

INTERNAL CONTROL SYSTEMS AND REVENUE COLLECTION:

A CASE OF UGANDA REVENUE AUTHORITY,

BUSHENYI BRANCH

AHIMBISIBWE BRUNO

BBA (Fin & Acc) KIU

MBA/0003/123/DU

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DECLARATION

I Ahimbisibwe Bruno, declare that this research dissertation is my original work and has never been submitted for the award of a diploma or degree in any other University, College or Institution of higher learning.

Signature.....

Date.....



APPROVAL

This dissertation titled, **“Internal Control Systems and Revenue Collection: A Case Study of Uganda Revenue Authority, Bushenyi Branch”** was done under our supervision and has been submitted to Kampala International University with our approval as the supervisors.

Signature.....

Date.....

Mr. Byamukama Gershom

Signature.....

Date.....

Mr. Basajjabalaba Jafari

DEDICATION

This research is dedicated to my beloved Parents Mr. Benardo & Mrs. Evangelista for the prayer, support and sacrifice exhibited during the study.

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LIST OF ACRONYMS

APB	:	Audit Practices Board
APC	:	Audit Practice Committee
BOD	:	Board of Directors
CE	:	Control Environment
CIT	:	Cash-in-Transit
COSO	:	Committee of Sponsoring Organization of Tread way Commission
CVI	:	Content Validity Index
ERP	:	Enterprise Resource Planning
FASB	:	Financial Accounting Standards Board
GDP	:	Gross Domestic Product
ICS	:	Internal Control Systems
IMF	:	International Monetary Fund
INTOSAI	:	Internal Organization of Supreme Audit Institutions
LG	:	Local Government
MOFPED	:	Ministry of Finance Planning and Economic Development
SOX	:	Sarbanes-Oxley Act
SPSS	:	Statistical Package for Social Sciences
URA	:	Uganda Revenue Authority
VFM	:	Value for Money

ABSTRACT

This study was done to establish the relationship between internal control systems and revenue collection in Uganda, through a case study of Uganda Revenue Authority (URA) Bushenyi Branch. The objectives of the study were; to find out the relationship between the control environment and revenue collection at URA, Bushenyi Branch, to establish the relationship between risk assessment and revenue collection at URA, Bushenyi Branch, and to establish the link between control activities and revenue collection at URA Bushenyi Branch. The researcher used cross sectional and co-relational research designs. A representative sample of 38 respondents was selected to represent the entire study population of 42 people. The researcher used both questionnaires and interviews to collect data. The collected data was properly processed and analysed by using two computer packages; MS Excel and SPSS version 17.0 to generate tables and statistics that enabled the researcher to draw conclusions from the analysed data.

The researcher established that in the opinion of 59.5% of the study respondents, revenue at URA, Bushenyi branch was moderate. The researcher established that there was a significant relationship between the control environment and the level of revenue collection at URA, Bushenyi Branch. The study also revealed that there was no significant relationship between risk assessment and revenue collection at URA, Bushenyi Branch. Finally, the researcher found out that there was a significant relationship between the control activities and revenue collection at URA, Bushenyi Branch. Therefore, basing on the study findings, the researcher established that only two variables of internal control systems namely control environment and control activities had a significant relationship with revenue collection at URA, Bushenyi Branch.

From the study findings, the researcher recommended that URA management and BOD should always monitor and supervise its employees since it was found out that revenue collection depended on proper and close supervision of junior staff at URA, the ICT department should strive to continually upgrade the systems so as to keep the systems well updated with the growing capacity of operations and the provision of early attention to any system challenges. The researcher further suggested that a detailed study may be done on the effect of risk assessment on revenue collection in URA.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This chapter covers the background to the study, the statement of the problem, the purpose of the study, the objectives, the research questions, conceptual framework, and significance and scope of the study.

1.1 Background to the Study

1.1.1 Historical perspective

The concept of internal control systems developed slowly over some years although its greatest development occurred in the early 1940s. This concept came into existence not only due to complexities of modern business techniques but also due to increased size of business units that have forced the adoption of the internal control systems while increasing the efficiency of the business, largely because the systems act as safeguard against errors and fraud. Internal controls have existed from ancient times. Michino (2011) reported that “in Hellenistic Egypt there was a dual administration with one set of bureaucrats charged with collecting taxes and another with supervising them”.

Brink (2011) contends that, as a concept, internal control has existed since substantive relationships came into existence. He adds that its origin can be traced back to civilized communities that existed around 5000 B.C. The governments of the empires of the time imposed a number of taxes on individuals and business. For the proper accounting and collection of these taxes, an elaborate system of checks and counterchecks was established. Such early internal control systems were designed primarily to minimize errors and safeguard state property from dishonest tax collectors.

Brink (2009) states further that, the Mesopotamian civilizations, which existed about 3000 B.C., also utilized elaborate systems of internal controls. Summaries of the transactions were prepared by scribes who however did not provide the original list of receipts and payments. Documents of that period contained ticks, dots, and check-marks indicating the existence of the auditing function during those times.

The first fiscal organisation in the Ottoman Empire was established in the time of Murat the First (1359-1389). During the reigns of Mehmet II (The Conqueror) and Suleiman I (The Magnificent), a fiscal organisation was developed as a result of the rise in revenues and expenditures of the empire. Until 1838 the Ottoman Empire had no Ministry of Finance. The Ministry of Finance was officially established in the state organisation by a decree in 1838. This ministry's structure was formed of "Departments" under the leaderships of "Chiefs". Among these departments, the "Tax per Person" department dealt with the duties collected from provinces and districts which were called "Avarız" and "Bedeli Nuzil" respectively. In one sense, today's Revenue Administration's duties were carried out by this department. That revenue administration which was established as "Avarız and Bedel-i Nuzil" in 1881, was transformed into the Directorate of Public Revenues (Varidat Umum Müdürlüğü) in 1936.

In 1942 the Public Directorate of Revenues was abolished and Public Directorates of Direct Taxes and Indirect Taxes were established. In 1946 the Public Directorates of Direct Taxes and Indirect Taxes were also abolished and the General Directorate of Revenues was established. Nevertheless, as a result of the re-organisation with the Law no 5345, adopted in 2005 the General Directorate of Revenue was also abolished and the Presidency of Revenue Administration was established under the Ministry of Finance. The Revenue Administration was founded to implement revenue policy with justice and impartiality; to collect taxes and other revenues with the least cost; to ensure voluntary compliance of taxpayers; to provide high quality services by protecting taxpayers' rights, to take necessary measures in order to ensure that taxpayers fulfill their obligations easily and to work with respect to the main principles of transparency, accountability, participation, productivity, effectiveness, and customer focused organization.

The Uganda Revenue Authority (URA) was established by the Uganda Revenue Authority Statute of 1991 and set up in September of the same year as the central body for the assessment and collection of specified revenue to administer and enforce the laws relating to such revenue and to provide for related matters. This statute incorporated all the laws that were in force then regarding tax collection. The new organisation (URA) amalgamated the three tax administration departments that were responsible for all taxes collected by the Central government of Uganda. These departments were Customs & Excise, Inland Revenue and Income Tax.

The URA was created as a quasi autonomous unit with a Board of Directors appointed by and responsible for the Minister of Finance. The URA Statute grants a considerable degree of independence to the Board in terms of control over day-to-day operations. However, the Ministry of Finance Planning and Economic Development (MOFPED) maintains control over two important areas; the budget and revenue.

For budgetary purposes, URA is regarded as a department of the MOFPED and is subject to the same financial rules and disciplines as other departments of MOFPED. Regarding revenue, the Ministry sets the revenue targets and how such targets are to be spread over different tax heads.

Among the objectives of URA was to improve the standard of tax administration and correct the weaknesses that characterized the old tax administration. Any entity of whichever form or size should put in place its own system of controls in order to achieve its objectives (Mwindi, 2008). A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of organizations. However, ineffective internal controls result in ineffective programs eventually leading to losses (Olumbe, 2012).

1.1.2 Theoretical perspective

This study was guided by the agency theory developed by Jensen and Meckling (1976). According to the agency theory, a firm consists of a nexus of contracts between the owners of economic resources (the principals) and the managers (the agents) who are charged with using and controlling those resources (Jensen and Meckling, 1976). The theory also posits that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents. As such, the theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents (Jensen and Meckling, 1976).

According to the agency theory, in order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. The agent-principal relationship is strengthened more by the principal employing an expert and systems (auditors and control systems) to monitor the agent (Jussi and Petri, 2004). Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent could be adverse and a moral hazard. Moral

hazard and adverse selection impact on the output of the agent in two ways; not possessing the requisite knowledge about what should be done and not doing exactly what the agent is appointed to do.

The agency theory therefore works on the assumption that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Meckling, 1976). This theory guided the study simply because internal control is one of many mechanisms used in business to address the agency problem by reducing agency costs that affects the overall performance of the relationship as well as the benefits of the principal (Payne, 2003; Abdel-Khalik, 1993). Internal control enhances the provision of additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk.

1.1.3 Conceptual perspective

The concept of internal control systems

According to Hamed (2009), an internal control system refers to an organized amalgamation of functions and procedures, within a complete system of controls established by the management and whose purpose is the successful functioning of the business. An internal control system is made up of all the methods and procedures followed by the management to ensure, as much successful cooperation as possible with the director of the company, the insurance of the capital, the prevention and the detection of fraud, as well as the early preparation of all the useful financial information (Keitany, 2000). Hongming and Yanan (2012), add that internal control system resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. It is directly linked to the organisational structure and the general rules of the business.

According to Whittington & Panny (2001), a system of internal control extends beyond those matters which relate directly to the functions of accounting and financial statements. In addition, they note that internal control is a systematic procedure that leads to an evaluation of the degree of correlation between those established criteria and the real results of the business.

Internal control, as defined from the APC (Auditing Practices Committee, 1980), is an independent examination and certification by an inspector appointed by the business to control the finances according to an established legal framework.

From the foregoing therefore, the objective purpose of internal control is on the one hand, to render specific and high level services to the management.

Internal controls are measures that organizations institute with the aim of ensuring that the objectives, goals, and mission of the organization are met (Rezaee, 2002). They refer to set of organizational policies and procedures that ensure any transaction is processed in the appropriate way to avoid waste, theft and misuse of organization resources. Through internal control systems, organizations achieve performance and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations. Thus internal control is established by the organizational management to ensure that the business of enterprise is carried out in an orderly and efficient manner. This further ensures adherence to management policies safeguard the assets and secure the completeness and accuracy of the records

Organizations are constantly and extensively working to improve their internal control systems so as to increase revenue inflow, survive in the rapidly changing economic and competitive environments, and adapt to the shifting customer demands and priorities (Kantzos and Chondraki, 2006). Internal control consists of five interrelated components which are derived from the way management runs a business, and are integrated with the management process: control environment; risk assessment; control activities; information and communication; and monitoring (Carmichael, 1996). According to Liu (2005) and Rittenberg et al. (2005), under the current operations of organizations in general, the importance of internal control can be divided into six major categories; detecting error and fraudulence, decreasing illegal conduct, improving the competence of the business entity, improving the quality of data, helping to create the business infrastructure, and decreasing auditors' fee.

Internal control systems are implemented in businesses as tools that add value to the company. In this way, we can achieve a systematic approach to the most effective operation of the organization, as a unit (Schleifer and Greenwalt, 1996).

Finally, the COSO report defines internal control as a procedure which offers fundamental security to the business and is concerned with the credibility of financial affairs. The report also describes a framework for internal control, and provides criteria according to which management can evaluate controls.

The concept of revenue collection

Awitta (2010), states that revenue is the amount of money that a company receives during a specific period. It is the "top line" or "gross income" figure from which costs are subtracted to

determine net income. Revenue collection can be defined as income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Revenue is referred to as turnover. Some companies receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may also refer to business income in general, or it may refer to the amount, in a monetary unit, received during a given period of time.

The Financial Accounting Standard Board (FASB) Concept Statement 6, Elements of Financial Statements (December 1985) have defines revenue as inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) during a period from delivery or producing goods, rendering service or other activities that constitutes the entity's ongoing major or central operations. In addition, Honggreen & Dattar (2002) describe revenue as inflows of assets (almost always cash or accounts receivables) received for products or services provided to customers. However, URA defines revenue to mean taxes, duties, fees, levies, charges, penalties, fines or other monies collected or imposed under the written laws.

1.1.4 Contextual perspective

According to the national budgets, the government of Uganda depends on taxes, loans (foreign and domestic) and donor aid to finance its annual budget and development agenda. Over time, there has been an increase in the share of the national budget funded with locally generated resources from 51percent in 2004 to 69 percent in the 2012/2013 financial year. This further increased in the 2013/14 financial year as donors reduced their budget support by about 90 percent reportedly due to corruption (2012/2013 Financial Year Budget). This means that Uganda must depend more on locally generated resources to finance its development aspirations.

The Uganda tax revenue to GDP ratio is one of the lowest in Sub-Saharan Africa, standing at 13 percent compared to an average of 20 percent for Sub-Saharan Africa. This is also far below the 30 percent average for advanced industrial economies. The low tax to GDP ratio in Uganda is partly due to the numerous tax exemptions, harmful tax treaties, and too aggressive tax avoidance by multi-national companies. For Uganda to be able to provide adequate and quality public services to its citizens without being overly dependent on aid, fair policy decisions relating to revenue generation from taxation have to be made.

In addition, government needs to prioritize allocation of tax revenue to sectors that will directly improve the well-being of its citizens. It is equally important that tax money is well spent. This calls for strong citizen participation in demanding for transparency, accountability and fairness in revenue generation, allocation and utilization.

1.2 Statement of the Problem

Organizations continue to experience low levels of revenue generation in all entities in public and private sector organisations that can be attributed to probably avoidable man-made practices and poor internal control systems. No matter how well it is designed and operated, an internal control system can only provide a reasonable, not an absolute assurance that the objectives of the company's internal control system are met in terms of revenue generation. This heightened interest in internal controls is, in part, a result of the increased revenue misuse in the public sector. A key issue is whether there are effective internal control systems since such systems help in preventing or enabling early detection of the problems that lead to losses (Rezaee, 2002).

According to (Kirsty, 2008) an internal control system creates an organization's confidence in its ability to perform or undertake a particular task and prevent errors and losses through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations.

The government of Uganda has tried to enable URA increase revenue collection by introducing new taxes, thereby widening the tax base, but this has yielded less (2013/2014 Financial Year Budget). Bushenyi District was one of the best districts in revenue collection until when URA Bushenyi branch was created. As a result, the revenue tremendously shrunk (www.bushenyi.go.ug). One wonders what the problem could be. Could it be due to poor internal control systems employed by URA Bushenyi branch in revenue collection? It is therefore against this unsatisfactory background that the researcher investigated the effect of internal control systems on revenue collection at the URA Bushenyi Branch.

1.3. Purpose of the Study

The purpose of this study was to examine the effect of internal control systems on revenue collection at Uganda Revenue Authority, Bushenyi District.

1.4. Objectives of the Study

- i. To establish the relationship between control environment and revenue collection at URA, Bushenyi Branch.
- ii. To find out the relationship between risk assessment and revenue collection at URA, Bushenyi Branch.
- iii. To establish the relationship between control activities and the level of Revenue collection at URA Bushenyi Branch.

1.5. Research Hypotheses

HO₁: There is no significant relationship between control environment and revenue collection

HO₂: There is no significant relationship between risk assessment and revenue collection

HO₃: There is no significant relationship between control activities and revenue collection

1.6. Scope of the Study

1.6.1 Content scope

The study was concerned with the establishment of the effect of internal control systems on revenue collection at Uganda Revenue Authority, Bushenyi Branch.

1.6.2 Area scope

The study was carried out at the Uganda Revenue Authority, Bushenyi District Branch. Bushenyi District head office is located 340 km from Kampala south western Uganda. Bushenyi District is surrounded by four other districts of Rubirizi to the north, Buhweju and Sheema to the north east, Sheema to the east, Mitooma to the south west and Sheema to the South. The district covers an area of 3,949 square kilometers, lying between 910 and 2,500 meters above sea level and inhabited by people. URA Bushenyi branch was selected as a study area because there was increasing number of tax payers in the area of operation but the revenue collection was reducing

1.6.3 Time scope

The study covered a period of five years from 2013 to 2017, largely because it was during this period that the government of Uganda resorted to financing most of its budgetary activities using internally generated revenue after some of the donors withdrew the foreign aid to Uganda (2014/2015 Financial Year Budget). This time scope was long enough to show

the effect of internal control systems on revenue collection at Uganda Revenue Authority, Bushenyi Branch.

1.7. Significance of the Study

This study may be important to URA in formulating policies and procedures for tax collection.

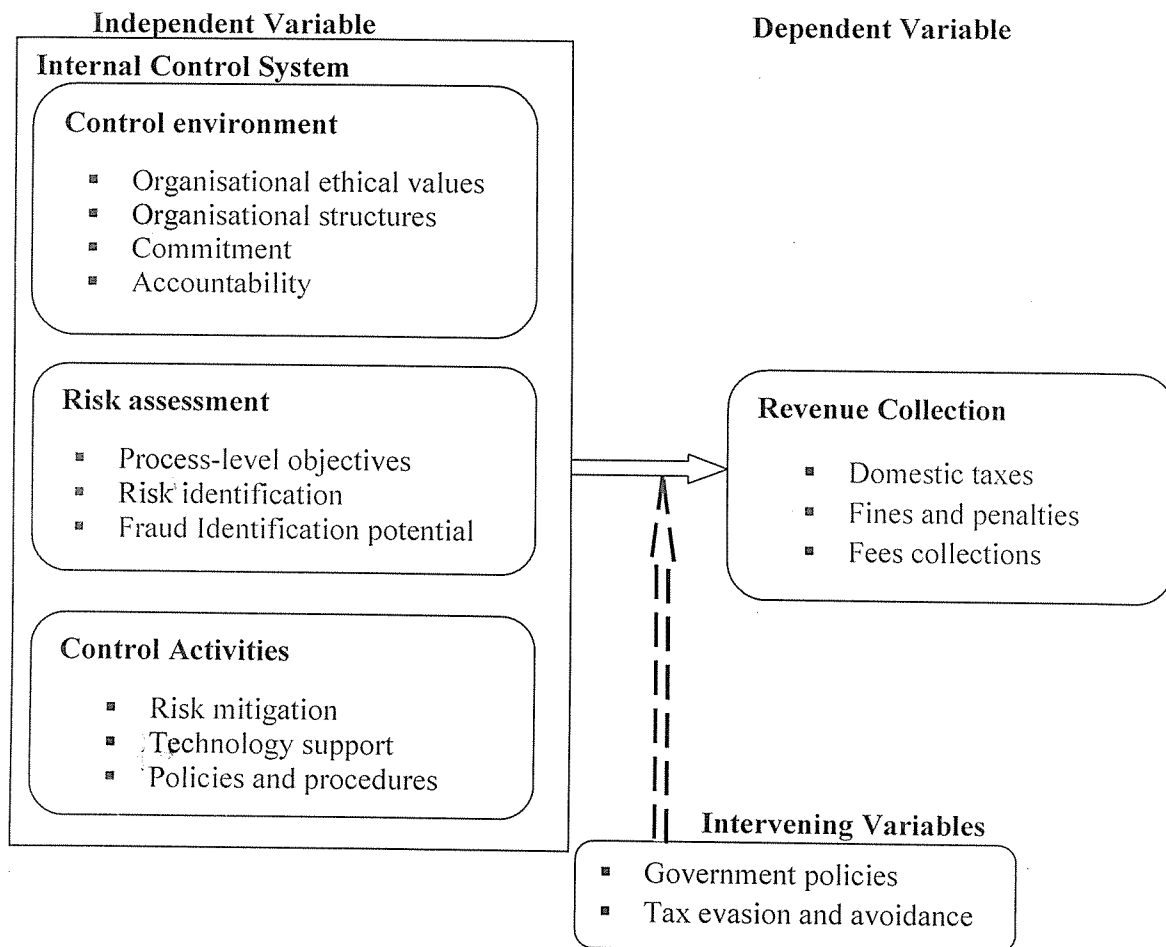
The study may create awareness of the nature and level of internal controls which have been put in place and to use the recommendations proposed to improve the existing internal control system and its implementation. In practice therefore, the study may help managers to understand how internal controls work and how to implement them more effectively than before.

The findings of this research may also contribute to theories by providing additional evidence to support the existing theories. Researchers may use information in this study as a source of reference while carrying out other research on the impact of internal control on revenue collection.

1.8 Conceptual Framework

This demonstrates different variables to be discussed in this study. These variables under analysis include the independent variables and dependent variables as well as intervening variables.

Figure 1: The Conceptual Framework



Source: Adopted and Adapted from INTOSAI (2004)

The model explains the relationship amongst the variables under study. It portrays an internal control system as the independent variable while revenue collection is the dependent variable. Government policies now promote effective control particularly in the management of resources while stressing the values of economy, efficiency and effectiveness (Value for Money) (Sanderson, 2001). Effective control environment, control activities, risk assessment, information and communication, and monitoring are a necessary to achieve the objectives (INTOSAI, 2004).

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This research assessed the effect of internal controls on revenue collection with emphasis on Uganda Revenue Authority, Bushenyi District. The review of the available literature therefore attempts to establish whether there is a relationship between internal control as an independent variable and revenue collection as a dependent variable. The review particularly focused on; control environment, risk assessment and control activities, as the main components of Internal Control as proposed by Committee of Sponsoring Organizations of the Tread way Commission (COSO).

Control theory has been described as an interdisciplinary branch of engineering and mathematics that deals with the behavior of dynamic systems with inputs. The external input of a system is called the reference. When one or more output variables of a system need to follow a certain reference over time, a controller manipulates the inputs to a system to obtain the desired effect on the output of the system.

The objective of a control theory is to calculate solutions for the proper and corrective action from the controller that result into system stability, that is, the system will hold the set point and not oscillate around it. Systems have inputs and outputs to produce a product after processing and so inputs and outputs of a control system are generally related by differential equations.

Setting objectives, budgets, plans and other expectations establish criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components-such as the social environment effecting behaviour of employees, information necessary in control, and policies and procedures. An internal control structure is a plan determining how internal control relates with components.

2.1 Conceptual review of Internal control Systems and Revenue collection

Puttick (2008), asserts that internal controls act as a set of organizational policies and approved internal processes (internal controls) crafted by the management of an organization to ostensibly achieve management's primary objective of ensuring that the business operates flawlessly. He further explains that a business is said to be running smoothly if it is able to stick to the management policies, to protect the organization's assets, and set up a system that would stop and eradicate the manipulation of accounting information.

Internal control systems are sets of processes, effected by an entity's Board of Directors (Council), Management and other personnel, designed to provide reasonable assurance regarding the achievement of organisational objectives in the effectiveness and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect the organisation's reputation (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004; Committee of Sponsoring Organizations of the Tread way Commission (COSO), 1992; Auditing Practices Board (APB), 1999).

According to Cunningham (2004), internal control systems begin as internal processes with the positive goal of helping a corporation meet its set objectives. Management primarily provides oversight; it sets the entity's objectives and has overall responsibility over the internal control system (ICS). Internal controls are an integral part of any organization's financial and business policies and procedures (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004). Internal controls consist of all the measures taken by the organisation for the purpose of; protecting its resources against waste, fraud and inefficiency; and ensuring accuracy and reliability of accounting and operating data; ensuring compliance with the policies of the organization; evaluating the level of performance in all organizational units of the organization, (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

According to Cunningham (2004), ICS are applicable to each organisation in relation to key risks and are embedded within the operations and not treated as a separate exercise. ICS should be able to respond to changing risks within and outside the company and they are a means to an end, not an end in themselves, further states that internal controls are effected by people not merely policy manuals and forms, but people functioning at every level of the institution. Internal control only provides reasonable assurance to an institution's leaders regarding the achievement of operational, financial reporting and compliance objectives; promoting orderly, economical, efficient and effective operations; safeguarding resources

against loss due to waste, abuse, mismanagement, errors and fraud, (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004). Internal controls lead to the promotion of adherence to laws, regulations, contracts and management directives and the development and maintenance of reliable financial and management data, and accurately present that data in timely reports, (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

According to the Combined Code on Corporate Governance, (2005); the governing council should identify and manage all risks within the local government (LG) and should maintain a sound system of ICS to safeguard stakeholders' interests and the local government's assets.

For his part, Treba (2003) asserts that a system of internal control is a tool for ensuring that an organisation realises its mission and objectives. He further notes that much as internal controls are often thought to be the domain of accountants and auditors; it is actually management that has primary responsibility for proper controls. A critical element of any comprehensive internal control systems is regular monitoring of the effectiveness of internal controls to determine whether they are well designed and functioning properly (Treba, 2003).

Lawson, Renzio and Umarji (2006) note that weaknesses in internal control systems (control over the payroll, over expenditure commitments and over procurement processes) lead to failure to ensure that resources are allocated to defined priorities, and to guarantee that value for money is attained in public spending.

ICS in organisations consist of five interrelated components: control environment, control activities, risk assessment, information and communication and monitoring (INTOSAI 2004). However, the COSO Framework of internal control recommends the ICS to comprise two substantive components; control environment and control activities (Thuy, 2007).

Kenneman (2004) describes internal control as those mechanisms that are in place to either prevent errors from entering the process or detecting errors. He explains that, internal controls can be defined as those processes that management relies on to make sure things don't get goofed up. (Mwindi, 2008)

Internal control is a process instituted by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the area of; effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulation. (The Committee of Sponsoring Organizations of the Treadway Commission of the Treadway Commission (COSO). Expanding on the COSO definition, Financial Management Journal (2005), states that

internal control represents an organization's plans, methods, and procedures used to meet its vision, goals, and objectives and serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement. (Esmailjee, 1993).

Michino, 2011 reports that there are other researchers who have recognized the importance of internal control but their researches did not bring the relationship between internal control and revenue collection. These researchers have formed part of the related studies for the research and include: The Sarbanes-Oxley Act of 2002 (SOX), which requires companies to report on the effectiveness of their internal controls over financial reporting as part of an overall effort to reduce fraud and restore integrity to the financial reporting process (Michino, 2011).

John (2011) asserts that software vendors that market Enterprise Resource Planning (ERP) systems have taken advantage of this new focus on internal controls by emphasizing that a key feature of ERP systems is the use of "built-in" controls that mirror a firm's infrastructure. They emphasize these features in their marketing literature, asserting that these systems will help firms improve the effectiveness of their internal controls as required by SOX (Ongeri, 2010).

Karagiorgos et al (2011), states that internal control is one of the many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees, and external audits. Karagiorgos et al (2011). Other studies have shown that internal control reduces agency costs with some even arguing that firms have an economic incentive to report on internal control, even without the requirements of SOX Deumes and Knechel (2008). Their argument assumes that providing this additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk and, therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management Amudo *et al.* (2009). Earnings management is the agency problem that motivated SOX legislation in the first place, specifically earnings manipulation by Enron, WorldCom (Mawanda, 2008).

In their publication on Principles of Auditing and other Assurance Services, Whittington & Pany (2001), attempt to explain the meaning, significance of internal controls and the components of a company's internal controls. They also attempt to explain the relevancy of internal controls in large scale business organizations. In their book while borrowing the

In high cash volumes environment, cash-in-hand is kept to a minimum by regularly clearing tills during the day and banking the collections promptly. Again if cash is not banked until the following day their receipts are locked in a safe overnight.

Apart from the physical controls to protect assets and or revenue, further control is indirectly introduced by regularly counting assets and comparing quantities with those recorded. The realization that any perceived shortages are likely to be thoroughly checked to establish the cause of the shortage will definitely lessen or prevent misappropriation. (Puttick 2008).

Authorization; The obligation to safeguard the revenue of URA requires that transactions are entered into the systems once they have been authorized by the appropriate individual and that each transaction conforms to the terms of its authority. If an individual tries to enter unauthorized transactions in the system, the system would deny access due to lack of authority to execute the transaction in question.

The use of passwords; ensures that no one has the right to enter unauthorized information which might distort revenue generation. The use of passwords discourages individuals to undertake corrupt activities as transactions are continuously monitored online (Matamande, 2012).

Records controls; URA's accounting records are such that all transactions are timely recorded and correct values are properly accounted for in the accounting records. Where manual accounting systems are used, accounting records consists of source documents on which details of transactions were initially recorded. Transactions are recorded on receipts.

To enhance control, URA also performs the following tasks; the accuracy of information and amounts recorded on source documents are checked by independent person other than those responsible for their preparation before recorded. These independent persons perform checks and should sign source documents as evidence of having performed the task.

Internal Audit; There are also daily balancing and reconciliation of cash books and the bank statements to test the accuracy and reliability of the accounting records. (URA Audit manual, 2008). Monitoring ensures that laid-down procedures are operating as they were designed to, and that delegated responsibilities have been properly discharged. Changes and improvements to internal controls systems are considered where the weaknesses have been exposed.

Management supervision; Conducting surprise counts of cash at roadblocks and tollgates comparing amounts with corresponding records. This helps minimizing revenue leakages (Matamande, 2012).

2.2 Control Environment and Revenue collection

The control environment is the foundation of all the elements in the internal control framework. Its designation and operation not only affect the enterprise' overall activity, but the other four elements. Therefore, control environment directly affects the effect of implementation of internal control framework and the modern enterprises should establish a suitable internal control environment. Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organisation (DiNapoli, 2007). The CE is further affected by the organization's structure and accountability relationships.

Control Environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. According to INTOSAI; control environment is the foundation of the ICS and sets the tone of an organisation, influencing the control consciousness of its staff, (Thuy, 2007).

It provides the discipline and structure as well as the climate which influences the overall quality of the internal control systems. Elements of the control environment are; the personal and professional integrity and ethical values of management and staff, appropriate culture in the organisation, attitude towards internal control throughout the organisation; commitment to competence; the "tone at the top" (i.e. management's philosophy and operating style); a good organisational structure (an independent internal audit function and segregation of duties), set up proper authorisation limits; and human resource policies and practices (Kaplan, 2008; Thuy, 2007; INTOSAI, 2004; and Laura, 2002).

The control environment usually includes the following context:

Personnel integrity and quality; The staffs play a dual role; on one hand, they are the subjects of internal control in the organization and control the implementation of their assignment; on the other hand, they are the objects of internal control in the organization and supervised and controlled by the other. Any item of internal control system shall not go beyond the staffs' integrity and quality that creates, manages, implements and supervises the system.

The management style and management idea; The manager's management style and management idea influence the way of managing of the enterprises, especially the manager individual glamour and the ability to make decisions. Managers control the enterprise mainly by designing the organization and management mechanism, authorizing and designing the system.

Organisational structure; Organisational structure including organization structure settings, responsibilities allocation, what position of the person in the organization is and what power and responsibility he has. Organization structure is the grantee for the enterprise to achieve overall goal and enterprises should plan, execute, supervise and control based on the structure of the organization.

2.3 Risk Assessment and Revenue collection

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity's objectives and determining the appropriate response (Di Napoli, 2007, INTOSAI, 2004). It involves risk identification, risk evaluation (estimating the impact of a risk, assessment of the likelihood of the risk occurrence), assessment of the risk appetite of the organisation; and development of responses.

Risk assessment should be performed and should identify; controllable risks (risks on which internal control procedures can be established) and uncontrollable risks (risks that are caused by the external environment that the entity operated in).

According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organisation. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an on-going interactive process. Risk assessment implies identifying and analysing altered conditions and opportunities and risks (Risk assessment cycle) and modifying internal control to address changing risk. Value for money (VFM) analysis needs to pay attention to total risks, which is sensitive to the choice of service delivery mechanism (Heald, 2003).

The risk assessment system is divided into three steps: risk identification, risk analysis and evaluation, risk control and report.

Risk identification; It asks the enterprise to judge and analyze risks, including its nature, types, and reasons of the occurrence, etc.

Risk analysis and evaluation; Risk analysis and evaluation needs quantitative analysis of digital information collected by a mathematical method in order to make the risk management based on scientific basis. The result of risk analysis and risk evaluation is the probability of occurrence and size of the risk so as to provide a dependable basis for decision-making.

Risk control and report; As to risk analysis and assessment, management should consider how to control risk. The method of controlling risk usually is to transfer risk, adverse risk and disperse risk.

2.4 Control Activities and Revenue collection

Control activities are intended to make management instructions as designed to be effective in implementation of various policies and procedures. Control activities can help enterprises to ensure that it has in place the already taken measures to reduce a loss according to realization of goals of the enterprise. From the point of daily business activities, control activities including authorized management. It refers to the fact that the manager decentralizes powers to his subordinate to make them have the right to address the problem and make a choice and share corresponding responsibility.

This refers to the definition of authority and responsibility according to the principle of combining functions of department and its characteristics.

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy, (2007); Sarbanes-Oxley Act (SOX, 2002); control activities are comprised of policies, procedures, and systems relating to the reliability of financial reporting. They include authorisations and approvals, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems (Laura, 2002). The elements of control activities include; policies regarding reconciling bank statements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems, and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy 2007, SOX, 2002).

2.5 Synthesis of Literature

From the literature review, several researchers seem not to have into the relationship between internal controls and revenue collection. However this research focused on the effect of

internal control on revenue collection in URA, which has not been researched much, representing a gap that the study filled.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the description of the procedures that were employed to realize the objectives of the study. It specifies the research design, study population, sampling and sample size, data sources, tools used in data collection, reliability and validity of instruments, data processing, and analysis.

3.1 Research Design

According to Kumekpor (2002), a research design is the planning, organizing and execution of social investigation. In the view of the researcher, it is a careful planning of each stage in order to avoid waste of time, money and other resources.

The researcher used co relational design. This correlation design was used to establish the relationship between the variables under study.

The researcher used both qualitative and quantitative research approaches to be able to collect and analyze data from respondents using both interviews and questionnaires respectively. This provided the researcher with a consistent bench mark in terms of objectivity, reliability and validity (Kumekpor, 2002).

3.2 Study Population.

The target population for this study was 42 members which include 20 staffs of URA-Bushenyi, 05 staff from Office of the Auditor General, 05 staff from Ministry of Finance Planning and Economic Development, 02 Senior Commissioners and 10 Revenue collection Agents.

3.3. Sampling and Sample Size

In order to get better results, the researcher used purposive sampling which is a non-probability sampling technique to eliminate bias and the sample was selected from the study population. A representative sample of 38 respondents was selected to represent the entire study population.

The choice was based on Sloven's formula as below;

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n: is the sample size

N: is the population

e: 0.05 confidence level 95% (margin of error=0.05)

By substitution, representative sample from the total population of 42 is 38 respondents.

$$= \frac{42}{1 + 42(0.05)^2}$$

$$= \frac{42}{1.105}$$

$$= 38 \text{ respondents.}$$

Table 3.3.1: Distribution of target population and sample size

Particular	Target population	Sample size	Sampling technique
Staff (URA Bushenyi)	20	19	Simple random
Staff (Auditor General's Office)	05	04	Purposive
URA Senior Commissioners	02	02	Purposive
Staff (MOFPED)	05	05	Purposive
Revenue Collection Agents	10 hue	8	Purposive
TOTAL	42	38	

Source: Primary Data

3.4 Data Sources

Data in this study refers to gathering of information for research purposes. Collection of data relied on both primary and secondary data collection methods.

3.4.1 Primary data

Primary data are those which are collected for the first time and are therefore original in character. Primary data were collected from a sample of respondents by use of a well-designed, presented and administered questionnaire as a research instrument for data collection.

The use of a self-administered questionnaire to collect qualitative data was justified because it is a generally acceptable instrument for qualitative data collection.

3.4.2 Secondary data

Secondary data was collected from a variety of documents including journals, books, Internet, reports from URA journals, World Bank/IMF reports, audit reports, Ministry of Finance Planning and Economic Development reports, and correspondences from the community. The researcher further used minutes, circulars, records and reports about the Authority.

3.5 Data Collection Procedures

A letter of transmittal was obtained from the Director, Post Graduate Studies and Research, Kampala International University and was presented to the Assistant Tax Commissioner, URA Bushenyi Branch. Later, the researcher introduced himself and sought permission to carry out research.

After the permission was granted, the researcher tested the data collection instruments for validity and reliability before actually collecting data from the chosen respondents according to the agreed time and schedule. The researcher then analysed the data and compiled this research report about internal control systems and revenue collection at URA, Bushenyi Branch.

3.6 Data Collection Instruments

3.6.1 Questionnaire

A questionnaire, a copy of which is attached at Appendix II, was used to collect data from the selected respondents using structured questions. The questionnaire was developed on a five point Likert Scale, ranging from Strongly Disagree as response 1 to Strongly Agree as response 5 (Sekaran, 2003).

3.6.2 Interview guide

The researcher carried out formal interviews to collect data from the respondents particularly, from the commissioners and tax collection agents using the interview-guide. The questions were planned in advance and the researcher used an interview guide to guide the interviewee.

3.7 Quality Control

Quality control mainly focused on the validity and reliability of the research instruments

3.7.1 Validity of the instrument

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. The content validity of the instrument was determined through a combination of an assessment conducted by the experts and peers as well as a pilot study. During the pilot study, the researcher encouraged respondents to ask for clarification about questions they did not understand. The researcher took note of the questions that seemed to be unclear to the respondents and later readjusted such questions. This process helped to sharpen the questionnaire and rendered the instrument valid.

For each set of questionnaires, content validity index (CVI) was calculated, using the formula; $CVI = NR/NS$,

$$= 25/31$$

$$= 0.81, \text{ the instrument is valid if } CVI \text{ is } \geq 0.7$$

Where: - NS is the total number of items in the questionnaire and NR is the total number of relevant items in the questionnaire.

3.7.2 Reliability of the instrument

An instrument is reliable if it measures consistently what it is supposed to measure. Even if other researchers administer it, it should produce the same results. The tools of data collection were piloted twice on different occasions to the same population by different data collectors and the results were tested for reliability using the Cronbach's basic equation for alpha as follows;

$$\alpha = n/(n-1) (1 - (\sum V_i/V_{\text{test}}))$$

n = number of questions

V_i = variance of scores on each question

V-test= total variance of overall scores (not %'s) on the entire test

After testing the reliability, the alpha value was determined. Therefore the questionnaire is reliable because the alpha values exceeded the 0.7 threshold as recommended by Gliem and Gliem (2003).

The re-test method was also used to confirm the reliability of the instruments and still the results were matched well with Cronbach's alpha.

3.8 Data Processing and Analysis

Data processing started by checking for completeness of all the filled in questionnaires, editing, classifying and tabulation of data in the form of frequency tables.

After data processing, the next step was analysis which deals with descriptive and inferential statistics. Inferential statistics deals with the methods of drawing conclusion from the collected data to predict population parameters. Since the study was mainly descriptive, the researcher put much emphasis on descriptive statistics to establish relationship between the variables under study.

3.8.1 Data editing

Editing involved sorting of collected data in order to get information relevant to the study variables. At this stage, all responses were edited by the researcher while writing the useful information provided by the respondents and ignoring the useless information.

3.8.2 Data presentation and analysis

Key findings were transformed into tables for easy analysis and presentation of data. Narrative reasoning was used to interpret the findings. After editing the data, it was then presented in the form of frequency tables so that it can be interpreted easily. Tables were developed by using two computer packages namely Ms Excel and SPSS version 17.0. However, qualitative data was analyzed by developing themes derived from the study objectives.

3.8.3 Data interpretation

The collected data was properly processed and analyzed. The researcher first decided about which data interpretation methods to be used and what types of tables to be used. The purpose of tabulation is proper presentation to find out the relationship between variables.

The process of analyzing data included coding the responses that classify the data according to their categories, tabulating the data and the necessary statistical computations. Continuous supervision was emphasized for proper coding of data and therefore data from respondents was properly presented for analysis.

3.9 Ethical Consideration

The following were the ethical considerations observed by the researcher throughout the course of the study;

3.9.1. Informed consent: Prior to questionnaire administration and interviews, respondents were informed of the purpose of the study and their role in it, and requested them to participate only if they chose to do so. All respondents were given a consent form which they signed as a proof of acceptance to participate in the study.

3.9.2. Privacy and confidentiality: It was clearly stated in the introductory paragraph of the questionnaire that the study was for academic purposes and the respondents' identities and views would remain private and confidential.

3.9.3. Anonymity: The respondents were reminded that they were at liberty to disclose or not to disclose their identities. Respondents were equally free to disclose their names or not to do so, and this was clearly stated at the beginning of each data collection session.

3.9.4. Researcher's responsibility: The researcher always observed his responsibility to respect the human dignity of the respondents during the course of study. Designing of instruments, administering the questionnaires, their collection, presentation and analysis of findings was a coordinated process where competences, integrity, professionalism, respect for human rights and social responsibility were observed.

3.9.5 Benefits and risks

All the information that was gathered from the respondents was used for Academic purposes only. There was no possibility that URA Bushenyi Branch was exposed to other interplays that may result into the Authority being questioned at some time.

3.10 Limitations and Delimitations of the Study

The study was carried out in a short period of time i.e. not long enough to allow an in depth study. Therefore data collected could be different from that which could be got if a longer

period was to be used. However this was overcome by the researcher through designing a detailed research instrument to use during data collection.

The study was affected by non – response from some of the respondents contacted especially those with no hands on experience or they are completely new in service and the fact that URA staffs are always busy and engaged. This was overcome by the researcher approaching the respondents in a friendly way so that he can tap information from them.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents and analyses data obtained from the field. The findings are presented and analyzed within in the conceptual framework and according to the objectives of the study beginning with the biographic characteristics of respondents. Frequency tables are used for proper presentation and interpretation of the findings.

4.1 Demographic Characteristics of Respondents

The section presents the biographic data on the respondents in terms of gender, age, marital status and the highest level of education.

Table 4.1.1 Gender

Table 4.1.1 Distribution of Respondents by gender

Gender	Frequency	Percentage (%)
Male	20	52.7
Female	18	47.3
Total	38	100

Source: *Primary data September 2017*

Regarding the gender of respondents, it is indicated that majority 20 of the respondents were males representing (52.7%) while females accounted for only 18 (47.3%) of the respondents.

The findings represent the views of the two sex groups about internal control systems and revenue collection in Uganda Revenue Authority. This was necessary for the study to get a balanced picture of the respondents' views.

Table 4.1.2 Marital Status

Table 4.1.2 Distribution of Respondents by marital status

Marital Status	Frequency	Percentage (%)
Single	06	15.7
Married	18	47.5
Separated	04	10.6
Divorced	03	7.8

Widowed	07	18.4
Total	38	100

Source: *Primary data September 2017*

The study covered the respondents with various marital status including those who were single, the married, the separated, and divorced. It is shown in the table that 4.2 that respondents 06(15.7%) were single, 18 (47.5%) were married and were the majority while 04 (10.6%) had separated, 3 (7.8%) had divorced and 7 (18.4%) were widowed. It was however found out that the marital status of respondents did not affect their knowledge on the variables of the study. These characteristics were very important in the study because it gave a background of the population profile at URA because such characteristics can have effect on the effort exerted by employees and as a result, output and therefore quality of work may be affected.

4.1.3 Age

Table 4.1.3 Distribution of Respondents by age group

Age bracket (years)	Frequency	Percentage (%)
20-30	10	26.3
31-40	21	55.2
41-50	05	13.1
51 yrs & above	02	5.4
Total	38	100

Source: *Primary data September 2017*

It is indicated that majority 21 (55%) of the respondents were aged between 31-40 years followed by 10 (26%) aged between 20-30 years while 05 (13%) were aged between 41-50 years while the least 02 (5%) were aged between 51 years and above. Thus a reflection is that most of the people were still strong and able to contribute productive effort that could generate returns to the authority.

4.1.4 Highest Level of Education

Table 4.1.4 Distribution of Respondents by highest level of education

Level of Education	Frequency	Percentage
Certificate/Diploma	03	7.9
Bachelors' Degree	08	21.1
Masters Degree	23	60.5

Doctorate	02	5.3
Others (Specify)	02	5.3
TOTAL	38	100

Source: *Primary data September 2017*

According to the findings the majority of the workers in URA had masters with 60.5% followed by undergraduates 21%, Diploma 8% and lastly those with PhD and others at 2%. This clearly indicated that the organization is using qualified and competent personnel to effect its policies and set objectives and goals.

Table 4.2.1 Engagement in revenue collection

Response	Frequency	Percentage
Yes	33	87%
No	0	0%
No response	5	13%
Total	38	100%

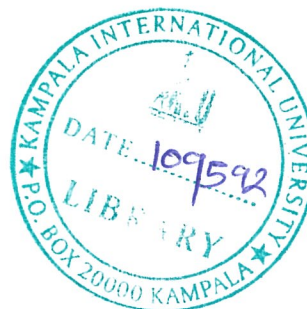
Source: *Primary data September 2017*

The table above shows that 87% of the study respondents were engaged in Revenue Collection and 13% did not respond to the question.

4.3 Descriptive Statistics on Revenue Collection

Case Processing Summary			
		N	Marginal Percentage
Level of Revenue Collection	Low	2	5.34%
	Moderate	22	57.9%
	High	13	34.2%
Valid		37	
Missing		1	2.6
Total		38	100.0%

Source: *Primary data September 2017*



4.4 The Control Environment and Revenue Collection at URA, Bushenyi Branch.

Table 4.4.1: Descriptive statistics on control environment variables and revenue collection

Case Processing Summary			
Variable	Response	N	Marginal Percentage
1. URA has good accounting and financial management System in place	Strongly disagree	0	0%
	Disagree	0	0%
	Neutral	2	5.4%
	Agree	23	62.2%
	Strongly agree	12	32.4%
2. URA Board of Directors are committed to the Internal Control System implementation	Strong disagree	3	8.1%
	Disagree	1	2.7%
	Neutral	3	8.1%
	Agree	17	45.9%
	Strongly Agree	13	35.1%
3. There is a well elaborate Organization Structure in URA	Strongly disagree	1	2.7%
	Disagree	1	2.7%
	Neutral	1	2.7%
	Agree	15	40.5%
	Strongly agree	19	51.4%
4. Policies, Procedures and documentations are well defined	Strongly disagree	0	0%
	Disagree	1	2.7%
	Neutral	3	8.1%
	Agree	20	54.1%
	Strongly agree	13	35.1%
5. Organizational structure does adequately reflect chain of command	Strongly disagree	1	2.7%
	Disagree	3	8.1%
	Neutral	2	5.4%
	Agree	15	40.5%
	Strongly agree	16	43.2%
6. Systems have been put in place to correct and avoid errors	Strongly disagree	1	2.7%
	Disagree		
	Neutral		
	Agree	22	59.5%
	Strongly agree	14	37.8%
7. The management and the BOD are people of high integrity	Strongly disagree	1	2.7%
	Disagree	1	2.7%
	Neutral		
	Agree	19	51.4%
	Strongly agree	16	43.2%
8. The company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems	Strongly disagree	3	8.1%
	Disagree	4	10.8%
	Neutral	5	13.5%
	Agree	18	48.6%
	Strongly agree	7	18.9%
Valid		37	
Missing		1	

Total	38	100.0%
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Source: *Primary data September 2017*

From table 4.4.1, in this study; control environment was measured by eight variables rated using a Likert-scale as shown in table 4.4.1 above and the respondents answered as follows;

As Table 4.4.1 above shows, in response to the statement that “URA has good accounting and financial management system in place” 62.2% of those who responded to the statement simply agreed, 32.4% strongly agreed and 5.4% were neutral. Significantly, none of the respondents disagreed to the statement.

Responses on “URA Board of Directors is committed to the Internal Control System implementation” were as follows; most of the respondents i.e, 45.9% agreed, 35.1% strongly agreed, 8.1% were neutral, 8.1% strongly disagreed and 2.1% disagreed.

Responses on “There is a well elaborate Organization Structure in URA” were as follows; - most of the respondents i.e. 51.4% strongly agreed, 40.5% agreed, 2.7% were neutral, disagreed and strongly disagreed simultaneously.

Responses on “Policies, Procedures and documentations are well defined” were as follows; 54.1% of the respondents agreed, 35.1% strongly agreed, 8.1% were neutral, 2.7% disagreed and none of the respondents strongly disagreed.

Responses on “Systems have been put in place to correct and avoid errors” were as follows; 59.5% of the respondents agreed, 37.8% strongly agreed, 2.7% strongly disagreed and neither of the respondents were neutral nor disagreed.

Responses on “The management and the BOD are people of high integrity” were as follows; 51% of the respondents agreed, 43.2% of the respondents strongly agreed, 2.7% disagreed and 2.7% strongly disagreed.

Finally, responses on “The organization’s culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems” were as follows; - 48.6% of the respondents agreed, 18.9% strongly agreed, 13.5% were neutral, 10.8% disagreed and 8.1% strongly disagreed.

Table 4.2.2: The relationship between the control environment variables and revenue collection

Likelihood Ratio Tests				
Control Environment	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	35.888	6.130	2	0.030
URA has good accounting and financial management System in place	34.782	1.758	2	0.597
URA Board of Directors are committed to the Internal Control System implementation	33.820	3.652	2	0.027
There is a well elaborate Organization Structure in URA	37.142	2.690	2	0.012
Policies, Procedures and documentations are well defined	31.425	6.012	2	0.044
Organizational structure does adequately reflect chain of command	31.574	6.295	2	0.004
Systems have been put in place to correct and avoid errors	33.473	4.444	2	0.010
The management and the BOD are people of high integrity	32.540	0.343	2	0.087
The organization's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems	35.147	7.410	2	0.022

Source: Primary data September 2017

Inferential statistics were conducted by way of using appropriate methods (Multinomial logistic regression) to test the hypotheses of Control environment variables as analysis is summarized in table 4.2.2 above;

There is no significant relationship between the level of Revenue Collection and URA having good accounting and financial management System in place at 5% level of significance since the P-value (0.597)>0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on having good accounting and financial management System in place at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and URA Board of Directors being committed to the Internal Control System implementation at 5% level of significance since the P-value ($0.027 < 0.05$). Therefore, the researcher concluded that the level of revenue collection depends on URA Board of Directors being committed to the Internal Control System implementation in place at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and presence of a well elaborate Organization Structure in URA at 5% level of significance since the P-value ($0.012 < 0.05$). Therefore, the researcher concluded that the level of revenue collection depends on presence of a well elaborate Organization Structure in URA in place at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Policies, Procedures and documentations are well defined at 5% level of significance since the P-value ($0.044 < 0.05$). Therefore, the researcher concluded that the level of revenue collection depends on Policies, Procedures and documentations are well defined at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and organizational structure does adequately reflect chain of command at 5% level of significance since the P-value ($0.004 < 0.05$). Therefore, the researcher concluded that the level of revenue collection depends on organizational structure does adequately reflect chain of command at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Systems have been put in place to correct and avoid errors at 5% level of significance since the P-value ($0.010 < 0.05$). Therefore, the researcher concluded that the level of revenue collection depends on Systems have been put in place to correct and avoid errors at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and the integrity of management and the BOD at 5% level of significance since the P-value ($0.087 > 0.05$). Therefore, the researcher concluded that the level of revenue collection does not depend on the integrity of management and the BOD at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and the company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems at 5% level of significance since the P-value (0.022)<0.05. Therefore, the researcher concluded that the level of revenue collection depends on the company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems at URA, Bushenyi Branch.

4.2.3 The relationship between Control Environment and Revenue Collection at URA, Bushenyi Branch.

Model Fitting Information				
Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	61.741			
Final	31.130	30.611	16	.015

Source: *Primary data September 2017*

Inferential statistics were conducted by way of using appropriate methods (Multinomial logistic regression) to test the hypothesis null of there is no significant relationship between Control environment and the level of revenue collection; and the analysis was summarized in table 4.2.3 above; where by the null hypothesis was rejected since p-value (0.015) <0.05; implying that there is a significant relationship between control environment and the level of revenue collection. The researcher therefore, concluded that the level of revenue collection depends on control environment.

4.3 Risk Assessment and Revenue Collection at URA, Bushenyi Branch.

Table 4.3.1: Descriptive statistics on risk assessment variables

Case Processing Summary			
Variable	Response	N	Marginal Percentage
1. URA has formulated the Internal Affairs Department	Strongly disagree	1	2.8%
	Disagree	2	5.6%
	Neutral	3	8.3%

	Agree	18	50.0%
	Strongly agree	12	33.3%
2. There are sufficient staff members who are competent and knowledgeable to manage organisational activities and these have been provided with adequate resources	Strongly disagree	0	0%
	Disagree	1	2.8%
	Neutral	1	2.8%
	Agree	22	61.1%
	Strongly agree	12	33.3%
3. URA has installed software and ICT update to help in revenue collection	Strongly disagree	0	0%
	Disagree	2	5.6%
	Neutral	0	0%
	Agree	18	50.0%
	Strongly agree	16	44.4%
4. The employees have knowledge of revenue leakage areas	Strongly disagree	2	5.6%
	Disagree	0	0%
	Neutral	1	2.8%
	Agree	17	47.2%
	Strongly agree	16	44.4%
5. Collection procedures are well documented	Strongly disagree	2	5.6%
	Agree	16	44.4%
	Strongly agree	18	50.0%
6. Revenue loss and risks have been identified by management	Strongly disagree	1	2.8%
	Disagree	3	8.3%
	Neutral	0	0%
	Agree	20	55.6%
	Strongly agree	12	33.3%
7. Measures have been put in place for risk identification	Strongly disagree	0	0%
	Disagree	2	5.6%
	Neutral	1	2.8%
	Agree	15	41.7%
	Strongly disagree	18	50.0%
8. There are surveillance officers to identify risk areas	Strongly disagree	1	2.8%
	Disagree	0	0%
	Neutral	3	8.3%
	Agree	19	52.8%
	Strongly agree	13	36.1%
9. URA staff are adequately involved in internal controls	Strongly disagree	2	5.6%
	Disagree	1	2.8%
	Neutral	1	2.8%
	Agree	18	50.0%
	Strongly agree	14	38.9%
Valid		36	
Missing		2	
Total		38	100.0%

Source: Primary data September 2017

The responses on “URA has formulated the Internal Affairs department” were as follows; most of the respondents i.e. 50% agreed, 33.3% strongly agreed, 8.3% were neutral, 5.6% disagreed and 2.8% strongly disagreed.

The responses on “There are sufficient staff members who are competent and knowledgeable to manage company activities and these have been provided with adequate resources” were as follows; 61.1% of the respondents agreed, 33.3% disagreed, 2.8% were neutral, 2.8% disagreed and none of the respondents strongly disagreed.

The responses on “URA has installed software and ICT update to help in revenue collection” were as follows; 50% of the respondents agreed, 44.4% of the respondents strongly agreed and 5.6% of the respondents disagreed; whereas neither of the respondents was neutral nor strongly disagreed.

Responses on “The employees have knowledge of revenue leakage areas” were as follows; 47.2% of the respondents agreed, 44.4% strongly agreed, 5.6% strongly disagreed and 2.8% were neutral.

Responses on “Collection procedures are well documented” were as follows; 50% of the respondents strongly agreed, 44.4% agreed and 5.6% were neutral.

Responses on “Revenue loss and risks have been identified by management” were as follows; 55.6% of the respondents agreed, 33.3% strongly agreed, 8.3% disagreed and 2.8% strongly disagreed.

Responses on “Measures have been put in place for risk identification” were as follows; 50% of the respondents strongly agreed, 41.7% of the respondents agreed, 5.6% of the respondents disagreed, 2.8% were neutral.

Responses on “There are surveillance officers to identify risk areas” were as follows; 52.8% of the respondents agreed, 36.1% of the respondents strongly agreed, 8.3% were neutral, and 2.8% strongly agreed.

Responses on “URA staffs are adequately involved in internal controls” were as follows; 50% of the respondents agreed, 38.9% strongly agreed, 5.6% strongly disagreed, 2.8% were neutral and 2.8% disagreed.

Table 4.3.2: The relationship between the risk assessment variables and revenue collection

Likelihood Ratio Tests				
Risk assessment	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	38.626	.017	2	0.992
URA has formulated the Internal Affairs department	41.712	3.102	2	0.011
There are sufficient staff members who are competent and knowledgeable to manage company activities and these have been provided with adequate resources	39.186	6.576	2	0.041
URA has installed software and ICT update to help in revenue collection	39.578	6.969	2	0.046
The employees have knowledge of revenue leakage areas	38.707	0.098	2	0.597
Collection procedures are well documented	38.742	2.132	2	0.001
Revenue loss and risks have been identified by management	39.346	.736	2	0.692
Measures have been put in place for risk identification	39.840	1.230	2	0.541
There are surveillance officers to identify risk areas	38.665	0.055	2	0.973
URA staff are adequately involved in internal controls	41.318	1.708	2	0.258

Source: Primary data September 2017

Inferential statistics was conducted by way of using appropriate methods (Multinomial logistic regression) to test the hypotheses of risk assessment variables summarized in table 4.3.2 above and interpreted as follows;

There is a significant relationship between the level of Revenue Collection and Formulated Internal Affairs department at 5% level of significance since the P-value (0.011)<0.05. Therefore, the researcher concluded that the level of revenue collection depends on Formulated Internal Affairs department at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Competent and Knowledgeable staff members at 5% level of significance since the P-value

(0.041)<0.05. Therefore, the researcher concluded that the level of revenue collection depends on Competent and Knowledgeable staff members at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Installation and updating ICT soft ware at 5% level of significance since the P-value (0.046)<0.05. Therefore, the researcher concluded that the level of revenue collection depends on Installation and updating ICT soft ware at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Employees' Knowledge of Revenue Leakage areas at 5% level of significance since the P-value (0.597)>0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Employees' Knowledge of Revenue Leakage areas at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Documentation of Revenue Collection Procedures at 5% level of significance since the P-value (0.001)<0.05. Therefore, the researcher concluded that the level of revenue collection depends on Documentation of Revenue Collection Procedures at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Identification of Revenue losses and Risks by Management at 5% level of significance since the P-value (0.692)>0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Identification of Revenue losses and Risks by Management at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Risk Identification Measures at 5% level of significance since the P-value (0.541)>0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Risk Identification Measures at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Presence of Surveillance officers to identify risk at 5% level of significance since the P-value (0.973)>0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Presence of Surveillance officers to identify risk at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Involvement of URA Staff in Internal control systems at 5% level of significance since the P-value (0.258)>0.05. Therefore, the researcher concluded that the level of revenue collection does

not depend on Involvement of URA Staff in Internal control systems at URA, Bushenyi Branch.

4.3.1 The relationship between risk assessment and revenue collection in URA, Bushenyi Branch.

Model Fitting Information				
Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	56.250			
Final	38.610	17.640	18	.480

Source: *Primary data September 2017*

Inferential statistics was conducted by way of using appropriate methods (Multinomial logistic regression) to test the hypothesis null of there is no significant relationship between risk assessment and revenue collection; and the analysis was summarized in table 4.3.3 above; where by the null hypothesis was not rejected since p-value (0.480)>0.05; implying that there is no significant relationship between risk assessment and revenue collection. The researcher therefore, concluded that revenue collection did not depend on risk assessment.

4.4 Control Activities and Revenue Collection at URA, Bushenyi Branch.

Table 4.4.1: Descriptive statistics on control activities

Case Processing Summary			
		N	Marginal Percentage
1. Policies and Procedures exist to ensure critical decisions are made with appropriate approval	Strongly disagree	0	0%
	Disagree	1	2.8%
	Neutral	0	0%
	Agree	20	55.6%
	Strongly agree	15	41.7%
2. There is proper and close supervision of junior staff at URA	Strongly disagree	0	0%
	Disagree	0	0%
	Neutral	1	2.8%
	Agree	20	55.6%
	Strongly agree	15	41.7%
3. There are elaborate	Strongly disagree	1	2.8%

mechanisms put in place to address weakness of control	Disagree	1	2.8%
	Neutral	1	2.8%
	Agree	19	52.8%
	Strongly agree	14	38.9%
Sensitive information is restricted to certain employees only	Strongly disagree	0	0%
	Disagree	2	5.6%
	Neutral	0	0%
	Agree	16	44.4%
	Strongly agree	18	50.0%
There is a system in place to ensure that employees are rotated periodically	Strongly disagree	0	0%
	Disagree	0	0%
	Neutral	1	2.8%
	Agree	17	47.2%
	Strongly agree	18	50.0%
Independent reconciliation of revenue collection on regular basis is done	Strongly disagree	0	0%
	Disagree	0	0%
	Neutral	1	2.8%
	Agree	15	41.7%
	Strong agree	20	55.6%
Valid		36	
Missing		2	
Total		38	100.0%

Source: Primary data September 2017

Response on “Approval of Policies and Procedures in decision making” were as follows; 55% of the respondents agreed, 41.7% of the respondents strongly agreed, 2.8% of the respondents disagreed and neither of the respondents was neutral nor strongly disagreed.

Responses on “There is proper and close supervision of junior staff at URA” were as follows; 55.6% of the respondents agreed, 41.7% strongly agreed, 2.8% of the respondents disagreed and neither of the respondents was neither neutral nor strongly disagreed.

Responses on “There are elaborate mechanisms put in place to address weakness of control” were as follows; 52.8% agreed, 38.9% strongly agreed, strongly disagree, Disagree and neutral were all responded by 2.8% of the respondents

Responses on “Sensitive information is restricted to certain employees only” were as follows; 50% of the respondents strongly agreed, 44.4% of the respondents agreed, 5.6% of the respondents disagreed and neither of the respondents was neutral nor strongly disagreed.

Response on “There is a system in place to ensure that employees are rotated periodically” was as follows; 50% of the respondents strongly agreed, 47.2% of the respondents agreed, 2.8% of the respondents were neutral and neither of the respondents disagreed nor strongly disagreed.

Responses on “Independent reconciliation of revenue collection on regular basis is done” were as follows; 55.6% of the respondents strongly agreed, 41.7% agreed, 2.8% of the respondents were neutral and neither of the respondents neither disagreed nor strongly disagreed.

Table 4.4.2: The relationship between control activities and revenue collection

Control Activities	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	38.695	6.694	2	.035
Policies and Procedures exist to ensure critical decisions are made with appropriate approval	38.112	6.111	2	.047
There is proper and close supervision of junior staff at URA	32.818	6.817	2	.045
There are elaborate mechanisms put in place to address weakness of control	32.287	.286	2	.867
Sensitive information is restricted to certain employees only	33.381	1.380	2	.502
There is a system in place to ensure that employees are rotated periodically	38.409	6.408	2	.041
Independent reconciliation of revenue collection on regular basis is done	40.228	8.227	2	.016

Source: Primary data September 2017

There is a significant relationship between the level of Revenue Collection and Formulated Approval of Policies and Procedures in decision making at 5% level of significance since the P-value (0.047) < 0.05. Therefore, the researcher concluded that the level of revenue collection depends on Approval of Policies and Procedures in decision making at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Proper and Close supervision of junior staff at 5% level of significance since the P-value (0.045) < 0.05.

Therefore, the researcher concluded that the level of revenue collection depends on Approval Proper and Close supervision of junior staff at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Existence of Elaborate Mechanisms to address weaknesses at 5% level of significance since the P-value (0.867) >0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Existence of Elaborate Mechanisms to address weaknesses at URA, Bushenyi Branch.

There is no significant relationship between the level of Revenue Collection and Restriction of Sensitive information to certain staff at 5% level of significance since the P-value (0.502) >0.05. Therefore, the researcher concluded that the level of revenue collection does not depend on Restriction of Sensitive information to certain staff at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Periodical Rotation of staff at 5% level of significance since the P-value (0.041) <0.05. Therefore, the researcher concluded that the level of revenue collection depends on A Periodical Rotation of staff at URA, Bushenyi Branch.

There is a significant relationship between the level of Revenue Collection and Independent reconciliation of Revenue collection at 5% level of significance since the P-value (0.016) <0.05. Therefore, the researcher concluded that the level of revenue collection depends on Independent reconciliation of Revenue collection at URA, Bushenyi Branch.

4.4.1 The relationship between control activities and revenue collection

Model Fitting Information				
Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	54.351			
Final	32.001	22.350	12	.034

Source: *Primary data September 2017*

Inferential statistics was conducted by way of using appropriate methods (Multinomial logistic regression) to test the hypothesis null of there is no significant relationship between Control activities and revenue collection; and the analysis was summarized in table 4.4.3

above; where by the null hypothesis was rejected since p-value (0.034) < 0.05 ; implying that there is a significant relationship between control activities and revenue collection. The researcher therefore, concluded that revenue collection depends on control activities.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents discussion of the findings, conclusions and recommendations from the study. These follow the sequence of the research hypotheses as developed from objectives of the study.

Suggested areas for further research are also presented.

As the following discussion demonstrates, the study was able to establish a relationship between internal control systems as reflected in the three internal control variables of control environment, risk assessment, and control activities on revenue collection.

5.1 Discussion

The following is the discussion according to the research objectives;

5.1.1 Relationship between control environment and revenue collection at URA, Bushenyi Branch.

The researcher established that URA had a good accounting and financial management system in place, and that the URA Board of Directors was committed to the implementation of internal control System. It was also established that URA had well-defined policies, procedures and documentations and an elaborate organization structure that adequately reflected chain of command. Furthermore, the management and the BOD were people of high integrity and systems were in place to correct and avoid errors. Finally, the organizational culture, code of conduct, human resource policies and performance reward systems supported the business objectives and internal control systems.

The study revealed that there was no significant relationship between the level of revenue collection and the accounting and financial management system of URA. All the staff are aware of the URA financial and accounting management system in place and they can fraudulently use it and make it not to operate towards its set requirements. This gap therefore, could explain that the existence of a good accounting and financial management system in place that does not play much significant role in revenue collection at Bushenyi Branch.

This study revealed that the level of revenue collection depends on URA Board of Directors being committed to the internal control system implementation at URA, Bushenyi branch. This was because URA Board of Directors was committed on monitoring and improving the internal control system and also always put effort on having it implemented which raised Revenue Collection.

The study found out that there was a significant relationship between the level of Revenue Collection and presence of a well elaborate Organization Structure in URA. With a well elaborate organization structure, the employees are aware of their hierarchies of reporting which improves supervision and monitoring of employees hence enhancing their duty output.

The researcher found out that there was a significant relationship between the level of Revenue Collection and Policies, Procedures and documentations being well defined. Having well defined policies, procedures and documentations of an organization creates no excuse to the poor performance of employees and gives knowledge to the employees to enhance their performance. In this therefore, the existence of well defined policies, procedures and documentations in URA, Bushenyi Branch played a significant role in its Revenue Collection.

The researcher found out that there is a significant relationship between the level of Revenue Collection and Systems having been put in place to correct and avoid errors. When the errors are corrected and avoided in the system of Revenue Collection, the procedure of Revenue Collection becomes streamlined and the Revenue Collections improve; therefore, this makes Revenue Collection depend on putting in place Systems to correct and avoid errors during the process of its Collection.

The researcher also found out that there was a significant relationship between the level of Revenue Collection and the company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and Internal Control Systems.

The study also revealed that there was no significant relationship between the level of Revenue Collection and the integrity of management and the BOD. Sometimes the management's integrity does not influence the duties performed in the organization most especially when it doesn't have good relationship with other employees who physically do the work; in relation to this therefore the integrity of management and BOD had no significant relationship with Revenue Collection in URA Bushenyi branch.

Overall, the study found out that there was a significant relationship between Control Environment and the level of Revenue Collection; implying that the level of Revenue Collection depended on control environment. In support to this, Thuy (2007) and Kaplan (2008) stated that control environment provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical values of management and staff, appropriate culture in the organisation, attitude towards internal control throughout the organisation; commitment to competence; the “tone at the top” (i.e. management’s philosophy and operating style); a good organisational structure (an independent Internal Audit function and segregation of duties), set up proper authorisation limits; and human resource policies and practices which enhance Revenue Collection.

5.1.2 Relationship between the Risk Assessment and Revenue Collection

The researcher found out that URA had formulated the Internal Affairs department, there were sufficient staff members who were competent and knowledgeable to manage company activities and these were provided with adequate resources. URA had installed software and updated ICT to help in Revenue Collection, the employees had knowledge of revenue leakage areas, Collection procedures were well documented, Revenue loss and risks were identified by management, Measures were put in place for risk identification, there were surveillance officers to identify risk areas and URA staff were adequately involved in internal controls at URA Bushenyi Branch.

This researcher was able to establish the relationship of Risk Assessment and Revenue Collection which was discussed as follows;

The researcher found out that the level of Revenue Collection depended on Formulated Internal Affairs department at URA, Bushenyi Branch implying that there was a significant relationship between the level of Revenue Collection and Formulated Internal Affairs department. This was because the internal affairs department that was formulated in charge of reducing revenue losses and risks hence influencing the Revenue Collections by URA at Bushenyi Branch.

The researcher found out that there was a significant relationship between the level of Revenue Collection and Competent and Knowledgeable staff members, therefore, the level of revenue collection depended on Competent and Knowledgeable staff in URA, Bushenyi

Branch. Generally, when the staff is competent and knowledgeable, their output is always significant and they have the ability to achieve the organizational objectives like as it was observed in the study that there was a significant relationship between the level of Revenue Collection and Competent and Knowledgeable staff.

The researcher found out that there was a significant relationship between the level of Revenue Collection and Documentation of Revenue Collection Procedures. Having documentation of Revenue Collection procedures in place brings awareness of to the staff and also improves their performance hence the study findings that the level of Revenue Collection depended on Documentation of Revenue Collection Procedures in URA, Bushenyi Branch.

The researcher found out that there is no significant relationship between the level of Revenue Collection and Employees' Knowledge of Revenue Leakage areas. It was revealed that the employees' knowledge of revenue leakage areas was not important in revenue collection because it was not applied by the employees of the Authority, as some characters were sometimes using these leakages for their own benefits and others were less concerned about these leakage areas.

The researcher also found out that there was no significant relationship between the level of Revenue Collection and Identification of Revenue losses and Risks by Management. This is because it was revealed that most of the losses and risks in revenue of Bushenyi were not in revenue collection but the destination of the revenue after collection, and therefore, this study found out that the level of revenue collection did not depend on Identification of Revenue losses and Risks by Management at URA, Bushenyi Branch.

The study further found out that there was no significant relationship between the level of revenue collection and risk identification measures, presence of surveillance officers to identify risk and involvement of URA staff in internal control systems in URA, Bushenyi Branch.

Generally, the research found out that there was no significant relationship between risk assessment and revenue collection. This implies that Revenue Collection depends on Risk Assessment in URA, Bushenyi Branch.

5.1.3 Relationship between the control activities and revenue collection

Objective three of the study was to establish the relationship between the Control Activities and Revenue Collection; whereby Control Activities were classified in different variables and the study revealed that most of the variables had a significant relationship with revenue collection.

The study found out that there was proper and close supervision of junior staff at URA, policies and procedures existed to ensure critical decisions were made with appropriate approval, elaborate mechanisms were put in place to address weakness of control, sensitive information was restricted to certain employees only, a system was put in place to ensure that employees were rotated periodically and an independent reconciliation of revenue collection on regular basis was done at URA, Bushenyi Branch.

The researcher further found out that revenue collection at URA, Bushenyi Branch depended on proper and close supervision of junior staff at URA, Policies and Procedures existence that ensured critical decisions making with appropriate approval, putting a system in place to ensure that employees were rotated periodically and the Independent reconciliation of revenue collection on regular basis that was done

Finally, the study found out that that there was a significant relationship between control activities and revenue collection. And therefore, the researcher concluded that revenue collection depended on control activities at URA, Bushenyi Branch.

All the above is evidenced by the fact that once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy, (2007); Sarbanes-Oxley Act (SOX, 2002); Control Activities are comprised of policies, procedures, and systems relating to the reliability of financial reporting. They include authorizations and approvals, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems (Laura, 2002). The said variables were witnessed by the researcher to be effective in the Authority's Branch of Bushenyi.

5.2 Conclusion

The researcher found out that in the opinion of 59.5% of the study respondents, the revenue at URA, Bushenyi Branch was moderate.

The study was aimed at establishing the relationship between internal control systems and revenue collection. The study established a relationship between internal control systems as reflected in the three control variables (control environment, risk assessment and control activities) and revenue collection.

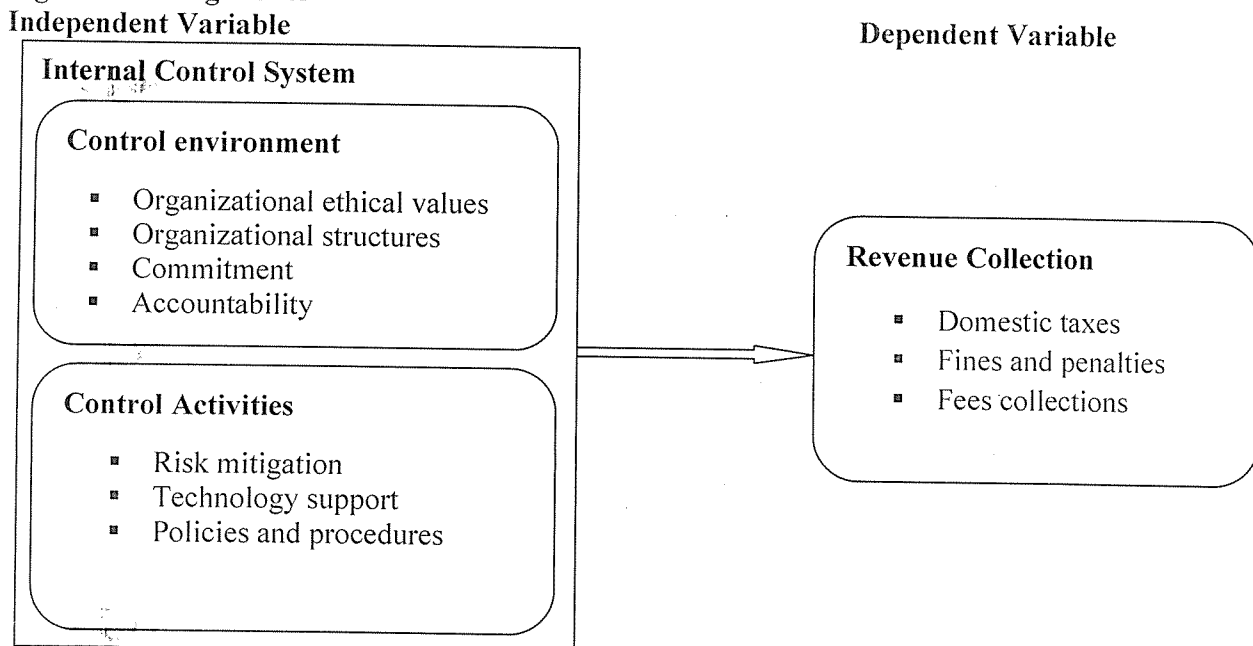
More specifically, the study established that there was a significant relationship between the control environment and the level of revenue collection. The researcher therefore, concluded that the level of revenue collection depended on control environment at URA, Bushenyi Branch.

The study findings also led to the conclusion that there is no significant relationship between risk assessment and revenue collection. The researcher therefore, concluded that revenue collection did not depend on risk assessment at URA, Bushenyi Branch.

Finally, the study found out that there is a significant relationship between control activities and revenue collection; the researcher therefore, concluded that revenue collection depended on control activities at URA, Bushenyi Branch.

Basing on the study findings, the research concluded that only two variables of internal control systems i.e. the control environment and control activities had a significant relationship with revenue collection. Therefore the fitting model was;

Figure 2: Fitting model



Source: Primary data October, 2017

5.3 Recommendations

The researcher recommended that URA management and BOD should always monitor and supervise its employees since it was found out that revenue collection depends on proper and close supervision of junior staff at URA.

The researcher recommended that the ICT department should strive to continually upgrade the systems so as to keep the systems well updated with the growing capacity of operations and the provision of early attention to any system challenges.

The researcher further recommended that the URA should keep on with the in-house training schemes and staff development programs since they are very crucial in developing and upgrading the skills and efficiency of the workforce.

The researcher further recommends that the ICT department should strive to make sure that there is interface between the Authority's major accounting packages. Lack of interface could potentially lead to possible revenue leakages.

The research also recommended that URA should always avail documentation of its revenue collection procedures since having documentation of revenue collection procedures in place brings awareness of to the staff members and also improves their performance.

5.4 Areas for further Research

- A study should be done on the effect of risk assessment on revenue collection in URA
- The influence of ICT on the effectiveness on internal control system in URA
- The effect of cultural and behavioral factors on the performance of URA
- The impact of Total Quality Management on revenue collection in Uganda Revenue Authority.

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APPENDICES

Appendix I: Informed Consent Form

INFORMED CONSENT FORM

I **Ahimbisibwe Bruno** invite you to participate in the study about Internal Control Systems and Revenue Collection; A case study of Uganda Revenue Authority, Bushenyi Branch. The purpose of this study is to establish the relationship between Internal Control Systems and Revenue Collection. By participating in this study, you will help to increase my understanding of the concept or relationship between the variables. The study results will also enable the researcher to build or come up with the necessary recommendations aiming at improving the performance level of Uganda Revenue Authority.

Should you agree to participate in this study, there is a chance that I might contact you again to re-interview you or follow up on the procedure. The information that you will provide during the study will be treated with utmost confidentiality. It is only the researcher and his assistants to have access of the information.

Your participation in this study is voluntary and therefore you have the right to refuse or accept to participate in the study. You also have a right to ask for clarification of any question that you may feel uncomfortable with. If you change your minds about participating during the course of the study, you have the right to withdraw at any time.

Declaration of the Respondent

I have read the above information and understood the purpose of the study. I consent voluntarily to participate as a subject in this study.

Respondent

Title/Initials

Signature

Date/...../...

Tel.....

Researcher

Name.....

Signature.....

Tel.....

Appendix II: Questionnaire for Respondents

INTERNAL CONTROLS ON REVENUE COLLECTION: A CASE STUDY OF UGANDA REVENUE AUTHORITY, BUSHENYI BRANCH

Dear Respondent,

This is a study on Internal Control Systems and Revenue Collection: A case study of Uganda Revenue Authority, Bushenyi Branch

Kindly spare some time and circle or tick or indicate your opinion on each of the statements given. The information obtained is strictly confidential and for academic purposes only.

Thank you in advance.

Bruno Ahimbisibwe

SECTION A: BACKGROUND INFORMATION

1. What is your Gender? 1. Male 2. Female

2. What is your marital status?

- | | | | |
|----------------|--------------------------|--------------|--------------------------|
| i) Single | <input type="checkbox"/> | iv) Divorced | <input type="checkbox"/> |
| ii) Married | <input type="checkbox"/> | v) Widowed | <input type="checkbox"/> |
| iii) Separated | <input type="checkbox"/> | | |

What is your age?

- | | | | |
|------------|--------------------------|------------------|--------------------------|
| i) 20-30 | <input type="checkbox"/> | ii) 31-40 | <input type="checkbox"/> |
| iii) 41-50 | <input type="checkbox"/> | iv) 51 and above | <input type="checkbox"/> |

3. What is your Level of Education?

- | | |
|--------------------------|--------------------------|
| i) Certificate/Diploma | <input type="checkbox"/> |
| ii) Undergraduate degree | <input type="checkbox"/> |
| iii) Masters degree | <input type="checkbox"/> |
| iv) Doctorate | <input type="checkbox"/> |
| v) Others (specify) | |

4. Time spent in the authority

- | | |
|-----------------------|--------------------------|
| i) Less than 6 months | <input type="checkbox"/> |
| ii) 6 months-1 year | <input type="checkbox"/> |
| iii) 1-2 years | <input type="checkbox"/> |

- iv) 2-3 years ☐
- v) 3-4 years ☐
- vi) More than 4 years ☐
5. What is your employment status?
- i) Statutory staff/ Commissioned staff ☐
- ii) Permanent Technical staff ☐
- iii) Probationary Technical staff ☐
- iv) Contracted staff ☐
6. Is your department partially or fully engaged in Revenue collection?
- i) Yes ☐
- ii) No ☐
7. How do you rate the level of revenue collection at Bushenyi branch?
- i) Low ☐
- ii) Moderate ☐
- iii) High ☐

SECTION B: INTERNAL CONTROL SYSTEMS & REVENUE COLLECTION

Please, tick in the appropriate box against the statements as defined below;

1 = Strongly Disagree (SD), 2 = Disagree(D), 3 = Neither Agree nor Disagree(N), 4 = Agree(A) and 5 = Strongly Agree(SA).

Control Environment & Revenue Collection

	SD	D	N	A	SA
URA has good Accounting and Financial Management System in place					
URA Board of Directors are committed to the Internal Control System implementation					
There is a well elaborate Organization Structure in URA					
Policies, procedures and documented are well defined					
Organizational structure does adequately reflect chain of command					
Systems have been put in place to correct and avoid errors					

The Management and the BOD are people of high Integrity					
The company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems.					

Risk assessment & Revenue Collection

Risk Assessment Variables	SD	D	N	A	SA
URA has formulated the Internal Affairs Department					
There are sufficient staff members who are competent and knowledgeable to manage company activities and these have been provided with adequate resources.					
URA has installed software and ICT up to date to help in revenue collection					
The employees have knowledge of revenue leakage areas					
Collection procedures are well documented					
Revenue loss and risks have been identified by management					
Measures have been put in place for risk identification					
There are surveillance officers to identify risk areas					
URA staff are adequately involved in internal controls					

Control Activities & Revenue Collection

Control Activities Variables	SD	D	N	A	SA
Policies and procedures exist to ensure critical decisions are made with appropriate approval.					
There is proper and close supervision of junior staff at URA					
There are elaborate mechanisms put in place to address weaknesses of control					
Sensitive information is restricted to certain employees only					
There is a system in place to ensure that employees are rotated periodically.					
Independent reconciliations of revenue collection on regular basis is done					

Thank you for your participation

Appendix III: Interview Guide

A. Background Information

1. Name (Optional).....
2. Sex.....
3. Age.....
4. Marital status.....
5. Years of experience in URA.....
6. Level of education.....
7. Position of responsibility in URA.....
8. Employment status.....
9. Do you have knowledge on the revenue collected by URA Bushenyi branch?
.....
10. In your view, is the level of revenue collection at URA, Bushenyi branch “High”,
“Moderate” or “Low”?
.....

B. Control Environment and Revenue Collection

1. In your opinion, does the organization’s system of control environment sufficiently and effectively contribute to Revenue Collection? How does your role support it?
.....
.....
2. Are the Systems of control environment functioning as they are intended to?
.....
.....
3. How would you generally rate the internal control environment in your organization in relation to Revenue Collection?
.....
.....

C. Risk Assessment and Revenue Collection

1. Has the management put measures for risk identification?
.....

2. Do you have surveillance officers to identify risk areas?

.....

3. In your opinion, does the organization's system of risk assessment sufficiently and effectively contribute to Revenue Collection? How does your role support it?

.....

.....

4. How would you generally rate risk assessment in your organization in relation to Revenue Collection?

.....

.....

D. Control Activities and Revenue Collection

1. Is there proper and close supervision of junior staff at URA Bushenyi branch?

.....

2. Are all employees sensitized on Policies and procedures of the organization?

.....

3. Is there a system in place to ensure that employees are rotated periodically?

.....

4. In your opinion, do the organization's control activities sufficiently and effectively contribute to Revenue Collection? How does your role support them?

.....

.....

5. How would you generally rate control activities in URA Bushenyi branch in relation to Revenue Collection?

.....

.....

Thanks for your participation

2. Do you have surveillance officers to identify risk areas?

.....

3. In your opinion, does the organization's system of risk assessment sufficiently and effectively contribute to Revenue Collection? How does your role support it?

.....

.....

4. How would you generally rate risk assessment in your organization in relation to Revenue Collection?

.....

.....

D. Control Activities and Revenue Collection

1. Is there proper and close supervision of junior staff at URA Bushenyi branch?

.....

2. Are all employees sensitized on Policies and procedures of the organization?

.....

3. Is there a system in place to ensure that employees are rotated periodically?

.....

4. In your opinion, do the organization's control activities sufficiently and effectively contribute to Revenue Collection? How does your role support them?

.....

.....

5. How would you generally rate control activities in URA Bushenyi branch in relation to Revenue Collection?

.....

.....

Thanks for your participation