ASSESSMENT OF INTERNAL CONTROL SYSTEMS EFFECTS ON REVENUE COLLECTION AT NAKURU LEVEL FIVE HOSPITAL

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (ACCOUNTING OPTION) OF JOMO肯YATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY.

OCTOBER 2016
DECLARATION

This project is my original work and has not been presented for award of degree in any other university.

Signature…………………………….. Date…………………………

Daniel Kiplangat Sigilai
HD333-C007-0350/2015

This research project has been submitted for examination with my approval as University Supervisor.

Signature ………………………….. Date…………………………

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DEDICATION

I dedicate this project to my late mother Rael Kilele, my late father Sigilai Kilele, my wife Alice Sigilai, my sons Brian, Nickson, Mike and my daughters, Winnie, Linda Charity and Eunice.
ABSTRACT

The purpose of a service industry is to satisfactorily meet customers demand. This Study seek to determine the effects of internal controls in revenue collection in level Five Hospital Nakuru. The research was conducted using both qualitative and quantitative approaches. Questionnaires were used on a population of about 40 respondents in gathering primary data for the study. The data collected was analyzed using regression analysis to find the relationship between control environment, risk assessment, control activities information and communication and monitoring and revenue collection. The study establishes if the absence of the above components contributes to collusion to fraud, loss of revenue and embezzlement of collected revenue. The revenue cycle continues to be the primary area of fraud and abuse requiring strong comprehensive internal control. Internal controls in the revenue collections are now more important than ever. According to 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 process as well as ensuring compliance with per finery laws and regulations. Most of the research on internal control has gaps as they do not take into account the components of internal control and risk analysis. This study established that control environment, risk assessment, communication, control activities and monitoring and evaluation significantly influence revenue collection in Nakuru Level five hospital in Kenya. The study concluded that there is a direct correlation between the level of internal controls and the amount of revenue collection. The level of internal controls can be measured by the effectiveness of those controls. The study recommended that Future study should link Nakuru Level Five hospital to level of compliance by customers to ascertain how the two relate in respect to each other. The study should also be done with comparison to other revenue bodies to recommend for other revenue collection measures.
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<thead>
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<th>Full Form</th>
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<tbody>
<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee of Sponsoring Organization</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standard Board</td>
</tr>
<tr>
<td>IAD</td>
<td>Internal Audit Division</td>
</tr>
<tr>
<td>ICPAK</td>
<td>Institute of Certified Public Accountants of Kenya</td>
</tr>
<tr>
<td>IIA</td>
<td>Institute of Internal Auditors</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>SOX</td>
<td>Sarbanes Oxley Act</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>TCE</td>
<td>Transaction Cost Economies</td>
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<td>TI</td>
<td>Transparency International</td>
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DEFINITION OF TERMS

**Accounting Systems Control**- These are controls that encompasses segregation of duties particularly as it relates to preparation of accounting records and the custody (Karagiorgos et al 2009)

**Control activities** – are the policies and procedures that help ensure management directives are carried out.

**Control environment** – refers to the attitude, awareness and action of the board of directors, management and owners towards internal control

**Facility Improvement Fund**- A fund set up by the government to cost share for service provision in the health sector (FIF manual 1989)

**Internal Controls**- A process affected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives (Whittington & Peny, 2001)

**Level Five Hospitals**- These are former provincial general hospital, they represent the highest level of care for hospital consults (Kenya Hospital directory 2002)

**Revenue Collection**- These are operations in an institution where its dues are fully collected improving the collection and increasing the amount collected (Angelovska, 2010)

**Revenues**- inflows or other enhancement of assets of an entity or settlements of its liabilities or both during a period from deliveries rendering service or other activity that constitute the entity ongoing major or central operations (FASB1985)

**Turn Over**- This is income that accompany receives from its normal business activities usually from sale of goods and services (Panday, 1996)
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study
The recent definition of “internal control structure” appears to reflect the view that other factors (such as management philosophy) influence the control of an organization, in addition to management’s system of authority. This is in accordance with the behavioral model of management control Ouchi, (1980)

This analysis showed that, during the period 1947 to 1980, auditing standards were established in each of the four countries which are United States, United Kingdom, New Zealand, Australia and other counties selected; and, in each case, a standard concerning internal control was included. Definitions of internal control were published before and after the relevant standards. The evolution of internal control followed a distinctive pattern in each country; but there were similarities. Similarities among the four countries included developments in the evolution of internal control that were preceded by public criticism of existing auditing procedures, resistance by the members of the profession to expansion of their duties concerned with internal control, and the increasing similarity of the definitions. These similarities are discussed in the following paragraphs.

The first similarity was the association between public criticism and change. The adoption of a standard concerning the examination of internal control, or a change in its definition, was frequently preceded by public criticism of auditing procedures. Developments in standards and definitions concerned with internal control often took place after there had been public criticism of audit procedures and concern about corporate management. This was the case in the United States in 1949 and 1988, the United Kingdom in 1980 and Australia in 1974. The pattern was consistent with other studies of auditing history, including Dirsmith and McAllister (1982).

Second, in three of the countries, the breadth of the definition was important. The profession appears to have resisted expanding its duties. Whether internal control should be defined narrowly or broadly was an important issue when changes to the American definition took place in 1949, 1957 and 1988. A broad definition was promulgated in 1949; this was narrowed
in 1957 as a result of concern about increased liability for practitioners. Subsequently, a broad definition was introduced in 1988 as one of a number of measures to make auditing more effective. The issue of broad or narrow internal control has been dealt with in different ways outside the United States. Practitioners in the United Kingdom ensured that they adopted auditing standards which avoided implying a requirement for auditors to examine internal control (Woolf, 1980). Thus, a broad definition of internal control was not a problem for them. Australian auditing statements since 1951 suggested that evaluation was necessary, yet the statements did not have the status of auditing standards, and internal control was not defined. Later, when an auditing standard requiring internal control evaluation was introduced, this requirement was moderated by adding the AICPA’s narrow definition. This issue does not appear to have been important in New Zealand.

This recurring issue indicates that a strict requirement to evaluate internal control, together with a broad definition of internal control, is associated with resistance by auditors. This can be addressed either by narrowing the definition (as was done in the United States and later in Australia) or by reducing the emphasis of the auditing standard concerned with evaluation (as in the United Kingdom, and in Australia during the early period of professional guidance on auditing).

The third similarity is in the terminology used. Standards and definitions in each of the countries resemble each other. The similarities have increased over the period examined. This is partly because professional bodies used statements that apply in other countries as precedents. Because the AICPA was the first organization to establish auditing standards, the U.S. profession has been the most influential. While the accounting professions in each of the three other countries all developed at least one statement that was indigenous, the AICPA’s pronouncements have become increasingly dominant. American influence on the economies of other countries and the spread of the international audit firms have also been cited as reasons for this trend.

The frequent changes to the definition of internal control, and to auditing standards concerned with it, reflect the presence of conflicting pressures. On the one hand, the definition of “control” in other literature is a broad one, and becoming increasingly so. In addition, when
auditing procedures are criticized due to apparent faults, then changes that broaden the definition of internal control frequently takes place. On the other hand, auditors are concerned to minimize the extent of their duties, and of their liability. As a result, they favor a narrow definition.

The changes in internal control also reflect the changing emphasis of auditing, away from the objective of detecting fraud. The AIA’s 1936 definition described “internal check and control” as concerned first with safeguarding cash and other assets. Since then, the changes in the definitions of internal control, have continually reduced the emphasis given to safeguarding assets, and indicated that the auditor’s prime concern is the reliability of the data used to prepare the statements.

The evolution of internal control was consistent with the models of auditing history presented by Dirsmith and McAllister (1982). External events (such as economic developments and the McKesson and Robbins case in the U.S., and other cases involving auditors in the UK and Australia) preceded the adoption of auditing standards requiring examination of internal control. Internal pressures (partly in response to an external influence, the increasing legal liability of auditors) were responded to by a narrowing of the definition in the U.S., and by a rephrasing of the proposed standard for evaluation of internal control in the UK. Subsequently, further external events in the U.S. (such as scandals about corrupt practices by corporations) led to a broader definition of internal control.

In general, the evolution of internal control demonstrates the influence of a number of trends in auditing history. These include the internationalization of auditing, and the extent to which developments in the United States have become important; the pressure from external sources for the area of auditors’ responsibility to be increased; and the resistance by auditors to such an increase in their duties. The general trend in each of the four countries has been towards a “broader” view of internal control, a trend consistent with other control literature.

The rapidly changing economic and competitive environments, shifting customer demands and priorities, restructuring for future growth, social trend and public awareness indicates how extensive an organization internal controls should be structured to ensure continuous growth in revenue generation and collection. Internal control is a dynamic integral process that is
adapting continuously to the changes facing modern organizations. At all levels of the organization, the management and personnel have to be involved to address risks and to provide reasonable assurance of the achievement of the organization’s mission and general objectives.

Fight (2002), sates that revenue which is mostly in cash is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important that, all departments handling cash implement and adhere to strong internal controls. For the purposes of this study, “revenues” are incomes which include coins, currency, checks, money orders, internal charges, credit card, direct transfers etc. Moreover, it has never been more appropriate (Angelovska, 2010). The recent financial crisis has put revenue collection and its management through effective internal control system back in the spotlight, forcing treasurers to focus their efforts on ways to improve their companies’ revenue management (San José et al., 2008).

When liquidity is scarce, efficient revenue management is vital for ensuring that every spare cent has been fully utilized. Even in normal times, efficient revenue collection and management is crucial for the company, as lack of liquidity disaster. Internal control is the responsibility of the management of organization or corporation. The Internal Audit Division assists management in discharging its responsibilities in terms of the implementation and monitoring of internal controls. Sawyer and Dittenhofer (1996) state that internal control is the plans of the organization, including management’s attitude, methods, procedures and measures, which provide reasonable assurance that the objectives of prudent cash collection are being achieved.

As a result of technological advancements and changing management techniques, organizations employ less people and are therefore less able to perform many internal accounting controls, for example, layers of authorization, cross-checking, segregation of duties, supervision, etc. A range of control elements are therefore required in order for internal controls to be effective. Effective internal control requires a strong control environment under which the components of systems are well implemented. The principles underlying good control and commitment to sound control compliance must be present so as to ensure healthy interactive control structure.
Internal control must also be tailored to meet the needs of the individual business. This is because the more elaborate organization’s control systems, the greater the cost (IRM et al., 2002). The scandals of recent years emphasized the need to evaluate, scrutinize and reformulate control systems of checks and balances in order to guide corporate executives and persons in decision-making. Therefore as much as an organization would like to implement appropriately derived control measures; it must also consider the amount of money involved in implementing such measures.

The embezzlement of funds from public institutions or organizations, particularly in essential services or monopolistic public institutions, is becoming more common. Such scandals have raised concerns about their internal control systems. Despite the lack of any reported financial scandals, there is a growing concern as to whether they experience the same deficiencies as other public regulatory institutions do. Recent reports on the mismanagement of funds by the media coupled with exposure of the complex web of rot and poor control system which was highlighted by the work of an investigative journalist.

According to Gibbs (1997), most public institutions do not have efficient internal control system on cash collection which has often accounted for poor financial management. Accordingly, it is no surprise that, some public service providers more often than not, views internal controls as unnecessary and irrelevant. While there has been studies examining internal control systems in the private sector, there has been a fewer studies examining the same issue in the public sector. Internal control is about understanding and controlling risk, as well as acting as a monitoring function. The primary purpose of internal control is to continuously evaluate whether a firm is meeting its objectives and to ensure that, the board, managers and employees are all working to ensure the success of these strategies while keeping the level of risk at an acceptable level. Jill and Roger (2003) said that, there is the need to consider a number of different ethical issues and find out what rules may be there for conducting research at an early stage in a study.

1.1.1 The Concept of Internal Controls

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). According to Liu (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.

1.1.2 The Concept of Revenue

Revenue refers is that monetary event of asset values increasing in the organization because of the physical event of production or sales of products or services of the organization (Pandey, 1996). Rittenberg and Schwieger (2005) define revenue as the inflows or enhancements of assets of a firm or settlements of its liabilities 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, described revenue as inflows of asset (almost always cash or accounts receivables) received for products or services provided to customers.

Organizational performance is in terms of revenue generation portrayed by the levels of assets accumulation, wealth created, and the quality services by customer level of satisfaction and customer complaints (Kloot, 1999). For better revenue generation and maintenance, organizations should critically look at customers and other stakeholders in business and establish how best they are satisfying their needs. Organizations should continuously improve their revenue and have an internal control system that is intervened with organizations operating activities and it is most effective when controls are built into the organizations.
infrastructure in terms of continued improvement on performance standards as part of the competitive advantage of the organization.

1.1.3 Internal Controls and Revenue
Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings management or restatements (Doyle et al., 2005).

Internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation (Beeler et al., 1999). According to Fadzil et al. (2005), an effective internal control system unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control for revenue generation and maintenance involves; regular a review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner et al., 2003).

Most organizations no longer set up internal control system as a regulatory requirement but also because it helps in ensuring that all management activities are appropriately carried out (Kenyon and Tilton, 2006). Further, organizations are making it a point of duty to train, educate, and sensitize their employees on how to use these internal control systems since its effectiveness depends on the competency and dependability of the people using it. All these control actions ensure that any risks that may affect the company’s ability to achieve its goals are appropriately avoided and should occur at all levels and in all functions of the organization.

Further, internal controls can be classified under; preventive, detective, and corrective (Singleton, 2006). Preventive controls predict potential problems before they occur, make adjustments, and prevent an error, omission or malicious act from occurring. The detective controls are used to detect and report the occurrence of an omission, an error or a malicious act. Corrective controls help in ensuring that the impact of a threat is minimized, identify the cause
of a problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing system to minimize future occurrence of the problem.

Internal control has gained importance today in many organizations in Kenya including the all sectors including the public sector organization, health industry not left out. In particular, internal controls are required to assure that if properly designed and implemented, Level Five Hospital Nakuru achieves its goals mitigating its losses. Established in 1906 as a military Hospital where it was fully supported financially by the Government. It is currently the fourth largest government Hospital serving south and central rift valley and neighboring districts. It was in December 1989 the government came up with a fund called cost sharing revenue fund to supplement government financing in the institution in capital improvement later on purchase of some essential drugs and user materials, this fund was to be cost shared by the patients and the institution where they were to contribute part of the cash to be used in purchasing the drugs.

The amount collected formed part of the revenue for the institution. In the long run it became a major source of revenue where the institution would source its fund to purchase most of their essentials requirements, the collection was very low and the institution embarked on an ambitious project of reviewing its operations and coming up with internal control mechanism to enhance revenue collection. Every organization strives to provide products and service rendered at a price using the most effective and efficient operations of its business. It is by the effective and efficient operations in products or services delivery that revenue flow into the organization. In the Kenya, public organizations failures and widespread dip in revenues over the past two decades have been due to operations that have resulted into mismanagement thus elevated the importance of effective internal control within the formal business sectors. Internal control, which assures the stability of every organization, therefore has gained importance today. This is because the control systems in place are a pillar for an efficient accounting system as well as the achievement of organizational goals

1.2 Statement of the Problem

Organizations continue to experience low levels of revenue generation and maintenance most of which are man-made and therefore avoidable. Despite the numerous rules and regulations,
the varying and deepening levels in revenue generation and collection still occur across all entities in the government and private sectors. No matter how well it is designed and operated, internal control system can only provide a reasonable, not absolute assurance that the objectives of the company’s internal control system are met in terms of revenue generation and collection. There is heightened interest in internal controls, in both public and private sector is an issue of concern. An analysis of the problems related to this whether there are effective internal control systems since such systems help in preventing or enable earlier detection of the problems that led to the losses. Accordingly, internal control system should create an organization’s confidence in its ability to perform or undertake a particular task and prevents errors and losses through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations. Studied the impact of internal control systems on the financial performance of private hospitals in Nairobi and established a significant relationship between internal control system and financial performance. Evaluated the level of effectiveness of internal controls operating in Nairobi and established that there are deficiencies in the systems of internal controls, with the degree of deficiencies varying from one enterprise to another. Investigated the effectiveness of internal control and audit in promoting good governance in the public sector in Kenya and found that internal control has the greatest effect on corporate governance within Kenya government ministries followed by risk management while compliance and consulting had the least effect. Survey of internal control systems among the listed private companies and the public sector companies in Kenya in which the results indicated that the private sector compared to the public sector has a strong internal control system. Limited research has been carried out to examine the effect of the internal control system on revenue generation and collection especially in the health sector in Kenya. The above research on internal controls has a gap as they did not take into consideration on the components of internal control and risk analysis. It is in the backdrop of this that the study sought to fill the gap by establishing the effect of internal controls on revenue collection focusing in Level Five Hospital Nakuru.

1.3 Objectives of the Study
The study was guided by a general objective and specific objectives as discussed hereafter.

1.3.1 General Objective
The general objective of the study was to examine the effect of Internal Control systems on Revenue Collection in Nakuru Level Five Hospital in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study are:

i. To evaluate the effect of control environment on revenue collection in Nakuru Level Five Hospital in Kenya.

ii. To examine the effect of risk assessment on revenue collection in Nakuru Level Five Hospital in Kenya.

iii. To determine the effect of communication on revenue collection in Nakuru Level Five Hospital in Kenya.

iv. To analyze the effect of control activities on revenue collection in Nakuru Level Five Hospital in Kenya.

v. To analyze how monitoring and evaluation affects revenue collection in Nakuru Level Five Hospital in Kenya.

1.4 Research questions

i. What is the effect of control environment on revenue collection in Nakuru Level Five Hospital in Kenya?

ii. What is the effect of risk assessment on revenue collection in Nakuru Level Five Hospital in Kenya?

iii. What is the effect of communication on revenue collection in Nakuru Level Five Hospital in Kenya?

iv. How do control activities affect revenue collection in Nakuru Level Five Hospital in Kenya?

v. What is the effect of monitoring and evaluation on revenue collection in Nakuru Level Five Hospital in Kenya?

1.5 Significance of the Study

The study is of benefit to the management of Level Five Hospital in Nakuru in showing them whether appropriate processes are functioning effectively to monitor the risks to which the hospital is exposed and whether the system of internal control is effective in reducing those risks to an acceptable level. Secondly, the findings is of great use to Level Five Hospital
Nakuru management in accounting to the Board for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so. Third, will used by the employees to in improving their financial performance through effective implementation of the internal control systems and processes.

To the scholars it contributes to the existing knowledge, address and provides the background information to research organizations, individual researchers and scholars who would want to carry out further research in this area. It also expands their research into the effect of internal control on revenue generation (both public and private) in Kenya as literature review.

1.6 Scope of the Study

The study was conducted in the Level Five Hospital in Nakuru as a case study to represent a public institution. The study was conducted during June, 2016 to August, 2016 and deal with the staff that was on duty at that specific time

1.7 Limitation of the Study

The research only interviewed respondents from the revenue collection departments only. Other research can extend their samples to other lower ranks and department who might be having direct and indirect link with the revenue collection department. Some respondents interviewed are also mandated to oversee some internal controls thus might have been biasin their response. Lack of co-operation from some respondents who were unwilling to part with information they thought will be too confidential to disclose was a challenge. To overcome this; the study sought demystify the study to the respondents by explaining to them the purpose of the study. Few scholars have written about the impact of internal control systems in revenue collection.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter presents a broader context of the study subject in terms of past scholarly works and what other authors have written about internal controls and revenue collection. The chapter reviews literature on risk assessment processes, information and communication systems, control activities and the monitoring and evaluation as the main components of internal control. The chapter begins by providing a theoretical review of theories supporting this study.

2.2 Theoretical Review
The main theoretical perspectives that have affected internal controls and revenue collection in institutions are the agency theory transactions cost economics, stakeholder’s theory and stewardship theory.

2.2.1 Agency Theory
According to the agency theory, a firm consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Jensen & Meckling, 1976). The theory 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 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 & Meckling, 1976).

According to the 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 & Petri, 2004). Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent described 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 & Meckling, 1976). This theory is applicable to this 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 (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 and low revenue.

2.2.2 Attribution Theory

Attribution theory is a social psychology theory that explores how people interpret events and behaviors and how they ascribe causes to the events and behaviors. According to Schroth and Shah (2000), studies using attribution theory examine the use of information in the social environment to explain events and behaviors. Reffett (2007) asserts that when evaluators believe 12 comparable persons would have acted differently in a given circumstance, they (evaluators) tend to attribute responsibility for an outcome to the person. On the other hand, when evaluators believe comparable persons would have acted similarly, the evaluators tend to attribute responsibility for the outcome to the situation. According to Wilks and Zimbelman (2004), the first case refers to internal or dispositional attributions while the second one refers to external or situational attributions. Earlier literature shows that people are inclined to attribute others behavior to dispositional tendencies and to attribute their own behavior to situational circumstances (Wilks & Zimbelman, 2004; Schroth & Shah, 2000). Often, this is when the observed behavior is negative. Consequently, evaluators are expected to infer the failure to detect internal control on revenue generation as a dispositional tendency on the auditors’ part which concludes that auditors are negligent. Bonner et al. (1998) found that auditors are more likely to be sued when they fail to detect common misappropriations that would result to decreased revenues, and the evaluators believe that the fraud could have been detected by other auditors. The auditors’ accountability for detecting fraud is extended by Reffetts (2007) study which predicted that auditors are more likely to be held accountable by evaluators when the auditors fail to detect fraud after they had identified the fraud occurrence as a fraud risk. The result of Reffetts study shows an increase in auditors liability when an
audit fails, after the auditors had identified the perpetrated fraud as a fraud risk and performed procedures to investigate the identified fraud risk.

Attribution theory thus advocates for auditors to report on the effectiveness of firms internal control. Auditors are therefore expected to gain a better understanding of the internal controls in 13 places, assess the design and implementation of the internal controls, and test the operating effectiveness of the internal controls. This is deemed necessary for the auditors’ reliance and possibly scaling back of other substantive audit procedures for the required revenue generation. According to Bonner et al. (1998), evaluators can use the audit processes as a basis to determine negligence if auditors fail to detect internal control related fraud that may occur. The attribution theory suggests that when fraud occurs, identified parties should be held accountable and auditors, being the “public watch dogs” are most likely to be held accountable if evaluators determine substandard audit services were provided (Reffett, 2007).

2.2.3 Reliability Theory
Reliability theory simply describes the probability of a system completing its expected function during an interval of time (Gavrilov & Gavrilova, 2001). It was originally a tool used to help nineteenth century maritime insurance and life insurance companies in computing profitable rates to charge their customers. According to the reliability theory, an internal control system comprises of components that are interrelated and each for component, there needs to be a defined measure of success. As such, the state of a component is determined by whether the component is successful or not successful. The reliability of a component is defined as the probability of the component being found in the success state. In addition, the reliability of the entire internal control system is a binary combination with two possible values, success and failure. This study considered the part of the reliability theory which relates the internal control system to component reliabilities.

The tractability of reliability theory to the evaluation and design of internal control systems have appeared in the professional literature but no applications have been reported that draw upon the substantial power of the theory of reliability (Kinney, 2000). The two potential users of the Reliability theory is the external auditor and organization management. Kinney (2000) states that; during the external audit, evidence is gathered to support a professional opinion.
Internal control systems have a primary purpose of assessment and control of risks; that a material error was not to be prevented or detected on a timely basis by the system leaving to losses. Weak internal control systems result in more substantive work and hence greater cost. According to Gavrilov and Gavrilova (2001), the determination of the "weakness" of any internal control system is primarily judgmental. Upon the formulation of the process and system reliability estimates, comparison with data from the organizations past performances or other firms may provide a more solid basis for judgment of the impact of an internal control system on the firms’ income risk and hence provide for more rational allocation of the auditor's time and effort. Messier Jr. and Austen (2000) state that one of the primary advantages of the reliability theory is its close relationship to the auditor's needs regarding understanding the internal control system and control risk assessment. According to Stratton (2007), recent developments have increased the value to management of objective methodologies for the evaluation of internal control systems. Firm managers are therefore required to assure the accuracy of these systems. Stratton (2007) also adds that the process of evaluation of the internal control system by both management and external auditors is judgmental in nature. However, the few attempts at modeling internal control systems have not been implemented by firms due to the lack of realism, difficulty of modeling behavioral systems, lack of cost effectiveness, and lack of understanding by practitioners.

2.3 Empirical Review

While focusing on control environment (Abbott, et.al, 2010) investigated whether audit committee activity and independent is inversely related to fraudulent financial statements. Using 156 firms subject to SEC Accounting and Auditing Enforcement Releases (AAERs) between 1980 and 1986. In the study Abbott (2000) substituted the variable audit committee presence used in earlier studies with audit committee activity and independence, since the earlier studies reported mixed results about the association of audit committee and likelihood of fraud. The result of the study indicated that firms with independent directors and with the minimum activity level are less likely to be associated with fraudulent financial statements.

Case studies on internal controls in Belgium illustrate the importance of the control environment when studying internal audit practice. Sovens and De Beelde (2006) found that certain control environment characteristics like tone-at-the top, level of risk and control
awareness extend to which responsibilities related to risk management and external controls are clearly defined and communicated and are significantly related to the role of the internal audit function and fraud detection within an organization.

Using the analytical approach and focusing on control activities and monitoring, Berra (2010) investigate the effects of penalties and other internal controls on employees’ propensity to be fraudulent. Data was collected from both managers and non-managerial employees. The result showed that the presence of control activities separation of duties increases the cost of committing fraud. Thus the benefit from committing fraud has to outweigh the cost in an environment of segregated duties for an employee to commit fraud. Further it was established that segregation of duties is at least cost fraud deterrent for non-managerial employees, but for managerial employee, maximum penalties are the least cost fraud disincentives. The results suggest the effectiveness of preventive controls (control activities) such as segregation of duties is dependent on the detective controls (monitoring).

Internal control systems is a topical issue following global fraudulent financial reporting and accounting scandals worldwide. As such a more proactive preventive approach to the problem requires a critical evaluation of existing internal control structures in organization to determine their capacity to ensure that the organization’s activities are carried out in accordance with established goals, policies and procedures. Amudo and Inenga (2009) carried out an evaluation of internal control systems on the Regional Member Countries (RMCs) of the Africa Development Bank Group (AFDB) focusing on Uganda in East Africa. The study established that some control components of effective internal control systems are lacking in these projects which renders the current control structures in effective. The study recommended on improvement of the existing internal control systems in the project.

Ewa and Udoayang (2012) carried out a study to establish the impact of internal control design and bank's ability to investigate staff fraud and staff life style and fraud detection in Nigeria. Data were collected from 13 Nigerian banks using a four point likert scale questionnaire and analyzed using percentages and ratios. The study found that internal control design influences staff attitude toward fraud such that a strong internal control mechanism is difference to staff fraud while a weak one expose the system to fraud and create opportunity for staff to commit fraud.
2.3.1 Control Environment

In internal control, the control environment sets the tone of the organization by influencing the control consciousness of its people (Whittington & Peny, 2001). Control environment is the foundation for all the other components of internal control. It comprises of factors like integrity and ethical values of personnel tasked with creating administering and monitoring the controls, commitments and competence of person performing assigned duties, board of directors or audit committees, management philosophy and operating style and organizational structure. Many factors go into control environment but it is highly influenced by the effectiveness of the board of directors, the management and the audit division of the organization. Internal auditors are essential to effective control environment since the effectiveness of these factors largely depends on their interaction with internal and external auditors. Control environment sets the tone of the organization, influencing the control consciousness of its people (Aldridge and Colbert, 1994). It reflects the attitude and policies of management in regard to importance of internal controls in revenue generation. Control environment is influenced by the history and the culture of organization and has an insidious influence on the way organization activities are structured. It does sets a positive and supportive attitude toward internal control and conscientious management. Effective internal control requires a strong control environment under which the components of systems are well implemented. The principal underlying good control and commitment to sound control compliance must be present so as to ensure healthy interactive control structure. Internal control must also be tailored to meet the needs of the individual business. The scandals of recent years emphasized the need to evaluate, scrutinize, and reformulate control systems of check and balances in order to guide corporate executives and persons in decision making. Therefore as much as organization would like to implement appropriately derived control measures, it must also consider the amount of money involved in implementing such measures. The embezzlement of funds from public institutions or organizations, particularly in essential services or monopolistic public institutions is becoming more common such scandals have raised concerns about their internal control systems. According to AU section 309 control environment factors include integrity and ethical values, commitment to competence, board of directors or audit committee participation, management philosophy and operating style, organizational structure, assignment of authority and responsibility and human resource policies and practices, those responsible on financial
management should obtain sufficient knowledge of the control environment to understand management and the board of directors’ attitude, awareness, and actions concerning the control environment considering both the substance of controls and their collective effect. There should be concentration on the substance of controls rather than their form, because controls may be established but not acted upon.

2.3.2 Risk Assessment

Risk assessment refers to the careful assessment of factors that affect the possibility of objectives of the organization not being achieved. It refers to identification and analysis of relevant risks associated with achieving the objectives of the organization (Karagiorgos et al 2009). They add that risk assessment is the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principal. Risk assessment may address how an entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimated recorded in the financial statement. Risk relevant to reliable financial reporting also relates to specific events or transaction. Risk relevant to financial reporting include external and internal events and circumstance that may occur and adversely affect an entity’s ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statement. Risk can arise due to change in operating environment, new personnel, new or revamped information systems, rapid growth and per technology. The purpose of risk assessment is to identify, analyze and manage risks that affect entity’s objectives. It is about understanding the nature (i.e. causes, effects, likely hood) and significance of the risks faced by a firm. It is also about deciding on acceptable levels for these risks and designing cost-effective control and or resilience strategies (i.e. strategies to help manage the impact of risk on the firm). The aim is to keep the firm’s risk at an acceptable level. Internal control is about understanding and controlling risk as well as acting as a monitoring function. The primary purpose of internal control is to continuously evaluate whether a firm is meeting its objectives and ensure that the board managers and employees are well working to ensure the success of these strategies while keeping the level of risk at an acceptable level. In so doing a sound system of internal control should be able to reduce (but rarely eliminate) poor judgment in the decision making, human error, the deliberate failure to
follow control processes by employees and managers, and the impact of unexpected events. Internal control and risk management are close complements. A firm should use its risk management systems to help assess potential opportunities and threats to its objectives. There are also many different risk management tools with the same purpose as internal control, such as loss prevention, loss reduction and risk financing tools that may be used to ensure that the firm continues to meet its objectives.

2.3.3 Information and Communication System

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

2.3.4 Control Activities

Control activities refer to policies, procedures and mechanisms put in place to ensure directives of the management are properly carried out (Aikins 2011). Appropriate and accurate documentation of policies and procedural guidelines helps to determine how the control activities are to be executed. An understanding should be obtained on how IT affects control activities that are relevant to planning. Some entities may view the IT control activities in terms of application controls and general controls. Application controls apply to the processing of individual application control helps ensure that transactions occurred are authorized and are completed and accurately recorded and processed, they include edit check of input data, numerical sequence checks, and manual follow-up of exception reports. General controls commonly included controls over data center and network operations system software.
acquisition and maintenance; access security; and data application system acquisition
development, and maintenance.

2.3.5 Monitoring and evaluation

Monitoring refers to the process of assessing the quality of internal control structure overtime. Since internal control is processes, it is usually accepted that they need to be adequately monitored in order to assess the quality and the effectiveness of the system’s performance over time. By monitoring the organization gets provided with assurance that the findings of audits and other reviews are promptly determined (Theotanis et al 2011). Amuda and Inenga (2009) add that monitoring of operations ensures effective functioning of internal control system. In addition monitoring can be achieved by regularly supervising and managing activities like monitoring of customers complaint and feedback and audit conducted directly by internal auditors. Monitoring of internal control is performed through application of both ongoing evaluations and separate evaluations. These evaluations ascertain whether other components of internal control continue to function as designed and intended. The evaluation facilitates identification of internal control deficiencies and communicates them to appropriate officials responsible for taking corrective action. A monitoring process must be capable of addressing the need for revisions in the design of controls based on changing risks at an acceptable level to ensure effective and efficient operations ongoing basis monitoring is a process of assessing risks linked to achieving operational objectives. The COSO model requires establishing a monitoring foundation consisting of procedures of evaluating risks. Monitoring activities include assessment of controls and reporting the results of the assessment together with any required corrective action. A key benefit of internal control monitoring is to provide assurance regarding effective and efficient operations and compliance with applicable laws and regulations.

2.4 Conceptual Framework

These are sets of coherent ideas or concepts organized in a manner that makes them easy to understand, they are theoretical structures of assumptions, principles and rules that hold together the ideas comprising a broad concept. The conceptual framework comprises of dependent and independent variables. The effectiveness or improved revenue collections is the dependent variables. It is achieved by the presence and proper functioning of all the predefined
independent variables in relation to each category of the organization’s objectives Owusu (2012). Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variables. The organization realizes present objectives of efficient and effective operations, collection of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements.

Firms need five interrelated components of an internal control structure to ensure strong control over their activities. These are: control environment, risk assessment, control activities, information and communication, and monitoring components. The extent to which each component is implemented is influenced by the size and complexity of the firm, type of industry management philosophy, and corporate culture (Ongeri, 2010).

In their research paper on empirical study on the correlation between the internal control and enterprise value – based on the information system, Hongming C and Yenan S, (2012) have described how the five internal control components described by COSO relate to each other. All five internal control components must be present to conclude that internal control is effective (Ngugi, 2011).

**Figure 2.1: Conceptual Framework**

![Conceptual Framework Diagram]
2.5 Critique of the Reviewed literature

Internal control is an area of focus to the management and many stakeholders since it ensures safeguard of assets for revenues generation. Much of the literature review as much as covered has a wider coverage on wider perceptive. It also assumes that the internal control is in place and the issue is only on the operational aspects by the concerned. Measurability of the variables dealt with in literature are specific in the areas of study thereby does not give the overall feel of the effect of internal control in general capable of making generalization to all types of organizations. Internal control has been taken to be a concept of private sector rather than all types of organizations including in the public sector. Most of the research work has concentrated on the private undertakings. Public organizations have the duty to delivery on various aspects including the various stakeholders concerned. The reporting should be emphasized on the value for money audit which has even more insight on the internal control aspect.

2.6 Summary of literature

Most of the highlighted studies in the literature review do not explicitly address the effect of internal control on revenue generation in the business organizations in Kenya. A scarcity of literature in the area of study exists, particularly in the developing states like Kenya. The few that have been conducted in the third world nations have eluded criticism in the criteria title; scope methodology used hence the research gaps in terms of literature. The literature review highlights a number of theories in relation to variables (independent and dependent) and the conceptual framework of the variables by analyzing the relationship between them.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
The chapter describes the methodology that was used to carry out the research study. The chapter covers the following areas; the research design, the target population, and sampling procedures, sample design, data collection instruments, data collection method, data analysis and presentation.

3.2 Research design
A case study research design was employed in this study. A case study is “an intensive descriptive and holistic analysis of a single entity or a bounded case” (Oso & Onen, 2008). Moreover case study has been used since Level Five Hospital Nakuru is chosen as a corporate public body responsible for the management of health care of a higher level and its referral in complex cases in medical areas within the region and beyond. Second, a case study is also chosen because the study is focusing in the level five hospital within the region acts as the head office would act as representative of others in the same area and even other public organisation. Creswell, (2003) supported the choice of case study method in opposition to others, like survey study.

3.3 Target Population
The target population of the study were the Health management team and personnel dealing with revenues collection and subsequent operations like custody and banking within the level Five hospital in Nakuru. The definition of population in this study was based on two parts such as employees of the Level Five hospitals Nakuru comprising the hospital Management team and staff from Accounting and revenue section. The subject of inquiry was concentrated on various sections in the institution.

The size was made up of about 40 respondents mostly from the hospital management team. The hospital management team deals on supervisory management in the hospital as per the FIF operational manual of Dec 2002 . Since the population is small the researcher employed a purposive sampling method that deals with the whole population. The table below shows the indicating the distribution, based on the selection criteria (according to the nature of the study)
The study dealt with Managers of departments, head of sections and other permanent and temporary staffs from different departments.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers from department</td>
<td>5</td>
</tr>
<tr>
<td>Head of sections</td>
<td>10</td>
</tr>
<tr>
<td>Staff from department</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

### 3.4 Research Instrument

The data collection instrument employed in this study was questionnaires. The design includes multiple-choice questions; fill in questions and questions that required ranking of answers. The questions was clearly simplified and structured in a manner void of any ambiguity and technical details. The questionnaire was drawn to elicit information/data on general management, research and development and general information on the MFIs on study.

#### 3.4.1 Validity and Reliability

Validity refers to the instrument's ability to measure exactly what concepts it is supposed to measure for the particular study. The following procedures were used to indicate the validity of the instruments in this study. The study asks an expert and group of experts among the respondents to comment on the representativeness and suitability of the questionnaires for data collection. Besides, the study allows suggestions to be made to the structure and ability of the questionnaires. That would help the study to establish content validity (Mitchell, 1996) of the tools for the data collection in the study. Validity was also concerned with the questionnaires’ consistency of responses to the questions asked in repeated measurements (Carmines & Zeller, 1979). The instrument was also presented to the researchers’ supervisor for intellectual comments and suggestions so as to obtain accurate, correct and meaningful data.

As reliability is the accuracy or precision logging in data without making errors, then reliability was concerned with data collected from the respondents of Level Five hospital Nakuru employees which was careful logged in the computer by the researcher himself. After that, the so collected data was verified and recorded precisely for a reliable analysis. The reliability was tested by using factors analysis by ensuring that situational factors are not interfering.
3.5 Data Analysis and Presentation

The study used both qualitative and quantitative methods of data analysis. However, at first place the study deployed preliminary data analysis method before starting actual analysis. It involves scrutiny of the responses given on the questionnaires by different respondents. Data was sorted, edited, coded, cleaned and entered in computer using SPSS software program. Quantitative data descriptively analyzed using Statistical Package for Social Science (SPSS) software to compute frequencies and percentages. In this study, the quantitative analysis techniques adopted are the means, standard deviation, frequencies, and percentages. The collected Data was fed into computer programs (using particularly the Statistical Package for Social Scientist (SPSS) with the help of an Expert for easy analysis and interpretation of results. Narrative analysis was used to explain the qualitative results of the interview. A regression analysis was developed to ascertain the effect of the independent variables to the dependent variable. Inferential statistics in particular correlation and regression analysis was used to ascertain the acceptance or rejection of the research hypotheses. The following regression equation was used to determine the effect of independent variables and dependent variable; $Y = \alpha + \beta_1C_1 + \beta_2C_2 + \beta_3C_3 + \beta_4C_4 + \beta_5C_5 + e$. Where:

$Y =$ revenue collection

$\alpha =$ constant

$\beta =$ coefficient to be estimated

$C_1 =$ Control environment

$C_2 =$ Control activities

$C_3 =$ Information and communication

$C_4 =$ Risk assessment

$C_5 =$ Monitoring and evaluation

$e =$ error term
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction
The purpose of this chapter is to report the results of the data analysis. The chapter is organized into two sections; the first section provides a description of the demographic characteristics of the whole sample, the second section provides the results of the study organized around the research questions.

4.2 Response rate
The researcher distributed 40 questionnaires and received a total of 37 questionnaires back for analysis. This represents approximately 92% response rate which was considered. This high rate of response would be able to give a good result on the research. This was high due to the personal involvement in the collection of data and the central location of the respondents in one geographical area.

4.3 Bio data
4.3.1 Gender of the Respondents

<table>
<thead>
<tr>
<th>Table 4.1: Gender Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

From the table, 16 respondents were male and 21 were female representing 43.2% and 56.8% respectively. There are more female employees than their male counterparts in the revenue collection department. This may be attributed to the central location near to the town center and type of work involves that needs accuracy and trust.
4.3.2 Work Experience

Table 4.2: Work Experience

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-5 years</td>
<td>2</td>
<td>5.4</td>
</tr>
<tr>
<td>5-10 years</td>
<td>7</td>
<td>32.4</td>
</tr>
<tr>
<td>10-20 years</td>
<td>12</td>
<td>18.9</td>
</tr>
<tr>
<td>Above 20 years</td>
<td>16</td>
<td>43.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The findings indicated that 16 of the employees in the organization have worked for over 20 years; 12 people between 10 – 20 years and only two have worked between 2 – 5 years. Most of the employees have worked in the same organization and department for a long period of time. This might be attributed to the fact that the employees working in this department should have gained experience to be entrusted with the responsibility of revenue collection in the institution.

4.3.3 Ages of the Respondents

Table 4.3: Ages of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>4</td>
<td>10.8</td>
</tr>
<tr>
<td>30-39</td>
<td>10</td>
<td>27.0</td>
</tr>
<tr>
<td>40-49</td>
<td>13</td>
<td>35.1</td>
</tr>
<tr>
<td>50 or more</td>
<td>10</td>
<td>27.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

From the table, 10 of the respondents are of more than 50 years of age, 13 are between 40–49 years and the rest are below 30 years of age. The number of the respondents increases as their ages also increase. This means that most of the employees in the Health management team and revenue collection department are higher in age with very few at only 4 at between 20–29 years.
4.3.4 Education Level

Table 4.4: Education level

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>3</td>
<td>8.1</td>
</tr>
<tr>
<td>Diploma</td>
<td>25</td>
<td>67.6</td>
</tr>
<tr>
<td>Degree</td>
<td>5</td>
<td>13.5</td>
</tr>
<tr>
<td>Masters</td>
<td>4</td>
<td>10.8</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The highest number of education level of the respondents is diploma level with a number of 25 while the lowest is at certificate level with 3 people. The others are distributed to degree and masters level at 5 and 4 people respectively. This means that majority of the employees in the department have an average educational level.

4.4 Descriptive Statistics

4.4.1 Control Environment

Table 4.5: Control Environment

<table>
<thead>
<tr>
<th>Control Environment</th>
<th>N</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good accounting and management system</td>
<td>37</td>
<td>22</td>
<td>14</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4.5405</td>
<td>0.64956</td>
</tr>
<tr>
<td>Board of Directors are committed to the Internal Control System</td>
<td>37</td>
<td>14</td>
<td>20</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4.2973</td>
<td>0.61756</td>
</tr>
<tr>
<td>There is a well elaborate Organization</td>
<td>37</td>
<td>21</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td>4.2703</td>
<td>0.96173</td>
</tr>
<tr>
<td>Policies, procedures are documented</td>
<td>37</td>
<td>17</td>
<td>16</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>4.3243</td>
<td>0.74737</td>
</tr>
</tbody>
</table>

On the variable of control environment 22 respondents strongly agreed that there was a good accounting and management system, 14 agreed while only one disagreed. On average respondents strongly agreed that there was good accounting and management system with a mean of 4.54 and standard deviation of 0.65. A majority of the respondents agreed (20) and/or strongly agreed (14) that the board of directors is committed to the internal control system. In addition, many of the respondents, 21 in number strongly agreed that there is a well elaborate organization structure while seven respondents either agreed or undecided. The respondents also strongly agreed (17) and/or agreed (16) that policies and procedures are document. Most
of the statements registered means approximately equal to 4 meaning that they generally agreed on the statements. Respondents tended to be in agreement with each other as attested by standard deviations which are not very high to show variability of the answers on the questions posed to the respondents.

4.4.2 Risk Assessment

<table>
<thead>
<tr>
<th>Table 4.6: Risk Assessment</th>
<th>N</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an internal risk management section</td>
<td>37</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>2</td>
<td>3.4054</td>
<td>1.18929</td>
</tr>
<tr>
<td>It has the necessary resources for working</td>
<td>37</td>
<td>8</td>
<td>15</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>3.5946</td>
<td>1.14162</td>
</tr>
<tr>
<td>Employees have knowledge of revenue leakage areas</td>
<td>37</td>
<td>5</td>
<td>15</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td>3.3514</td>
<td>1.1836</td>
</tr>
<tr>
<td>Access of sensitive information</td>
<td>37</td>
<td>11</td>
<td>18</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>3.9459</td>
<td>1.02594</td>
</tr>
<tr>
<td>Revenue variance identification by management directly</td>
<td>37</td>
<td>11</td>
<td>18</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>3.8919</td>
<td>0.93642</td>
</tr>
<tr>
<td>Staff are involve in risks management process</td>
<td>37</td>
<td>9</td>
<td>11</td>
<td>14</td>
<td>1</td>
<td>2</td>
<td>3.6486</td>
<td>1.05978</td>
</tr>
</tbody>
</table>

From the table 11 of the respondents strongly agreed with the aspect of access of sensitive information towards risk management, 18 disagreed while 5 were neutral and having the highest mean of 3.95. Revenue variance identification also varied much with 11 strongly agreeing, 18 agreeing, 5 neutral and 1 and 2 disagreeing and strongly disagreeing. This translated to a mean of 3.89. The question with the lowest mean of 3.35 was knowledge of employees on leakage areas with that distribution of 5 strongly agreeing, 15 agreeing, 9 neutral while on the other end of disagreement was 4 apiece. The value of mean in this variable was a slight agreement with an average mean of 3.6 which almost translate to a neutral value on a Likert scale. This means that rick assessment variable is a bit tricky for handling by the respondents. This can also be attributed with the variability of the standard deviation as most of the deviations from the mean are high.
4.4.3 Information and Communication

Table 4.7: Information and Communication

<table>
<thead>
<tr>
<th>_aspect</th>
<th>N</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue targets reporting</td>
<td>37</td>
<td>15</td>
<td>12</td>
<td>7</td>
<td>3</td>
<td>0</td>
<td>4.054</td>
<td>0.97028</td>
</tr>
<tr>
<td>There is channels of communication to report suspected breaches</td>
<td>37</td>
<td>8</td>
<td>19</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>3.945</td>
<td>0.70498</td>
</tr>
<tr>
<td>Complaints by customers have been put in place</td>
<td>37</td>
<td>14</td>
<td>19</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>4.189</td>
<td>0.84452</td>
</tr>
<tr>
<td>The system is well networked</td>
<td>37</td>
<td>13</td>
<td>16</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3.973</td>
<td>1.09256</td>
</tr>
<tr>
<td>Elaborate maintenance of the system is in place</td>
<td>37</td>
<td>11</td>
<td>18</td>
<td>7</td>
<td>1</td>
<td>0</td>
<td>4.054</td>
<td>0.77981</td>
</tr>
</tbody>
</table>

The findings indicated that respondents agreed with all the aspects of information and communication registering means approximately equal to 4 (Agree). The findings indicated that 15 and 12 respondents strongly agreed and agreed respectively that there is revenue target reporting while 7 of the respondents were neutral and 3 of them disagreed with the assertion. On the other hand, 19 and 8 respondents agreed and strongly agreed respectively that there are channels of communication to report suspected breaches while 10 of the respondents were neutral. Further, 19 and 14 respondents agreed and strongly agreed respectively that complaints by customers have been put in place. Sixteen and 13 of the respondents agreed and strongly agreed that the system is well networked in the institution while 4 of them were neutral and the remaining either disagreed or strongly disagreed with the assertion. Finally, 18 and 11 respondents agreed that elaborate maintenance of the system is in place while 7 of the respondents were neutral and one of them disagreed. Apart from the last two assertions, respondents demonstrated greater cohesion in their responses registering standard deviations less than one.
4.4.4 Control Activity

Table 4. 8: Control Activity

<table>
<thead>
<tr>
<th>N</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>9</td>
<td>20</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>3.9459</td>
<td>0.88021</td>
</tr>
</tbody>
</table>

There are internal independent process checks and evaluations of controls activities

Internal reviews of implementation of internal controls

Monitoring and evaluation has helped in assessing the quality of performance

Management resolves on timely basis to review audit reports

From the control activity variable table the internal independent process of evaluation had 9 strongly agreeing, 20 agreeing, 6 neutral and 1 each disagreeing and strongly disagreeing respectively and having a mean of 3.95. On the help of monitoring and evaluation helping in quality performance 12 strongly agreed, 18 agreed and 6 neutral while the mean was at 4.08. The timely resolution of audit matters had 9 strongly agreeing, 18 agreeing while 9 were neutral but only 1 strongly disagreed translating to a mean of 3.929.

4.4.5 Monitoring and Evaluation

Table 4. 9: Monitoring and Evaluation

<table>
<thead>
<tr>
<th>N</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>9</td>
<td>20</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>3.9459</td>
<td>0.88021</td>
</tr>
</tbody>
</table>

There are internal independent process checks and evaluations of controls activities

Internal reviews of implementation of internal controls

Monitoring and evaluation has helped in assessing the quality of performance

Management resolves on timely basis to review audit reports
Another variable under study was monitoring and evaluation and the question with the highest mean at 4.081 was that M & E helped in assessing quality of performance with 12 strongly agreeing, 18 agreed, 6 were neutral and only 1 strongly disagreed with a standard deviation of 0.862. The lowest mean was 3.675 on the question the use of internal reviews on internal control matters where, 6 strongly agreed, 17 agreed, 12 were neutral and 2 strongly agreed. The variable had all question with high means, this means that it is a strong variable and major contributor in dependent variable revenue collection.

4.4.6 Revenue Collection

Table 4.10: Revenue Collection

<table>
<thead>
<tr>
<th>Collection targets set by The Ministry of Finance is realistic and achievable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are enough effectiveness of control</td>
<td>37</td>
<td>1</td>
<td>5</td>
<td>3.4595</td>
<td>0.93079</td>
</tr>
<tr>
<td>The targets set are always met by the hospital</td>
<td>37</td>
<td>1</td>
<td>5</td>
<td>2.3784</td>
<td>1.13899</td>
</tr>
<tr>
<td>People override the system affecting Revenue collection</td>
<td>37</td>
<td>1</td>
<td>5</td>
<td>3.9459</td>
<td>1.05267</td>
</tr>
</tbody>
</table>

The dependent variable revenue collection had the highest mean of 3.946 indicating almost agreeing in the Likert scale for question on people overriding the system thereby affecting revenue collection. Meaning there are indication the system is not sufficient enough in matters of internal control. The lowest mean was at 2.378 on the question on effectiveness of internal controls enough to guard on the revenue collection aspect. This indicates that from the respondents who are indeed in the department there is some lapse in the general internal control and they might be aware of the weakness that might be affecting revenue collection. This is compounded by the question of meeting of target by the ministry at the facility where the mean was 3.46 indicating they always fall below the target set in revenue collection.

4.5 Inferential Analysis

The five objectives were analyzed to ascertain their applicability and the findings were as follow:
4.5.1 Regression Analysis

Table 4.11: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.207&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.043</td>
<td>-.111</td>
<td>1.79969</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Monitoring and Evaluation, Risk Assessment, Information Technology, Control Environment, Control Activity

The R – is the multiple correlation coefficients which was .207 considered as one of the measure of the quality of prediction of the dependent variable (revenue collection) in the study. This indicated a weak correlation between the independent variables and the dependent variables. \( R^2 \) being the coefficient of determination at 4.3% which gives the proportion of variance in the dependent variable that is explained by the independent variables. As such the findings showed that the independent variables taken together accounted for only 4.3% of the total variance in revenue collection.

4.3.2 Variable Analysis

Table 4.12: ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4.513</td>
<td>5</td>
<td>.903</td>
<td>.279</td>
<td>.921&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>100.405</td>
<td>31</td>
<td>3.239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>104.919</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Revenue Collection
b. Predictors: (Constant), Monitoring and Evaluation, Risk Assessment, Information Technology, Control Environment, Control Activity

The ANOVA table was to tests whether the overall regression model is a good fit to the data. The F-ratio of 0.279 was found to be statistically insignificant at \( p<.05 \). This implied that the independent variables taken together had no significant influence on the dependent variable. Therefore, monitoring and evaluation, Risk assessment, information technology, control environment and control activities all together have no significant influence on revenue collection in Provincial General Hospital in Nakuru.

4.3.3 Regression Table

The individual metrics of each independent variable were regressed against the dependent variable. The p value was then compared to the significance level (\( \alpha \)) and deciding on whether
the variable was significant in the study or not. If the p-value is less than the significance level the variable is considered significant.

Table 4.13: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>11.438</td>
<td>2.352</td>
<td>4.863</td>
<td>.000</td>
</tr>
<tr>
<td>Control Environment</td>
<td>-0.034</td>
<td>.167</td>
<td>-0.058</td>
<td>.838</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>0.008</td>
<td>.081</td>
<td>0.024</td>
<td>.921</td>
</tr>
<tr>
<td>Information and Communication</td>
<td>-0.048</td>
<td>.121</td>
<td>-0.112</td>
<td>.692</td>
</tr>
<tr>
<td>Control Activity</td>
<td>0.071</td>
<td>.144</td>
<td>0.153</td>
<td>.625</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>0.095</td>
<td>.155</td>
<td>0.167</td>
<td>.546</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Revenue Collection

The unstandardized coefficients of B gave the values of 11.438, -0.034, 0.008, -0.048, 0.071 and 0.095 for the constant, control environment, risk assessment, Information and communication, control activities and monitoring and evaluation respectively. These values indicated the extent of how the dependent variable varied with an independent variable when all independent variables are held constant. The constant 11.438 represent the fixed value that remains irrespective of the movement of any of the variable or even if the variables are at zero or no activity. The significance values of 0.838, 0.921, 0.692, 0.625 and 0.546 are for the independent variables control environment, risk assessment, control activities information and communication and monitoring and evaluation respectively. This tests the significance of each independent variable. It tests whether the unstandardized coefficients are equal to zero in the population. If the p<0.05, it is concluded that the coefficients are statistically different to zero and considered significant to the study thus it does have and influence.

Evaluation of the effect of control environment on revenue collection in Level Five hospital Nakuru – For variable 1: the significance value in the table is 0.838 which is greater than the value p (0.05) hence there is significant relationship between the control environment and revenue collection in Level Five hospital Nakuru and thus the variable has an effect on revenue collection.
Analysis of control activities on revenue collection in Level Five hospital Nakuru – For variable 2: the significance value in the table is 0.921 which is greater than the value p (0.05) hence there is significant relationship between the control activities and revenue collection in Level Five hospital Nakuru and thus the variable has an effect on revenue collection.

Examining the effect of risk assessment on revenue collection in Level Five hospital Nakuru – For variable 3 the significance value in the table is 0.692 which is greater than the value p (0.05) hence there is significant relationship between the risk assessment and revenue collection in Level Five hospital Nakuru and thus the variable has an effect on revenue collection.

Determination of influence of information technology on revenue collection in Level Five hospital – For variable 4: the significance value in the table is 0.625 which is greater than the value p (0.05) hence there is significant relationship between the information technology and revenue collection in Level Five hospital Nakuru and thus the variable has an effect on revenue collection.

Analysis of how monitoring and evaluation affects revenue collection in Level Five hospital Nakuru – For variable 5: the significance value in the table is 0.546 which is greater than the value p (0.05) hence there is significant relationship between the monitoring and evaluation and revenue collection in Level Five hospital Nakuru and thus the variable has an effect on revenue collection.

The regression model will be fitted as follows:

Revenue Collection = 11.4438 - 0.034C1 + 0.008C2 - 0.048C3 + 0.071C4 + 0.095C5

X1= Control environment
X2= Risk assessment
X3= Information technology
X4= Control activity
X5= Monitoring and evaluation
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary, conclusion of the study and it seeks to provide some justifiable recommendations deduced from the study findings. It also gives suggestions for further research.

5.2 Summary of the Findings
The researcher carried out the research with the aim of determining the effects of internal controls on revenue collection: a case study of Level Five hospital Nakuru. The sample size was 40 employees made up managers of departments, head of sections and staff from department associated with revenue at the Level Five hospital in Nakuru. A census was done because the population of the study was low and to increase the size for analyses. The response rate was 92%. On gender, 57% were female while 43% were males. On age, 10% were below 29 years, 27% between 30-39 years, 35% between 40-49 while 27% comprised the age of above 50 years.

The study has also revealed that separation of roles and responsibilities with Level Five hospital Nakuru has been elaborately assumed which has helped in proper supervision by senior managers. The people who are involved in collection of revenue are not mandated to do subsequent duties in the same chain or lines in revenue collection rather the role are designated to a responsible officer.

Information and communication in Nakuru Level Five hospital seems effective with regards to timely receiving of reports for decision making. However, reporting of incidences of lack of integrity is still a challenge goes by the neutrality of the response on the related question. There might be lack of interaction between different levels of staff to assess difficulties in accessing information in the facility with regards to revenue collection.

The internal control has not been reviewed in the recent years and that monitoring of the internal controls is not tasked to only one department but every senior manager. This has made
it difficult to take responsibility for any actions or inactions as a result of failure to any system. The system monitoring mechanism is not well manifested

5.3 Conclusion

Based on the findings of the study, it is concluded that there is a direct correlation between the level of internal controls and the amount of revenue collection. The level of internal controls can be measured by the effectiveness of those controls. Where there is an effective control system in place then revenue collection also goes up as demonstrated by the amounts collected when level five hospital Nakuru had not put in place any controls with the time the organization started effecting controls.

5.4 Recommendations

The research has achieved a substantial ground with regard to Nakuru Level Five hospital and their internal systems of control in revenue collection which opens up the organization for further research work. Future study should link Nakuru Level Five hospital to level of compliance by customers to ascertain how the two relate in respect to each other. The study should also be done with comparison to other revenue bodies to recommend for other revenue collection measures. A replication of this study should be done after some time to find out if there are any changes that might have taken place as a result of time difference and then comparisons to be made with the current data, so that viable recommendations can be drawn. It is further recommended that the top management hierarchy to be reviewed to curb duplication of duties which has been evidenced by the study.

5.4.1 Suggestion for further research

The results from the study point out a number of opportunities for further research into revenue collection competencies and compliance. Future research should attempt to collect data from County Governments to find out whether the effectiveness of Internal Control System in achieving value in county governments takes the same trend as that for Nakuru Level Five hospital. Further research could also examine the impact of total quality management on revenue collection in other government institutions and the relationship between effectiveness of internal control system and fraud in an organization because fraud is perceived to be one of the main threats to the organizations’ performance.
REFERENCES


AppenDices

Appendix I: Introductory letter

Dear Respondent,

My name is Daniel Kiplangat Sigilai. I am currently carrying out a study for the purpose of writing a project as a requirement for the award of Master of Business Administration (Accounting Option) Jomo Kenyatta University of Agriculture and Technology. The topic of study is **ASSESSMENT OF INTERNAL CONTROLS ON REVENUE COLLECTION AT NAKURU LEVEL FIVE HOSPITAL**. You have been selected to participate in this study due to the importance of your information in the study. The information you provide will only be used for the purpose of this study and will be treated with confidentiality and that the management will not be liable for any information given.

Please feel free and answer all the questions truthfully.

Yours sincere

Daniel Kiplangat Sigilai
APPENDIX II: Questionnaire

PART A: Personal information.

(1) Job Title: ..............................................................................................................

(2) Gender [ ] Male  [ ] Female

(3) Number of years of working experience

[ ] 1-2 years  [ ] 2-5 years  [ ] 5-10 years  [ ] 10-20 years  [ ] 20 years and above

(4) Formal qualifications  [ ] certificate  [ ] Diplomas  [ ] degrees  [ ] Masters

(5). Age  [ ] 19 or less  [ ] 20─29  [ ] 30─39  [ ] 40─49  [ ] 50 or more

PART B. Control Environment

(SD- Strongly disagree, D-Disagree, N-Neutral, A-Agree and SA-Strongly agree).

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Hospital has good Accounting and Financial Management System in place.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Hospital Board of Directors are committed to the Internal Control System implementation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>There is a well elaborate Organization Structure in The Hospital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Policies, procedures are documented as well as defined</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The management and the board are people of high integrity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PART C: Risk Assessment

(SD- Strongly disagree, D -Disagree, N-Neutral, A-Agree and SA- Strongly agree).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>There is an internal risk management section</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The risk department has the necessary resources for working</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>The employees have knowledge of revenue leakage areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Access of sensitive information has security protocol in different levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Revenue variance can be identified by management directly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>The Hospital staff are adequately involved in risks management process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PART D: Information and Communication

(SD- Strongly disagree, D -Disagree, N-Neutral, A-Agree and SA- Strongly agree).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>There is effective reporting of revenue targets to be achieved in a particular year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Channels of communication for individuals to report suspected breaches or regulation or other improprieties.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Procedures have been put in place for complains by customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>The system in place is well networked in the whole organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Management receives timely, relevant, and reliable reports for decision-making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>An elaborate maintenance of the system is in place</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PART E. Control Activity

(SD- Strongly disagree, D -Disagree, N-Neutral, A-Agree and SA- Strongly Agree).

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>Policies and procedures exist to ensure critical decisions are made with appropriate approval</td>
<td>SD</td>
<td>D</td>
<td>N</td>
<td>A</td>
</tr>
<tr>
<td>22</td>
<td>There is proper and close supervision of junior staff at The Hospital</td>
<td>SD</td>
<td>D</td>
<td>N</td>
<td>A</td>
</tr>
<tr>
<td>23</td>
<td>There are elaborate mechanisms put in place to address weaknesses of controls</td>
<td>SD</td>
<td>D</td>
<td>N</td>
<td>A</td>
</tr>
<tr>
<td>24</td>
<td>There is a system in place to ensure that employees are rotated periodically.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
<td>A</td>
</tr>
<tr>
<td>25</td>
<td>Independent reconciliations of revenue collection on regular basis is done</td>
<td>SD</td>
<td>D</td>
<td>N</td>
<td>A</td>
</tr>
</tbody>
</table>
PART F: Monitoring and Evaluation

(Strongly disagree, D -Disagree, N-Neutral, A-Agree and SA- Strongly agree).

<p>| | | | | |</p>
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<thead>
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<tbody>
<tr>
<td>26</td>
<td>There are internal independent process checks and evaluations of controls activities on continuous basis.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>27</td>
<td>Internal reviews of implementation of internal controls in units are conducted periodically.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>28</td>
<td>Monitoring and evaluation has helped in assessing the quality of performance of the organization over time.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>29</td>
<td>Management resolves on timely basis to review audit reports and resolution of any non-compliance in the system.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>30</td>
<td>There is always monitoring of targets set on revenue collection.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
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</table>

Revenue Collection

(Strongly disagree, D -Disagree, N-Neutral, A-Agree and SA- Strongly agree).

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<tbody>
<tr>
<td>31</td>
<td>Collection targets set by The Ministry of Finance is realistic and achievable in the past.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>32</td>
<td>There are enough effectiveness of control in revenue collection.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>33</td>
<td>The targets set are always met by the hospital.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
<tr>
<td>34</td>
<td>Sometimes people override the system affecting revenue collection.</td>
<td>SD</td>
<td>D</td>
<td>N</td>
</tr>
</tbody>
</table>

Thanking you for your participation.