

EFFECT OF INTERNAL CONTROLS ON REVENUE COLLECTION OF LEVEL FIVE HOSPITALS IN KIAMBU COUNTY

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ABSTRACT

This study investigated on the effect of internal control practices adopted by Kiambu County Level Five Hospitals on revenue collection. The study utilized descriptive research design. The study targeted 3 level five hospitals in Kiambu County namely; Kiambu, Thika and Gatundu. The study gathered primary data and secondary data. Primary information was gathered using structured questionnaires. Secondary information was gathered through literature review. Analysis of the quantitative data was done via SPSS and tables were used to present the results. A chi-square was used to study the correlation between internal controls and revenue collection. The descriptive analysis indicated a decreasing trend in revenue collected by level five hospitals in Kiambu County since 2013 except in 2015 when there was a slight increase which was followed by a decline in 2016. The findings found a significant correlation between environment of controls and collection of revenue and thus an increase in environment of controls leads to revenue collection increase by the level five hospitals in Kiambu. Integrity in level five hospitals is maintained and management is always committed to ethical values business practices. Level five hospitals in Kiambu provides discipline and structure and their management are committed to competence as well as influencing the control consciousness of its people in the hospitals. Study also established that level five hospitals management in Kiambu County ensures that fraud is prevented by putting in place fraud detection mechanisms and audits which ensure

that effective controlled reporting is done. The hospitals examine and evaluate the effectiveness of management control systems and provide re-assurance that the internal control systems are adequate. A strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function leads to an increase in the revenue collection by the level five hospitals. Further, the study established that an increase in monitoring control measures leads to an increase in the revenue collection. Level five hospitals management adequately monitors the quality of the systems' performance and effectiveness to ensure collection is achieved. Monitoring has been allowing the hospitals to determine whether or not policies implementation procedures are followed while the regular supervision and managing activities help in reducing wastage of revenue. Also, monitoring in the level five hospitals ensures that the findings of audits and other reviews are promptly resolved. Finally, the study revealed that a significant association between the risk assessment and the revenue collection exists. The study suggests frequent evaluation of control environment and activities. This study reveals a decreasing trend of revenue collection of level five hospitals in Kiambu County since 2013 with a minor increment in 2015, therefore this study recommends another study to be carried out to establish the factors which are leading to a decrease in the revenue collection in level five hospitals in Kiambu County.

Key Words: *internal controls, revenue collection, level five hospitals, Kiambu County*

INTRODUCTION

Internal control is pertinent to every individual in the place of work because it exemplifies their ethical obligation to comprehend and adhere to entity's policies and procedures, as well as to hold themselves accountable. The key drive being to help protect an entity and promote its goals. They similarly aid to lessen risks as well as protect resources, guarantee accuracy of information, facilitate operational efficiency, and promote observance to policies and regulations. Management is having the duty to institute as well as uphold an internal control system that is operational. The audit committee is to watch over these controls and assess their effectiveness in entirety (Kumuthinidevi, 2016).

An internal control system that is effective offers rational guarantee that guidelines, processes, responsibilities, conducts as well as other organization aspects, collectively, enable its operational efficiency, safeguarding the quality of internal and external recording, as well as upholding conformity to relevant guidelines. Internal control keeps an entity on track toward its goals as well as the realization of its objective, and reduces risks on the course. Internal control facilitates operational effectiveness, minimizes the asset loss risk, and assists to ensure conformity to relevant guidelines. Theoretically therefore, an establishment with effective internal control system is anticipated to efficiently and effectively accomplish its objectives (Al-Zwyalif, I2015).

This study is anchored on three fundamental theories namely: contingency theory; agency theory; and institutional theory. Contingency theory is a behavioral theory instituted by Woodward in 1958 which asserts that there is no unsurpassed approach to provide an effective management. Instead, management effectiveness depends upon a match between the kind of technology, environmental impulsiveness, organization size, the organizational structure features as well as its information system. Incidentally, this study stipulates that the effectiveness of internal control can be best described using contingency theory. The Agency theory popularized by Jensen and Meckling (1976) which argues that, due to information disproportionateness as well as self-interest, leaders lack explanations to have confidence in their agents and tried to get to address these apprehensions by establishing means to align the agents' and principals' interests and to minimize the possibility of disproportionateness of information and opportunistic conduct. (Adelopo, 2016). According to Institutional theory, by Fogarty (1997), organizations internal operations perceived as difficult and complex to determine may take a second place in regards to external legitimacy. The theory also argues that the external image of an organization may be coupled with the kind of technology and operational processes adopted. The theory alleges that the external image of an organization may in this case be coupled with the kind of technology and operational processes adopted.

The administrative management of Level Five Hospitals in Kiambu County are in charge of ensuring a proficient internal control framework explicit to operations of the Hospitals. The

management of the Hospitals are in charge of sharing the anticipations as well as responsibility of personnel as elements of a control environment. They are similarly in charge of guaranteeing that the other key matters of an internal control outlined are dealt with specific to the undertakings of their departments and to ensure that the Hospital controls are observed. The employees at the Hospitals on the other hand have a duty to undertake the internal control actions as established by management (Maichuhie, 2018).

RESEARCH PROBLEM

Implementation of sound internal controls such as separation of duties has become among the most effective mechanisms of inhibiting fraud. Internal controls as linked to fraud comprise the measures, policies, as well as guidelines that establishments adopt to safeguard resources and maintain the dependability of accounting information. A number of establishments contend that there are adequate internal controls adopted to inhibit, or even eradicate, fraudulent engagements. However, some internal controls adopted by entities may perhaps not be effective anymore relative to the time they were adopted due to the fact that organizations change, and as such more staff are employed for old as well as newly established positions. Continuous monitoring for entities is therefore a key effective management tool to adopt in developing or amending internal controls (Moeller, 2013). The management of the Kiambu Level Five Hospitals are in charge of ensuring proficient internal control frameworks explicit to operations of the hospitals. They are also in charge of sharing the anticipations as well as responsibility of personnel as elements of a control environment. The employees at the hospitals on the other hand have a duty to undertake the internal control actions as established by management. However, the internal control systems at Kiambu County Level Five Hospitals similarly encounter a number of problems as principals not engaging in the risk and control procedures, hence formal risk as well as control deliberations are often suspended. Risk and control procedures are similarly detached from operations. Also, establishment of the internal control practice is regarded as the final objective, therefore very intricate procedure and the hospitals' committees are sluggish to adopt. There is also little heightened deliberation or more quantification. Assurance is inconsistent and only strong for traditional risks, lacking in emerging risks as there is lack of a well-defined assurance map. Internal audit policies similarly revolve around similar areas and principals heavily depend on management self-assurance. There is similarly a lack of robust oversight as well as challenge, hence reporting concentrates on risk coverage, instead of action. A number of researches have been undertaken both internationally and locally on the concepts of internal control and revenue collection. Internationally for instance, Simangunsong (2014) conducted a research in Indonesia that intended to explore the influence of internal control effectiveness and internal audit role on the local government's performance. Al-Zwyalif (2015) undertook a research in Jordan to investigate role of internal control in improving corporate governance. A study was similarly conducted in Sri Lanka by Kumuthinidevi (2016) to establish the effectiveness of internal control practice in the private banks of Trincomalee. Kwaji and Dabari (2017), did a study in Nigeria that aimed to assess tax

revenue collection by the Federal government in Nigeria. Locally in Kenya, a number of studies on the concepts have similarly been undertaken. For instance, Brian (2013) carried out a research that focused on determining the influence of internal control at Kenya Revenue Authority (KRA). A study by Ndungu (2013) investigated internal controls impact on generation of revenue at the University of Nairobi Enterprises and Services Limited (UNES). Njeri (2014) in her research sought to ascertain the influence of systems of internal control on the Kenyan manufacturing enterprises financial performance. The research employed a hypothesis testing research design. Gitaru (2017), undertook a research that sought to analyze the impact of automation collection system of revenue in KRA. With regards to the above studies undertaken on the concepts of internal control and revenue collection, it is apparent that no single study considered the two concepts simultaneously in relation to the context of Kiambu County Level Five Hospitals. This research aims at filling the existing knowledge gaps and adding to the literature by analyzing the internal control practices adopted by Kiambu County Level Five Hospitals and their influence on revenue collection. The research was aimed at answering the study question: What internal control practices are adopted by Kiambu County Level Five Hospitals and their influence on revenue collection?

RESEARCH OBJECTIVE

To examine the effect of internal control practices adopted by Kiambu County Level Five Hospitals on revenue collection.

THEORETICAL LITERATURE

Agency Theory

This significant body of work was mainly designed by Jensen & Meckling in 1976. The agency theory therefore determines the agent relationship between two parties, one is the principal party that delegates duties and responsibilities while the other is the agent. The agency relationship as provided by its originators tends to have varied disadvantages in relation to the self-interest and level of optimism that lies in an agent. For instance, the agent may choose to act in a manner that is not of principal's best interest, or rather, the agent may act partly in the interest of his principal. On the opposite side, the agency theory posits that a firm mainly embroils a connection of contracts that lies between its economic resources, owners who are considered as the principals, and managers, perceived as the agents given that they are charged with the control of organization's assets (Jensen & Meckling, 1976).

The concept holds that the agents in several occasions possess the capacity to access more information as opposed to the principals, thus establishing that the information asymmetry mainly impinges on the principals' capacity to assess whether the interests of their organizations are served by their agents. Hence, it is evident that this theory views organizations as a necessary

structure in the maintenance of the required contracts, and this way, it is easier to undertake control that lessens the unprincipled behaviors of the agents. According to Jensen & Meckling (1976), to harmonize the principal and agent interests, there is a need to establish a comprehensive contract that addresses the interests of both the parties. In this regard, it is essential to note that the agent-principal connection is primarily held together by the inclusion of a professional as well as other auditing and control systems that help in monitoring the agent.

The agency theory operates under the perception that the agents and their principals operate on a rational manner, thus using contracting as an approach aimed at maximizing their wealth (Kenyon & Tilton, 2014). This study is therefore applicable in this context given that internal control remains one of the main mechanisms utilized by businesses in addressing their agency challenges especially through the reduction of agency costs that may have adverse effects on the performance of the relationships between the two parties.

Contingency Theory

In close association with the situational approach, the contingency theory is a brainchild of Austrian psychologist Fred Edward Fiedler in his milestone 1964. The contingency theory primarily focuses its attention on the significance of the principal's character and the condition or the circumstances whereby the leaders operate. Fiedler and his companions mainly focused their attention on leaders in varied contexts but narrowed down on leaders within the military context. The contingency theory therefore holds that there are provided situational factors that have the capacity to affect the independent and dependent variable relationships in understanding organizational behavior. In this case, the study provides that independent variables are the main cause of change in the dependent variables while variables that are dependent are mainly affected by the variables that are independent.

Leadership and motivation are two of the main examples that are expounded as independent variables explained in the contingency theory, turnover and absenteeism as well as productivity are perceived as the dependent variables (Kenyon and Tilton, 2014). The contingency theory in as much as adduced to have several strengths, falls short due to some shortfalls in making efforts to explain the rationale behind leaders with a given leadership style are only effective in some situations but not in others.

Researchers allege that Fielder's theory has broadened the scope used in understanding leadership from varied perspectives in an effort to underpin the best style of leadership within an organization that meets the varied demands within different situations (Fred, 1964). The contingency theory has equally paved way to unravel the predictive powers used in determining the styles and types of leadership that are likely to be effective within varied contexts. The theory therefore expects leaders to ensure that they are effective in varied situations and need to consider operating under optimal conditions that complement their leadership styles. The

implications of this theory in this study remain evident in its effects driven towards ensuring that the right kind of leadership is employed in meeting varied leadership needs in organizations.

Institutional Theory

The institutional theory was designed by Fogarty (1997), with the intent of explaining the manner in which organizations are designed and function especially in meeting their social requirements and expectations in a manner that is visible and transparent to the entire public. According to this theory, organizations internal operations perceived as difficult and complex to determine may take a second place in regards to external legitimacy. In this regard, Fogarty et al. (1997) alleges that the external image of an organization may in this case be coupled with the kind of technology and operational processes adopted. Fogarty et al. (1997) instituted this theory emphasizing that the contributions of this concept lies in the insights it provides on the manner in which organizations may achieve varied accomplishments and the need for structures to meet these goals.

Fogarty et al. (1997) in this theory equally contends that the internal systems and processes perceived as visible, determine the manner in which organizations operate while other external structures are not very important in the operations of a firm. In this regard, it is essential to note that the scrutiny by outsiders may be avoided in the event that the right structures are put in place within an organization. In other words, the loose coupling of technology may enable an organization to achieve success in regards to its external problems, thus allowing the element of flexibility in the operational processes of an organization.

According to institutional theorists, institutional environment may be key in influencing the manner in which organizations develop formal structures. The inclusion of innovative structures may therefore be essential in improving the efficiency of an organization mainly related to the adoption of legitimized processes in organizations (Fogarty et al., 1997). Such innovative measures therefore rely on effective processes and leadership employed, thus a failure in the adoption of these measures may be considered as negligence. In a nutshell, the implications of this theory remain evident in the fact that institutional environment may need to accept the order of an organization in maintaining and gaining legitimacy within the corporate environment.

EMPIRICAL REVIEW

Internationally for instance, Simangunsong (2014) conducted a research in Indonesia that intended to explore the impact of effectiveness of internal control and internal audit on performance by local government. The research adopted a census design. The study utilized primary data obtained by way of questionnaires. Data analysis technique employed to evaluate the hypothesis was by way of regression analysis via SPSS. The study undertook the validity as well as reliability test prior to the hypothesis assessment. The findings ascertained that there

existed a positive effect of the effectiveness of internal control and internal audit on the performance by local government both concurrently and to some extent.

Al-Zwyalif (2015) undertook a research in Jordan to investigate the role of internal control in improving corporate governance. Primary data was obtained through questionnaire. The findings of statistical analysis, the research revealed that the dedication every aspect of internal control leads to reinforcement of the pillars of governance of the corporate to a greater extent. Furthermore, the results pointed out that internal control has a substantial function of reinforcing the corporate governance pillars in insurance enterprises in Jordan. The study recommended that the effectiveness of corporate governance needs adherence to every aspect of internal control.

A study was similarly conducted in Sri Lanka by Kumuthinidevi (2016) to determine internal control frameworks effectiveness in the private banks of Trincomalee. Primary data was obtained by questionnaires which were developed and administered to all the permanent staff of ten banks. Data analysis was undertaken using univariate and bivariate approaches. For the univariate analysis, standard deviation, mean, percentages were employed in assessing the data. The findings of the analyzed data pointed out that risk assessment, control environment and activities, communication, accounting, and assessment of self are helpful in internal control practice effectiveness.

Kwaji and Dabari (2017) did a study in Nigeria that aimed to assess tax revenue collection by the Federal government in Nigeria. The research employed quantitative research design. The study also relied on the secondary data that was retrieved from the FIRS in relation to the aggregate oil tax revenue gathered as well as non-oil taxes between 2011 and 2015. The population entailed of Federal Inland Revenue Services whereas the sample size comprised planning, reporting and statistics departments. The results of the findings pointed out that capital gains tax, stamp duty, education tax and petroleum profit tax are positively substantial at 1%, 5% and 10% respectively whereas company income tax and value added tax are not substantial. The study hence recommended that there is need for the government to increase tax revenue collection processes as well as ensure that any compliance deviations from the established guidelines are dealt with and punished.

Locally in Kenya, a number of studies on the concepts have similarly been undertaken. For instance, Brian (2013) carried out a research that aimed to examine the internal control impacts at Kenya Revenue Authority (KRA). The study was undertaken by way of qualitative and quantitative methods. The study employed primary information which was gathered using structured questionnaires. The study population involved 38 respondents. The findings of the analyzed data established that the 5 elements of control; environment, assessment of risk, activities related to control, communication and information and assessment ought to be put in place so as to enable internal controls function. The study similarly pointed out that ineffective internal controls have aided conspiracy to fraud, assets loss as well as misappropriation of the

revenue collected. The study hence determined that internal controls do operate however, with setbacks and that a substantial influence exists between KRA revenue collection and internal controls.

A study by Ndungu (2013) investigated the impacts of internal controls on generation of revenue at the University of Nairobi Enterprises and Services Limited (UNES). The research adopted a descriptive design. The study population comprised all the staff at the UNES Limited in the 2013 calendar year. Data analysis of the study was by way of linear regression. The findings pointed out that internal controls lead to revenue creating at the enterprise and that UNES supports internal control by making sure that all documents are accurate, authentic and approve their signing by relevant officers prior to processing to avoid revenue embezzlement. It was similarly revealed that the enterprise has enacted guidelines for all undertakings which enable effective communication, control as well as evaluation of undertakings. The study recommended that the enterprise ought to put in place internal control as well as systems of information that lead to financial, compliance-connected and operational information accounts to allow running as well as controlling the enterprise. Furthermore, there is the need for the enterprise to adequately assess internal control to safeguard the performance effectiveness of the systems over time.

Njeri (2014) in her research aimed to ascertain the influence of system of internal control on financial performance of Kenyan manufacturing enterprises. The research employed a hypothesis testing research design. They comprised H1: there is a positive link between internal control and financial performance; H2: internal control has positive effects on financial performance. The study populous constituted 65 manufacturing enterprises approved by the Kenyan industrialization ministry. The study population sample comprised 65 manufacturing enterprises. Primary information was gathered by written questionnaires whereas the secondary information was sourced by way of financial statements that were available and accessible. From the results, it was determined that a number of manufacturing enterprises had a control environment among the functionality of internal controls adopted that significantly influences their financial performance. The study therefore recommended that the governing body, perhaps facilitated by the audit committee, ought to make sure that the internal control practice is occasionally examined as well as assessed.

Gitaru (2017) undertook a research that sought to analyze the influence of KRA automation system in collection of revenue. Descriptive research design was utilized. The study utilized secondary data retrieved from KRA Customs information for 10 financial years following Simba System between July 2007 and June 2016. The data analysis was done by way of Gretl and exhibited in figures as well as tables. The results of the findings pointed out that the volume of transactions, improved substantially following the adoption of the process. As a result of automation of revenue systems, a great volume of imported goods was sorted out as well as gone through the centralized Document Processing Center (DPC). The findings similarly pointed out

that the revenue collected enhanced at a cumulative proportion following the Simba system's adoption.

Ngugi (2015) conducted a survey on the internal control systems among the registered private enterprises and the Kenyan government establishments. The study took a case study approach and revealed that the foreign exchange market in this case is influenced by a number of factors in Kenya such as institutional changes, the varying patterns of international trade as well as the structural shifts in the process of production. Before the Central Bank of Kenya (CBK) established the Exchange Control Act foreign exchange was primarily earned by commercial banks and private sector institutions which acted mainly as agents for the local exporters. The agricultural exports during this period contributed heavily to the foreign exchange considering the fact that Kenya's economy is mainly reliant on this and tourism as an income earner.

RESEARCH METHODOLOGY

Research Design

A descriptive research design was utilized and this allowed the investigator to describe the variables in terms of their characteristics. The design is suited and justified for use in this study because of the variables to be used. The dependent variable was the revenue collection of Kiambu County level five hospitals and the independent variables included; control environment, monitoring of control, internal audit function and risk assessment. The advantage of conducting descriptive design is that they are valuable in defining the specific features of an outsized population and high consistency which guarantees that the observer bias is greatly eradicated and it's easy to attain by presenting all subjects with a regular inducement (Creswell, 2013).

Population of the Study

According to Kothari (2004), target populous is the means used in generalization of the results. A research populous is defined as the whole assortment of units from which the scholar needs to draw findings from. There are 3 level five hospitals in Kiambu County namely; Kiambu, Thika and Gatundu.

Data Collection

Primary and secondary information were gathered. Primary information was gathered via a research questionnaire. Secondary data was gathered basically through data collection form. Secondary information was gathered from the hospitals' system. Data collected was annual data covering a period of five years 2013-2017.

Data Analysis

Primary information was analyzed via descriptive statistics while the secondary data was analyzed by inferential statistics. Both quantitative and qualitative methods were used to analyze the information gathered. Data gathered was analyzed using statistical SPSS version 23. The quantitative data was arranged using chi-square since it entails multiple independent variables and one dependent variable. The data results were presented in tables, mean and standard deviation. The study applied chi-square to establish the significant relationship between internal controls (control environment, internal audit function, monitoring of controls and risk assessment) and revenue collection. It was carried out at 95% confidence level to establish the importance of the independent variable in clarifying the changes in the dependent variable. The relationship was tested for its significance as well as its strength. Significance was expressed in probability levels p (e.g., significant at $p = .05$). This tells how impossible the relationship coefficient, r , happened given no relationship in the populace. Connection can go up against any incentive in the range $[-1, 1]$. The indication of the connection coefficient demonstrated the course of the relationship, while the size of the relationship (that it is so near -1 or $+1$) will show the quality of the connection. The examination utilized T statistics since the populace is at 95% certainty level. A t-test's factual brought up regardless of whether the contrast between two factors' midpoints most likely mirrors a "genuine" distinction in the populace from which the gatherings were picked.

RESEARCH RESULTS

The study has revealed that integrity in level five hospital is maintained and management is always committed to ethical values business practices. It was also noted that level five hospital in Kiambu provides discipline and structure and their management are committed to competence as well as influencing the control consciousness of its people in the hospital. A statistically significant association between control environment and the revenue collection was noted and thus an increase in control environment leads to an increase in the revenue collected by the level five hospitals in Kiambu.

Further the study revealed a strong positive correlation between internal audit function and revenue collection and therefore an increase in internal audit function lead to an increase in the revenue collection by the level five hospitals. It was also noted that level five hospital management in Kiambu County works out to ensure that fraud is prevented by putting in place fraud detection mechanisms. It was also noted that audits ensure that effective controlled reporting is done in all the level five hospital in Kiambu County. Level five hospitals in Kiambu County also examines and evaluates the effectiveness of management control system and provides re-assurance that the internal control systems are adequate.

Level five hospital management adequately monitors the quality of the system's performance and effectiveness to ensure collection is achieved. Study also revealed that monitoring has been allowing the hospital to determine whether or not policies implementation procedures are followed while the regular supervision and managing activities help reducing wastage of revenue. Also monitoring in the level five hospitals ensures that the findings of audits and other reviews are promptly resolved. Chi-square of $\chi^2(4) = 5.935, p = .001$ revealed a significant association between the monitoring of controls and the revenue collection which means a change in internal audit function affects the revenue collected by the hospitals. Similarly, a strong correlation was established between monitoring of controls and Revenue collection which implies that an increase in monitoring of controls measures would lead to an increase in the revenue collection.

A significant association between the risk assessment and the revenue collection was established, which meant that a change in risk assessment affects the revenue collected by the hospitals. Therefore, when risk is correctly assessed it led to an increase in the amount of revenue collected. Further it was established that internal control facilitates the effectiveness and efficiency of operations and helps to ensure the reliability of internal and external reporting and also assists to comply with laws and regulations. Further the study revealed that the level five hospital in Kiambu assesses and identifies possible risks of objectives being achieved and organizers identify and evaluate relevant risks associated with achieving the objectives of the hospital. The assessment ensures possible risks are mitigated in conformity with general accepted accounting principle of the hospital. Management determines and maintains risk within determined levels and risk assessment is ensured by periodic performance review and evaluation in the hospital.

INFERENCE STATISTICS

A Pearson Product-Moment Correlation Coefficient was computed to assess the relationship between the internal control practices and revenue collection in Level Five Hospitals in Kiambu County, Kenya. Table 1 presents the findings: It indicates that there was a strong positive correlation between the Control environment and revenue collection of hospitals where $r = 0.585, p = 0.000, n = 3$. The results also revealed that the p-value was 0.000, which is less than 0.05. This implies that statistically there is a significant relationship between the two variables. A positive correlation means that an increase in one variable leads to an increase in the other variable. In this case, an increase in control environment would lead to an increase in the revenue collected by the hospitals.

A Pearson Product-Moment Correlation Coefficient was further computed to assess the relationship between the internal audit function and revenue collection in Level Five Hospitals. The findings indicate that there was a strong positive correlation between internal audit function and revenue collection, where $r = 0.634, p=0.000$ and $N=3$. In this case, an increase in internal

audit function would lead to an increase in the revenue collection. Further, the sig 2-tailed, which is the p-value, is less than 0.05. ($p=0.000 < 0.05$). This implies that statistically, there is a significant relationship between internal audit function and revenue collection.

Further, a strong positive correlation between monitoring of controls and Revenue collection was established, where $r = .801$, $p=0.000$ and $N=3$. This means an increase in monitoring of controls measures would lead to an increase in the revenue collection. Further, the sig 2-tailed, which is the p-value, is less than 0.05. ($p=0.000 < 0.05$). This implies that statistically, there is a significant relationship between monitoring of controls measures and Revenue collection.

Lastly a Pearson Product-Moment Correlation Coefficient was further computed to assess the relationship between risk assessment and revenue collection. A positive correlation between the risk assessment and revenue collection was noted where $r = .723$, $p = 0.000$, $n = 3$. The results also revealed the p-value of 0.000, which is less than 0.05. This implies that statistically there is a significant relationship between the two variables. Therefore, a better risk assessment management would lead to an increase in the amount of revenue collected.

Table 1: Correlations

		Revenue collection	Control environment	Internal audit function	Monitoring of controls	Risk assessment
Revenue collection	Correlation Coefficient	1.000	.585	.634	.801	.723
	Sig. (1-tailed)	.	.000	.000	.000	.000
	N	3	3	3	3	3
Control environment	Correlation Coefficient	.585	1.000	.142	.037	
	Sig. (1-tailed)	.000	.	.000	.000	
	N	3	3	3	3	
Internal audit function	Correlation Coefficient	.634	.142	1.000		
	Sig. (1-tailed)	.000	.000	.		
	N	3	3	3		
Monitoring of controls	Correlation Coefficient	.801	.037		1.000	
	Sig. (1-tailed)	.000	.000		.	
	N	40	3		3	
Risk assessment	Correlation Coefficient	.723				1.000
	Sig. (1-tailed)	.000				.
	N	3				3

DISCUSSION OF THE FINDINGS

The study revealed that the log average of the revenue collection by level five hospitals in Kiambu County was 7.801 for the five years with the highest revenue collected being 8.056 in

year 2013 and lowest being 7.605 in the year 2017. A decreasing trend in revenue collected in level five hospitals in Kiambu County since 2013 except on 2015 when there was a slightly increase which was followed by a decline in 2016. Further, the study established that the hospital management ensures that integrity is maintained and the management attitude in the hospital was committed to ethical values business practices. It was also noted that level five hospitals in Kiambu provide discipline and structure and their management are committed to competence as well as influencing the control consciousness of its people in the hospital. This finding concurs to Ewa and Udoayang (2012), who argued that the control environment establishes the approach of an organization by impacting peoples' consciousness to control. Further the study established a statistically significant association between control environment and the revenue collection ($B(4) = 9.744, p = .031$) and correlation analysis revealed that an increase in control environment would lead to an increase in the revenue collected by the hospitals. This finding concurs to Kumuthinidevi (2016) who pointed out that control environment is moderately helpful in the effectiveness of internal control practice.

The study revealed a strong positive correlation between internal audit function and revenue collection ($r = 0.634, p=0.000$ and $N=3$). This association between the internal audit function and the revenue collection was also evident in the Chi-square test ($(4) = 6.369, p = .005$), therefore an increase in internal audit function lead to an increase in the revenue collection by the level five hospitals. The finding correlates to Gupta (2011) who pointed out that objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. Further the study revealed that the level five hospitals management in Kiambu County ensure that fraud is prevented and have put in place fraud detection mechanisms. Audit was found to ensure effective controlled reporting in the hospital is done. Also, the study noted that the hospitals examine and evaluate the effectiveness of management control system and provides re-assurance that the internal control systems are adequate. The findings correlate with Gupta (2011) who asserted that internal audit is an independent activity aimed at assessing the operations within an organization.

Further the study established that the hospitals management adequately monitor the quality of the systems' performance and they also monitor system effectiveness to ensure collection is achieved. Monitoring has been allowing the hospitals to determine whether or not policies implementation procedures are followed while the regular supervision and managing activities help in reducing wastage of revenue. Monitoring in the level five hospitals ensures that the findings of audits and other reviews are promptly resolved. This finding was in line with Bowrin (2010) who revealed that monitoring can be accomplished by consistently overseeing exercises like observing of client objections and input and reviews directed occasionally by auditors within the organization. Chi-square of $\chi^2(4) = 5.935, p = .001$ revealed a significant association between the monitoring of controls and the revenue collection which means a change in internal audit function affects the revenue collected by the hospitals. Similarly, a strong correlation was

established between monitoring of controls and Revenue collection which implies that an increase in monitoring of controls measures would lead to an increase in the revenue collection.

Chi-square results revealed a significant association between the risk assessment and the revenue collection ($B(4) = 7.239, p = .000$) which meant that a change in risk assessment affects the revenue collected by the hospitals. Therefore, when risk is correctly assessed it led to an increase in the amount of revenue collected. This was in line with Bowrin (2010) who noted that monitoring can be accomplished by consistently overseeing exercises like observing of client objections and input and reviews directed occasionally by auditors within the organization. Further the study revealed that the level five hospitals in Kiambu assesses and identifies possible risks of objectives being achieved and organizers identify and evaluates relevant risks associated with achieving the objectives of the hospital. The assessment ensures possible risks are mitigated in conformity with general accepted accounting principle of the hospital. Management determine and maintain risk within determined levels and risk assessment is ensured by periodic performance review and evaluation in the hospitals. The finding concurs to Karagiorgos (2009) that the risk assessment is guaranteed through repeated reviews of performance evaluation of controls effectiveness.

CONCLUSIONS

This study has provided a comprehensive review of the effect of internal control practices adopted by Kiambu County Level Five Hospitals on revenue collection. Based on the findings, the study concludes that a statistically significant association between control environment and the revenue collection exists and thus an increase in control environment leads to an increase in the revenue collected by the level five hospitals in Kiambu. Integrity in level five hospital is maintained and management is always committed to ethical values business practices. Level five hospitals in Kiambu provide discipline and structure and their management are committed to competence as well as influencing the control consciousness of its people in the hospitals.

Study also concludes that level five hospitals management in Kiambu County ensure that fraud is prevented by putting in place fraud detection mechanisms and audits ensure that effective controlled reporting is done. The hospital examines and evaluates the effectiveness of management control systems and provides re-assurance that the internal control systems are adequate. A strong positive correlation between internal audit function and revenue collection exist and therefore an increase in internal audit function lead to an increase in the revenue collection by the level five hospitals.

Further the study concluded that an increase in monitoring control measures leads to an increase in the revenue collection. Level five hospital management adequately monitors the quality of the system's performance and effectiveness to ensure collection is achieved. Monitoring has been allowing the hospital to determine whether or not policies implementation procedures are

followed while the regular supervision and managing activities help reducing wastage of revenue. Also monitoring in the level five hospital ensures that the findings of audits and other reviews are promptly resolved.

Lastly the results indicated that a significant association between the risk assessment and the revenue collection exist, which means that a change in risk assessment affects the revenue collected by the hospitals. Internal control enhances efficiency and effectiveness of internal controls and ensures internal and external reliability in reporting possible risks are assessed and identified to achieve the objectives and organizers identify and evaluates relevant risks associated with achieving the objectives of the hospital. The assessment ensures possible risks are mitigated in conformity with general accepted accounting principle of the hospital. Management determines and maintains risk within determined levels and risk assessment is ensured by periodic performance review and evaluation in the hospital.

RECOMMENDATIONS

The researcher has the following recommendations to make with regard to internal control practices and revenue collection of Level Five Hospitals in Kiambu County, Kenya.

Control environment has a positive significant relationship with revenue collection. The Level Five Hospitals should therefore ensure suitable control environment for security of the operation activities. The management specifically senior risk manager and senior operations manager of the Level Five Hospitals should therefore put in place effective and efficient security network to reduce frequent theft, threat to the hospital operations and property. There is need therefore for the Level Five Hospitals to ensure suitable environment where internal controls are supported for improved revenue collection of level five hospitals.

Monitoring has a positive significant relationship with revenue collection. The level five hospitals' monitoring strategies should be geared towards effective operations and achievement of the hospital's goals. There is need therefore for the level five hospitals' management specifically the risk manager to ensure that there are policies in place guiding the hospitals' dealing with threats to the hospitals' operations.

The management ought to likewise guarantee that their associations have solid inner control condition where inside control exercises in the form of procedures and strategies are sufficient. The control activities and environment ought to all the time be assessed by internal auditors to offer the board with the confirmation on the sufficiency and adequacy of internal controls set up by management. Risk evaluation has a positive noteworthy association with collection of revenue. It is along these lines critical for level five hospitals to execute legitimate hazard appraisal to direct their tasks.

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