequencies, Percentages and Means on Revenue Collection

Revenue Collection	F/%	SD	D	A	SA	Mean
KCCA realises revenue collection targets	F %	5 6.9	11 15.3	43 59.7	13 18.1	3.70
KCCA sometimes exceeds tax projections	F %	9 12.5	20 27.8	32 44.4	11 15.3	3.22
Each new financial year more revenue is collected than in the past	F %	7 9.7	24 33.3	33 45.8	8 11.1	3.15
There is high compliance by KCCA taxpayers	F %	9 12.5	26 36.1	26 36.1	11 15.3	3.10
Tax collection is done cost efficiently	F %	8 11.1	14 19.4	39 54.2	11 15.3	3.43
KCCA taxpayers pay their taxes in time	F %	5 6.9	19 26.4	36 50.0	12 16.7	3.43
The tax base of KCCA has expanded	F %	7 9.7	16 22.2	33 45.8	16 22.2	3.50
KCCA collects a variety of taxes	F %	2 2.8	20 27.8	40 55.6	10 13.9	3.50

Source: Primary Data

The results in Table 4.7 on whether KCCA realised revenue collection targets, cumulatively the majority percentage 77.7% (n=56) of the respondents agreed while 22.2% (n=16) disagreed. The mean = 3.70 was close to 4 which on the scale used corresponded with agreed. Four being agreed (good), the results suggested that the respondents indicated that KCCA realised revenue collection targets. As to whether KCCA sometimes exceeded tax projections, cumulatively the larger percentage 59.7% (n=43) of the respondents agreed while 40.3% (n=29) disagreed. The mean = 3.22 close three suggested that the respondents were undecided. Three being the average (fair), this means that fairly, KCCA sometimes exceeded tax projections.

With respect to whether each new financial year more revenue was collected than in the past, cumulatively the larger percentage 56.9% (n=41) of the respondents agreed while 43.1% (n=31) disagreed. The mean = 3.15 close three suggested that the respondents were undecided. This means that fairly, each new financial year more revenue is collected than in the past. Regarding whether there was high compliance by KCCA taxpayers, cumulatively the larger percentage 51.4% (n=37) of the respondents agreed while 48.6% (n=35) disagreed. The mean = 3.10 close three suggested that the respondents were undecided. This means that there was fair compliance by KCCA taxpayers.

Concerning whether tax collection was done cost efficiently, cumulatively the majority percentage 69.5% (n=50) of the respondents agreed while 30.5% (n=22) disagreed. The mean = 3.43 close three suggested that the respondents were undecided. This means that fairly, tax collection is done cost efficiently. As to whether KCCA taxpayers paid their taxes in time, cumulatively the majority percentage 66.7% (n=48) of the respondents agreed while 33.3% (n=24) disagreed. The mean = 3.43 close three suggested that the respondents were undecided. This means that fairly, KCCA taxpayers paid their taxes in time.

With regard to whether the tax base of KCCA had expanded, cumulatively the majority percentage 68.0% (n=49) of the respondents agreed while 31.9% (n=23) disagreed. The mean = 3.50 close four suggested that the respondents agreed. This means that the respondents agreed that the tax base of KCCA had expanded. As to whether KCCA collected a variety of taxes expanded, cumulatively the majority percentage 69.5% (n=50) of the respondents agreed while 30.6% (n=22) disagreed. The mean = 3.50 close four suggested that the respondents agreed. This means that

KCCA collects a variety of taxes. To find out the overall pictureof how the respondents rated revenue collection by KCCA, an average index of revenue collection was computed for the 8 items measuring revenue collection. The summary of the statistics on the same are presented in Table 4.8.

Table 4.8: Summary Results on Revenue Collection

Descriptives			Statistic	Std. Error
Revenue Collection	Mean		3.37	0.11
	95% Confidence Interval for Mean	Lower Bound	3.15	
		Upper Bound	3.58	
	5% Trimmed Mean		3.40	
	Median		3.63	
	Variance		0.83	
	Std. Deviation		0.91	
	Minimum		1.25	
	Maximum		4.88	
	Range		3.63	
	Interquartile Range		1.25	
	Skewness		-0.66	0.28
	Kurtosis		-0.43	0.56

Source: Primary Data

The results in Table 4.4 reveal that the mean for revenue collection was $\overline{x}$ = 3.37. The mean close to 3 suggested moderate (average) revenue collection because 3 on the likert scale used corresponded with undecided (average). The low standard deviation = 0.91 suggested low dispersion in the responses. Therefore, the results indicated that the distribution of the responses was normal which suggested that the average index for the construct of revenue collection could be subjected to linear correlation and regression and appropriate results obtained.

In addition to quantitative data, the researcher collected qualitative data through interviews. In the interviews, the respondents were asked to give their opinions on KCCA revenue collection. One respondent stated;

> The authority has made effort to improve tax collection through a number of reforms and innovations. Following the establishment of the Directorate of Revenue Collection (DRC), KCCA has made reforms including expansion of the tax base by adding new taxes like capital gain property tax and mass valuation of taxable properties that have helped to improve revenue collection. Innovations introduced include on line payment of tax that a client can now pay tax using his/ her mobile internet connected mobile phone. This has helped to increase revenue collection.

Another respondent said;

> KCCA has improved tax collection since transisting from KCC in 2011. There has been increase in revenue collection of over 100% of own source revenues from 41 billion shillings to 85 billion shillings between 2011/12 and 2014/15 fiscal year. At the same time, the share of own source revenues compared to the transfers has increased from below 40% to above 60%. The steady growth of own source revenues has been a result of gradual implementation of revenue administration improvements and revenue collection is continuously improving and this has helped to improve the revenues of the authority.

In addition, another respondent remarked;

> Revenue collection of KCCA has been improving overtime because of new and simplified methods of tax collection, which have led to a rise of 20% by end of the fiscal year 2015/2016. For instance, KCCA has implemented an automated revenue administration system with electronic and mobile phone payment platforms. To increase compliance, KCCA has introduced taxpayer compliance management programmes that have promoted voluntary tax payment. Besides, KCCA helps taxpayers to meet their obligations by allowing instalment payment plans. However, more needs to be done because revenue collected does not enable the authority to depend on its own revenue only for services delivery without support from government and donors.

The results from the interviews above reveal that revenue collection of KCCA has been improving because of a number of reforms, implementation of revenue administration improvements and tax compliance management programs despite the money collected not being sufficient to enable KCCA on its own to provide services delivery without help from government and other development partners. This means that revenue collection of KCCA was improving. These results are consistent with the quantitative results, which revealed that KCCA revenue collection was fair.

4.4.2 Control Environment

This section of the study presents results on control environment first on the independent variable (IVI) derived from the first objective of the study that sought to examine the effect of control environment on revenue collection in KCCA. Control environment was studied using five items (see Appendix B). The results on the items were as given in Table 4.9.

Table 4.9: Frequencies, Percentages and Means on Control Environment

Control Environment	F/%	SD	D	A	SA	Mean
The KCCA revenue collection directorate has full independence in carrying out its duties	F %	5 6.9	18 25.0	35 48.6	14 19.4	3.50
KCCA has a clear purpose for which it collects revenue	F %	5 6.9	25 34.7	38 52.8	4 5.6	3.15
Revenue staff of KCA act with integrity and ethically	F %	2 2.8	11 15.3	44 61.1	15 20.8	3.82
KCCA revenue officers are competent	F %	4 5.6	17 23.6	36 50.0	15 20.8	3.60
KCCA has in place mechanisms to mitigate risks likely to hamper revenue collection	F %	4 5.6	11 15.3	41 56.9	16 22.2	3.75

Source: Primary Data

The results in Table 4.9 on whether KCCA revenue collection directorate had full independence in carrying out its duties, cumulatively the majority percentage 68.0% (n=49) of the respondents agreed while 31.9% (n=23) disagreed. The mean = 3.50 was close to 4 which on the scale used corresponded with agreed. Four being agreed (good), the results suggested the respondents indicated that KCCA revenue collection directorate had full independence in carrying out its duties. As to whether KCCA had a clear purpose for which it collects revenue, cumulatively the larger percentage 58.4% (n=42) of the respondents agreed while 41.6% (n=30) disagreed. The mean = 3.15 close three suggested that the respondents were undecided. This means that fairly, KCCA had a clear purpose for which it collects revenue.

With respect to whether revenue staff of KCA acted with integrity and ethically, cumulatively the majority percentage 81.9% (n=59) of the respondents agreed while 18.1% (n=13) disagreed. The mean = 3.82 close four suggested that the respondents were agreed. This means that revenue staff of KCA acted with integrity and ethically. Regarding whether KCCA revenue officers were competent, cumulatively the larger percentage 70.8% (n=51) of the respondents agreed while 29.2% (n=21) disagreed. The mean = 3.60 close four suggested that the respondents agreed. This means that KCCA revenue officers were competent.

As to whether KCCA had in place mechanisms to mitigate risks likely to hamper revenue collection, cumulatively the larger percentage 79.1% (n=57) of the respondents agreed while 20.9% (n=15) disagreed. The mean = 3.75 close four suggested that the respondents agreed. This means that KCCA had in place mechanisms to mitigate risks likely to hamper revenue collection. To establish the overall perspective of how the respondents rated control environment of KCCA, an average index of control environment was computed for the 5 items measuring control environment. The summary of the statistics on the same are presented in Table 4.10.

Table 4.10: Summary Results on Control Environment

	Descriptives		Statistic	Std. Error
Control Environment	Mean		3.60	0.10
	95% Confidence Interval for Mean	Lower Bound	3.36	
		Upper Bound	3.75	
	5% Trimmed Mean		3.58	
	Median		3.80	
	Variance		0.69	
	Std. Deviation		0.83	
	Minimum		1.40	
	Maximum		4.80	
	Range		3.40	
	Interquartile Range		1.20	
	Skewness		-0.70	0.28
	Kurtosis		-0.40	0.60

Source: Primary Data

The results in Table 4.10 reveal that the mean for control environment was $\bar{x} = 3.60$. The mean close to 4 suggested that the respondents agreed because 4 on the likert scale used corresponded with agreed (good). The low standard deviation = 0.83 suggested low dispersion in the responses. Therefore, the results indicated that the distribution of the responses was normal which suggested that the average index for the construct of control environment could be subjected to linear correlation and regression and appropriate results obtained.

In relation to the above qualitative data, the respondents were asked to comment on the control environment of KCCA. One respondent said;

> KCCA has a Directorate, that is the Directorate of Revenue Collection (DRC) whose sole role is revenue collection. DRC assesses and enforces tax payment

> ensuring that staff adheres to tax collection guidelines. DRC collects revenue on the behalf of the authority, and is responsible for enhancing revenue operations in terms of data collection and analysis. DRC is charged with establishing a clear link between the collection of taxes and the provision of services for which they are meant to finance and conduct taxpayer sensitisations, education and mobilisation, policy review, decision-making and Revenue collection maximisation.

Another interviewee stated;

> KCCA has established an appropriate environment to ensure effective and efficient revenue collection. KCCA has recruited competent staff and carries out training for staff to enhance their revenue collection capacity. KCCA put high emphasis on sensitizing and training of staff involved in the registry and valuation program. The training includes study tours, classroom training in Kampala, attending training workshops abroad and systematic on the job training. This has helped to improve tax collection.

In addition, another respondent revealed;

> KKCA has put in place mechanisms to ensure that fraud is reduced in tax collection. Recruitment of staff follows their integrity and those who integrity fails are laid off. The authority has made effort to ensure tax collection that is free of corruption and that staffs that have been accused of corruption have been dealt with according to the rules as stipulated by the Human Resource Directorate

The interview results above show that the Directorate of Revenue Collection (DRC) was in charge of tax collection based on rules and policies. KCCA employed competent staff to ensure effective and efficient revenue collection. KCCA put in place mechanisms to prevent fraud in tax collection. These results concur with those of descriptive statistics, which indicated that KCCA control environment was good.

4.4.3 Control Activities

This section of the study presents results on the second independent variable (IV2) that is control activities derived from the second objective of the study that sought to examine effect of revenue reporting on revenue collection in KCCA. Control activities was studied using five items (see Appendix B). The results on the items were as given in Table 4.11.

Table 4.11: Frequencies, Percentages and Means on Control Activities

Control Environment	F/%	SD	D	A	SA	Mean
KCCA revenue officers require authorisation before carrying out any tax collection activity	F %	7 9.7	13 18.1	37 51.4	15 20.8	3.60
KCCA has segregated duties in administration of revenue collection	F %	5 6.9	21 29.2	40 55.6	6 8.3	3.30
Access to tax materials is highly controlled	F %	3 4.2	14 19.4	43 59.7	12 16.7	3.65
Accurate tax revenue statements are made	F %	6 8.3	18 25.0	30 41.7	18 25.0	3.50
Revenue collection of KCCA is subjected to audit	F %	6 8.3	11 15.3	41 56.9	14 19.4	3.64

Source: Primary Data

The results in Table 4.11 on whether KCCA revenue officers required authorisation before carrying out any tax collection activity, cumulatively the majority percentage 72.2% (n=52) of the respondents agreed while 27.8% (n=20) disagreed. The mean = 3.60 was close to 4 which on the scale used corresponded with agreed. Four being agreed (good), the results suggested the respondents indicated that KCCA revenue officers required authorisation before carrying out any tax collection activity. As to whether KCCA had segregated duties in administration of revenue collection, cumulatively the larger percentage 63.8% (n=46) of the respondents agreed while 36.1% (n=26) disagreed. The mean = 3.30 close three suggested that the respondents were undecided. This means that fairly, KCCA had segregated duties in administration of revenue collection.

With respect to whether access to tax materials was highly controlled, cumulatively the majority percentage 76.4% (n=55) of the respondents agreed while 23.6% (n=17) disagreed. The mean = 3.65 close four suggested that the respondents were agreed. This means that access to tax materials was highly controlled. Regarding whether accurate tax revenue statements were made, cumulatively the larger percentage 66.7% (n=48) of the respondents agreed while 33.3% (n=24) disagreed. The mean = 3.50 close four suggested that the respondents agreed. This means that accurate tax revenue statements were made.

As to whether Revenue collection of KCCA was subjected to audit, cumulatively the larger percentage 76.3% (n=55) of the respondents agreed while 23.6% (n=17) disagreed. The mean = 3.64 close four suggested that the respondents agreed. This means that accurate tax revenue statements were made. To find out the overall view of how the respondents rated control activities of KCCA, an average index of control activities was computed for the 5 items measuring control activities. The summary of the statistics on the same are presented in Table 4.12.

Table 4.12: Summary Results on Control Activities

	Descriptives		Statistic	Std. Error
Control Activities	Mean		3.53	0.10
	95% Confidence Interval for Mean	Lower Bound	3.33	
		Upper Bound	3.73	
	5% Trimmed Mean		3.60	
	Median		3.80	
	Variance		0.74	
	Std. Deviation		0.86	
	Minimum		1.20	
	Maximum		4.80	
	Range		3.60	
	Interquartile Range		1.35	
	Skewness		-0.88	0.28
	Kurtosis		-0.05	0.60

Source: Primary Data

The results in Table 4.12 show that the mean for control activities was $\overline{x} = 3.53$. The mean close to 4 suggested that the respondents agreed because 4 on the likert scale used corresponded with agreed (good). The low standard deviation = 0.86 suggested low dispersion in the responses. Therefore, the results indicated that the distribution of the responses was normal which suggested that the average index for the construct of control activities could be subjected to linear correlation and regression and appropriate results obtained.

Besides the above quantitative data, the researcher collected qualitative data on a question that required the respondents to give their opinions on control activities of KCCA. In the interviews one responded stated; “The DRC has put in place a number of control activities to ensure that risks and leakages are minimised in revenue collection. Teams carry out assessment of taxpayers such that individual staffs are not easily compromised. Even during enforcement, staff move in teams such that no single staff is able to deal with customers alone as this is likely to cause compromise.”

Another respondent stated;

> Following some fraudulent activities by which some staff of KCCA were found to be issuing forged receipts and soliciting money from property owners on behalf of KCCA in 2013. The public has been sensitised to pay directly at KCCA offices and through the online platforms. Staffs involved in fraudulent tax collection have also been removed. The Directorate of internal audit also carries out on tax collection to ensure that those who carry out tax collection do it in compliance policies, plans, procedures, laws and regulations.

Another respondent stated;

> KCCA employs measures such as ensuring security personal protect tax collection materials from access by unauthorised staff and any other persons. Rooms are properly secures with locks and computers are also encrypted with passwords such that only those authorised have access to them. The buildings are also monitored by CCTV cameras such that security of assets of the authority is guaranteed.

The views above show that KCCA had a number of control activities that enhanced revenue correction. The measures included use of teams in tax assessment and collection, the internal audit department auditing the tax collection process and ensuring physical security using personnel security, key and lock and encrypting computers with passwords. The results above as those of descriptive statistics suggest that internal controls were good.

4.4.4 Monitoring

This section of the study presents results on the third independent variable (IV3), that is monitoring derived from the their objective of the study that sought to examine effect of monitoring on revenue collection in KCCA. Monitoring was studied using five items (see Appendix B). The results on the items were as given in Table 4.13.

Table 4.13: Frequencies, Percentages and Means on Monitoring

Control Environment	**F/%**	**SD**	**D**	**A**	**SA**	**Mean**
The monitoring of KCCA is carried	F	11	21	25	15	3.20
effectively	%	15.3	29.2	34.7	20.8	
Continuous monitoring is carried out	F	5	18	40	9	3.42
on tax collection by KCCA	%	6.9	25.0	55.6	12.5	
KCCA carries out revenue collection	F	3	8	40	21	3.94
performance reviews	%	4.2	11.1	55.6	29.2	
KCCA has a team that monitors	F	-	3	59	10	4.10
revenue collection	%	-	4.2	81.9	13.9	
KCC inspects revenue collection by	F	6	12	44	10	3.60
its staff	%	8.3	16.7	61.1	13.9	

Source: Primary Data

The results in Table 4.11 on whether the monitoring of KCCA was carried, cumulatively the larger percentage 55.5% (n=40) of the respondents agreed while 44.5% (n=32) disagreed. The mean = 3.20 was close to 3 which on the scale used corresponded with undecided. Three being undecided (fair), the results suggested the respondents indicated that fairly, the monitoring of KCCA was carried. As to whether continuous monitoring was carried out on tax collection by KCCA, cumulatively the majority percentage 68.1% (n=49) of the respondents agreed while 31.9% (n=23) disagreed. The mean = 3.42 close three suggested that the respondents were undecided. This means that fairly, continuous monitoring was carried out on tax collection by KCCA.

With respect to whether KCCA carried out revenue collection performance reviews, cumulatively the majority percentage 84.8% (n=61) of the respondents agreed while 15.3% (n=11) disagreed. The mean = 3.65 close four suggested that the respondents were agreed. This means that access to tax materials was highly controlled. Regarding whether KCCA had a team that monitors revenue collection, cumulatively the larger percentage 95.8% (n=69) of the respondents agreed while 4.2% (n=3) disagreed. The mean = 4.10 close four suggested that the respondents agreed. This means that KCCA had a team that monitors revenue collection.

As to whether KCC inspected revenue collection by its staff, cumulatively the larger percentage 75.0%% (n=44) of the respondents agreed while 25.0% (n=3) disagreed. The mean = 3.60 close four suggested that the respondents agreed. This means that KCC inspected revenue collection by its staff. To present the overall perception of the respondents rating monitoring of KCCA, an average index of monitoring was computed for the 5 items measuring monitoring. The summary of the statistics on the same are presented in Table 4.14.

Table 4.14: Summary Results on Monitoring

Descriptives			Statistic	Std. Error
Monitoring	Mean		3.42	0.09
	95% Confidence Interval for Mean	Lower Bound	3.24	
		Upper Bound	3.60	
	5% Trimmed Mean		3.42	
	Median		3.60	
	Variance		0.61	
	Std. Deviation		0.80	
	Minimum		1.80	
	Maximum		5.00	
	Range		3.20	
	Interquartile Range		1.20	
	Skewness		-0.26	0.28
	Kurtosis		-0.70	0.60

Source: Primary Data

The results in Table 4.14 show that the mean for monitoring was $\bar{x}$ = 3.42. The mean close to 3 suggested that the respondents were undecided because 3 on the likert scale used corresponded with undecided (fair). The low standard deviation = 0.80 suggested low dispersion in the responses. Therefore, the results indicated that the distribution of the responses was normal which suggested that the average index for the construct of monitoring could be subjected to linear correlation and regression and appropriate results obtained.

In addition to the above descriptive results, the research collected qualitative data. The respondents were asked to explain the monitoring activities of KCCA in revenue collection. Pertinent views were given indicating that KCCA carried out monitoring of revenue collection. One respondent stated; “We have established a monitoring team of inspectors to promote revenue collection. The teams help to ensure that taxpayers fulfil their obligations. Moniting is also carried out through processes like auditing and make of financial reports by the concerned staff.” Another respondent stated;

> The DRC carries out supervision and evaluation of staff performance in revenue collection. All field staff are supervised by heads of their units and their performance is evaluated. Performance appraisal is carried out to ensure that the performance of staff remains within policies, plans, procedures, laws and regulations. Monitoring is emphasised to ensure that staff do not harass and defraud clients.

In addition, another respondent remarked; KCCA has implemented corporate governance codes and laws followed by staff. Responsible officers continuously monitor to ensure that staffs continue to follow the codes and laws. At every level there staff who monitor those under them and monitor customer compliance.”

The views presented above showed that in revenue collection there was effort by KCCA to carry out monitoring. There were inspectors, policies and laws all that promoted staff performance of their duties and taxpayers fulfilment of their obligations. The above findings relate with the findings of the descriptive statistics that revealed that monitoring by KCCA was fair.

4.5 Hypothesis Test

4.5.1 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 are presented in Table 4.15.

Table 4.15: Correlation Matrix of Revenue Collection and Internal Controls

	Revenue Collection	Control Environment	Control Activities	Monitoring
Revenue Collection	1			
Control Environment	0.390** 0.001	1		
Control Activities	0.621** 0.000	0.713** 0.000	1	
Monitoring	0.404** 0.000	0.485** 0.000	0.259* 0.028	1

Correlation is significant at the 0.05 level (2-tailed).

The results in Table 4.15 suggest 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, 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 reveal that control activities had a more significant effect on revenue collection followed by monitoring and control activities respectively.

4.5.2 Regression Model for Revenue Collection using Internal Controls

At the confirmatory level, to find out whether revenue collection was predicted by internal controls the dependent variable namely; revenue collection was regressed on internal controls the independent variable. The internal control systems were control environment, control activities and monitoring. The results were as in Table 4.16.

Table 4.16 Regression of Revenue Collection on Internal Controls

	Standardised Coefficients	Significance
Internal Control	Beta (β)	p
Control Environment	0.332	0.019
Control Activities	0.762	0.000
Monitoring	0.367	0.000

Adjusted $R^2 = 0.470$
F = 21.968, p = 0.000

Dependent Variable: Revenue Collection

The results in Table 4.16 show that, internal controls namely were control environment, control activities and monitoring explained 47.0% of the variation in revenue collection (adjusted R^2 = 0.470). This means that 53.0% was accounted by factors other than those considered in this study. The regression model was good/ significant ($F = 21.968$, $p = 0.000 < 0.05$). All the three internal controls that were control environment ($\beta = 0.332$, $p = 0.019 < 0.05$), control activities ($\beta = 0.762$, $p = 0.000 < 0.05$) and monitoring ($\beta = 0.367$, $p = 0.000 < 0.05$) had a positive significant effect on revenue collection. The magnitudes of the respective betas suggest that control activities had the most significant effect on revenue collection followed by monitoring activities, then risk assessment.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary and discussions of the results derived from the data presented in chapter four leading to varying conclusions and a number of recommendations. The study sought to establish the effect of internal controls on revenue collection. The investigations of the study were based on the objectives that aimed at establishing the effect of control environment, control activities and monitoring.

5.2 Summary of Findings

5.2.1 Revenue Collection

The findings revealed that that revenue was fair (mean = 3.37). That is, KCCA realised collection targets (mean =3.70), had expanded the tax base (mean = 3.50), collected a variety of taxes (mean = 3.50). In addition, tax collections fairly exceeded tax projections (mean = 3.22), each new financial year, fairly more revenue was collected than in the past (3.15), there was fair compliance by KCCA taxpayers (mean = 3.10), fair efficiency (mean = 3.43), and fair payment of taxes in time (mean = 3.43).

5.2.2 Hypothesis One (H_1): Control environment has a significant effect on revenue collection.

Hypothesis statistic test results revealed that control environment ($\beta = 0.332$, $p = 0.019 < 0.05$) had a significant effect on revenue collection. Descriptive results showed that control environment (mean = 3.60) was good. This was because KCCA revenue collection directorate had full independence in carrying out its duties (mean = 3.50), revenue staff acted with integrity and ethically (mean = 3.82), revenue officers were competent (mean =3.60), and KCCA had in place mechanisms to mitigate risks likely to hamper revenue collection (mean = 3.75). However, the clarity of purpose for which it collected revenue was fair (mean = 3.15).

5.2.3 Hypothesis Two (H_2): Control activities have a significant effect on revenue collection.

Hypothesis statistic test results revealed that control activities ($\beta = 0.762$, $p = 0.000 < 0.05$) had a significant effect on revenue collection. Descriptive results showed that control activities (mean = 3.53) were good. This was because KCCA revenue officers required authorisation before carrying out any tax collection activity (mean = 3.60), access to tax materials was highly controlled (mean = 3.65), accurate tax revenue statements were made (mean =3.50), and revenue collection of KCCA was subjected to audit (mean = 3.64). However, segregation of duties in administration of revenue collection was fair (mean = 3.30).

5.2.4 Hypothesis Three (H_3): Monitoring has a significant effect on revenue collection.

Hypothesis statistic test results revealed that monitoring ($\beta = 0.367$, $p = 0.000 < 0.05$) had a positive significant effect on revenue collection. Descriptive results showed that monitoring (mean = 3.42) was fair. That was because whereas there were teams that monitored revenue collection (mean = 4.10) and KCCA inspecting revenue collection by its staff (mean = 3.60), the effectiveness of monitoring was fair (mean = 3.20), continuity of monitoring fair (mean = 3.42) and revenue collection performance reviews fair (mean = 3.94).

5.3 Discussion of the Findings

5.3.1 Hypothesis One (H_1): Control environment has a significant effect on revenue collection.

Hypothesis one (H_1) to the effect that control environment had a significant effect on revenue collection was supported. This finding was consistent with the findings made by previous scholars. For instance, Davis and Rothstein (2006) revealed that control environment characterised by integrity of managers positively significantly related to performance. Ekpe et al. (2015) established that an effective mission statement as a control environment element led to organisational performance. Khademfar et al. (2013) reported a significant relationship between the environment control of ethical work climate and organisational financial performance. Khan et al. (2010) also found out a positive significant relationship between mission and performance. Kidd (2010) found out that organisational structure based on a function-based tax administration allowed for the standardisation of common work and simplified the relationship between the tax administration and the taxpayer with one point of contact for service and one point of contact for payment leading to timely processing of all tax payments and returns. Long (2008) revealed that the control environment of HR professional competencies (strategic contribution, business knowledge, personal credibility, HR delivery and HR technology) had significant correlation with a firm's performance. Maduenyi et al. (2015) revealed that organisational structure as an environmental control had an impact on organisational performance. Sotunde (2013) revealed that vision and mission statement as forms of control environment influenced their performance. Osei and Ackah (2015) also revealed that there was a positive significant relationship between employees' competent and firm performance. As with previous literature, the findings of this study revealed that control environment in terms of integrity of managers, ethical work climate, organisational structure, and vision and mission employees' competent had a significant effect on revenue collection.

5.3.2 Hypothesis Two (H_2): Control activities have a significant effect on revenue collection.

Hypothesis two (H_2) to the effect that control activities had a significant effect on revenue collection was accepted. This finding was in agreement with the findings made by previous scholars. For instance, Abata (2015) revealed that the control activity of financial statements had a significant positive relationship with compliance improving the performance of organisations. Argiles and Slof (2003) indicated that the control activity of financial accounting was associated with performance of large farms. Chiezey and Agbo (2013) revealed a positive significant relationship between restricting access by unauthorised staff and performance of organisations. Hutchinson and Zain (2009) showed there was a positive significant association between internal audit quality and firm performance. Nyakundi et al. (2014) showed that adherence to authorisation procedures and review and verification of internal controls positively affected financial performance. Tunji (2013) revealed that the control environment of functional segregation of responsibilities (authorisation, recording, custody and reconciliation) to different individuals helped organisations to check abuses that can derail an organisation improved performance. Wakiriba et al. (2014) also found out that segregation of duties related to performance of organisations.

However, the finding was inconsistent with the findings of scholars such as Ejoh and Ejom (2014) who revealed no significant relationship between separation of roles and financial performance. Ljubisavljević and Jovanovi (2011) also found no association between the internal audit and firm performance. In addition, Kiabel (2012) showed no strong association between internal auditing practices and financial performance of government-owned companies. However, with the finding in agreement with most of the previous scholars, the results suggest that control activities namely; financial statements, financial accounting, restricting access by unauthorised staff, internal audit, authorisation procedures and review and verification, and segregation of duties related to revenue collection.

5.3.3 Hypothesis Two (H_3): Monitoring has a significant effect on revenue collection.

Hypothesis two (H_3) to the effect that monitoring had a significant effect on revenue collection was supported. This finding concurred with the findings made by previous scholars. For instance, Dean (2002) revealed monitoring in terms of inspection improved performance. Gavrea et al. (2011) established a strong relationship between a continuous performance monitoring process and performance. Ilieş and Stegerean (2011) established a strong relationship between a continuous performance monitoring process and performance. This means that in organisations where there is continuous monitoring, there is higher performance. Kusek and Rist (2004) found out that systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress as a monitoring activity related to performance. Mwema and Gachunga (2014) found out that performance measure purposes as a monitoring activity and increased employee’s performance. Saleem and Abideen (2011) also found out that monitoring was more highly correlated with organisational performance among the other variables. This indicated monitoring had a strong effect on organisational performance. Ssebakumba (2013) revealed a positive significant relationship between monitoring by teams and organisational performance. The discussion above suggests that monitoring in terms of a continuous performance monitoring process, systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress, performance measure purposes and monitoring by teams related to revenue collection.

5.4 Conclusions

Guided by the findings of this study on internal controls and revenue collection, the following conclusions were made;

5.4.1 Control environment and revenue collection

Control environment affects revenue collection. This is so when revenue collection directorates have full independence in carrying out their duties, revenue staff act with integrity and ethically, revenue officers are competent, there are mechanisms to mitigate risks likely to hamper revenue collection and clarity of purpose for which revenue is collected.

5.4.2 Control activities and revenue collection

Control activities affect revenue collection. This is because of authorisation before carrying out any tax collection activity, highly controlled access to tax materials, accurate tax revenue statements, auditing and segregation of duties in administration.

5.4.3 Monitoring and revenue collection

Monitoring affects revenue collection. This so when teams monitor revenue collection, there is inspection of staff involved in revenue collection, there is effective monitoring, continuity of monitoring and revenue collection performance reviews.

5.5 Recommendations

Basing on the conclusions above, the study recommends that Kampala Capacity Authority and any other agency involved in revenue collection should;

Establish an appropriate control environment. This should involve giving revenue collection directorates' full independence in carrying out their duties, enhancing staff to act with integrity and ethically, have competent staff, putting in place mechanisms to mitigate risks likely to hamper revenue collection and communicating a clear purpose for which revenue is collected.

Implement effective control activities. Such control activities should involve providing authorisation before staff carryout any tax collection activity, highly controlling access to tax materials, ensuring accurate tax revenue statements, carrying auditing and segregation of duties in administration.

Carry out effective monitoring. This should involve establishing teams to monitor revenue collection, inspection of staff involved in revenue collection, effective monitoring, and continuity of monitoring and revenue collection performance reviews.

5.6 Study Limitations and Suggestions for Further Research

This study makes a significant contribution with respect to implementing internal controls to enhance revenue collection. However, the study looked at only three internal controls, namely control environment, control activities and monitoring. Therefore, the effect of other internal controls namely; risk assessment and information and communication was not established. Therefore, further research should study risk assessment and information and communication. Besides this study was carried out on a city authority. Therefore, future studies can be carried out on revenue authorities and local governments.

5.7 Contribution from the Research Findings

This research study found out a significant relationship between monitoring and revenue collection therefore staff performance should be monitored very closely if the intended results are to be realised. Indicators like tax demanding levels, collections against targets and accurate reporting should be periodically examined.

A well trained staff performs better hence staff should be reskilled and clear operational guidelines put in place. These can be enhanced by the automation of all process to curb the moral hazards and avert risks of the manual operational environment.

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. This facilitated with a revenue enhancement strategy definitely lead to maximisation of revenue collection.

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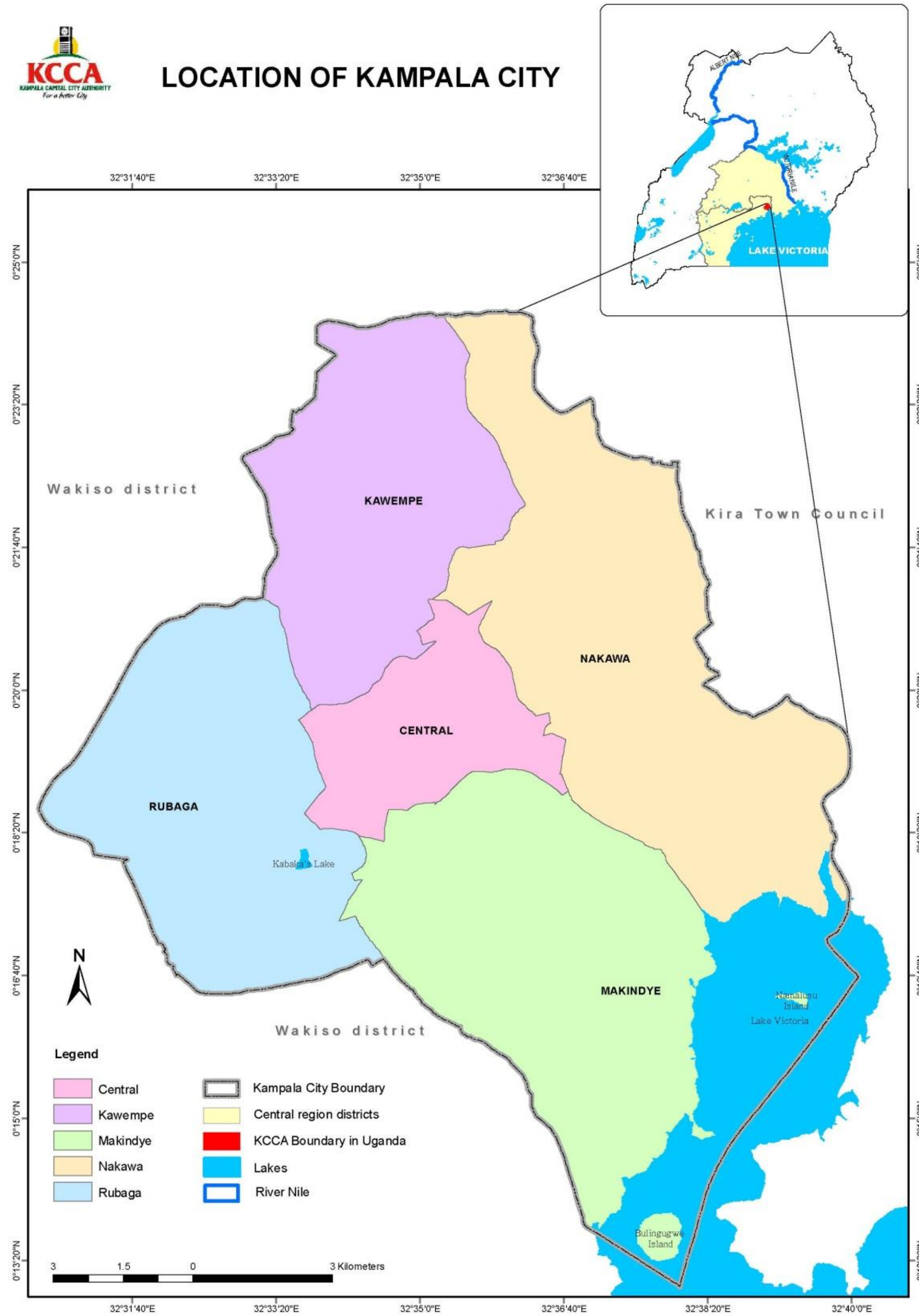
APPENDICES

APPENDIX A: LOCATION MAP OF KAMPALA CAPITAL CITY AUTHORITY



APPENDIX B: QUESTIONNAIRE FOR STAFF OF KCCA

Uganda Management Institute

P. O. Box 20131

Kampala

April 2016.

Dear respondent,

I am conducting a study on effect of internal controls on revenue collection. As one of the employees, your opinions are very important to this study. The information provided will only be used for academic purpose, Anonymity and confidentiality shall be ensured for all the information collected from the respondents. Thank you for your co-operation.

Section A: Respondents Bio-Data

Please tick what you consider appropriate in basing on the items in the spaces provided.

A1 Sex category

Male	Female

A2 Age category

Age range	20-25	26-30	31-35	36-40	41-45	46-50	51-55

A3 Highest education level attained

Secondary education	Certificate	Diploma	Bachelor degree	Post graduate Diploma	Master's degree

A4 Current occupation in KCCA

Top Management	Manager	Supervisor	Officer

A5 Years of service in revenue collection in KCCA

Less than 1 year	1-2 yrs.'	2-4 yrs	4-6yrs	6 years and above

Section B: Revenue Collection (DV)

This section presents items on revenue collection by KCCA. You are kindly requested to indicate the extent to which you agreed with the suggestions of the items provided where, 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree and 5 = Strongly Agree**.**

		SD	**D**	**NS**	**D**	**SD**
B1	**Revenue Collection**	**1**	**2**	**3**	**4**	**5**
B1.1	KCCA realises revenue collection targets					
B1.2	KCCA sometimes exceeds tax projections					
B1.3	Each new financial year more revenue is collected than in the past					
B1.4	There is high compliance by KCCA taxpayers					

B1.5	Tax collection is done cost efficiently					
B1.6	KCCA taxpayers pay their taxes in time					
B1.7	The tax base of KCCA has expanded					
B1.8	KCCA collects a variety of taxes					

Section C: Internals Controls (IVs)

This section presents items on internal controls and is divided three sections, namely control environment, control activities and monitoring. You are kindly requested to indicate the extent to which you agree with the suggestions of the items provided using the scale where, 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree and 5 = Strongly Agree**.**

C1	**Control Environment**					
C1.1	The KCCA revenue collection directorate has full independence in carrying out its duties					
C1.2	KCCA has a clear purpose for which it collects revenue					
C1.3	Revenue staff of KCA act with integrity and ethically					
C1.4	KCCA revenue officers a competent					
C1.5	KCCA has in place mechanisms to mitigate risks likely to hamper revenue collection					
C2	**Control Activities**					
C2.1	KCCA revenue officers require authorisation before carrying out any tax collection activity					
C2.2	KCCA has segregated duties in administration of revenue collection					

C2.3	Access to tax materials is highly controlled					
C2.4	Accurate tax revenue statements are made					
C2.5	Revenue collection of KCCA is subjected to audit					
C3	**Monitoring**					
C3.1	The monitoring of KCCA is carried effectively					
C3.2	Continuous monitoring is carried out on tax collection by KCCA					
C3.3	KCCA carries out revenue collection performance reviews					
C3.4	KCCA has a team that monitors revenue collection					
C3.5	KCC inspects revenue collection by its staff					

End

Thank you very much for providing me with responses.

APPENDIX C: INTERVIEW FOR SENIOR STAFF KCCA TAX DIRECTORATE

1. What is your opinion on revenue collection by KCCA?
2. Comment on the control environment of KCCA in revenue collection?
3. What is your assessment of KCCA control activities in revenue collection?
4. Explain your understanding of revenue collection monitoring by KCCA.