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

Daniel Kiplangat Sigilai
Jomo Kenyatta University of Agriculture and Technology, Kenya
sigilaidaniel78@gmail.com

Alex Njiru
Jomo Kenyatta University of Agriculture and Technology, Kenya
alexnjiru6@gmail.com

Abstract

The purpose of a service industry is to satisfactorily meet customers demand. This Study sought 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. The study employed agency theory as the basis for the research. Questionnaires were used to collect data. The target population of the study was 40 respondents working in the hospital. A census was employed in data collection. The data collected was analyzed using correlation analysis to establish the relationship between control environment and revenue collection. Descriptive statistics were used to describe respondents' perceptions on the study variables. Data was presented in tables and relevant discussions were used to explain pertinent findings. The study established that control environment have no significant influence on revenue collection in Nakuru Level five hospital in Kenya. The study recommended that the Hospital management/ministry should be able to set revenue collection targets that are realistic and achievable. In addition the study recommends that the management should ensure that they put in place proper accounting and management systems that will enhance revenue collection in the hospital.

Keywords: Internal Control, Control, Revenue Collection, Level Five Hospital, Revenue Targets

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INTRODUCTION

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) and Lee (1988). 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

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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

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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

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different ethical issues and find out what rules may be there for conducting research at an early stage in a study.

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) and Rittenberg et al. (2005), under the current operations of organizations in general, the importance of internal control can be divided into six major categories; detecting error and fraudulence, decreasing illegal conduct, improving the competence of the business entity, improving the quality of data, helping to create the business infrastructure, and decreasing auditors' fee.

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

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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.

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 et.al, 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

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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

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

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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

Objectives of the Study

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. The specific objective of the study was to evaluate the effect of control environment on revenue collection in Nakuru Level Five Hospital in Kenya.

Research Questions

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

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

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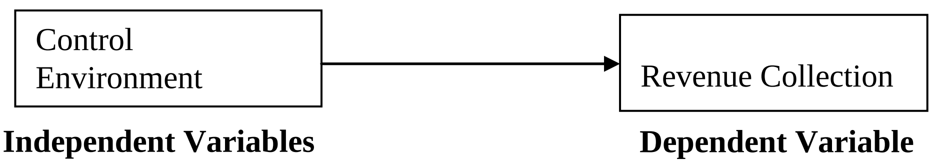
together the ideas comprising a broad concept. The conceptual framework comprises of dependent and independent variable. The effectiveness or improved revenue collections is the dependent variable. It is achieved by the presence and proper functioning of all the predefined independent variables in relation 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.

Figure 1: Conceptual framework



LITERATURE REVIEW

Theoretical Review

This study was guided by agency theory which formed the basis of the study

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

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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.

Empirical Review

While focusing on control environment (Abbott ,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 likely hood 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.

Control Environment

In internal control, the control environment sets the tone of the organization by influencing the control consciousness of its people (Whittington and 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. This is because the more abs orate an organization's control systems, the greater the cash (IRM et al 2002). 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.

Revenue Collections

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

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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 detergent 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.

RESEARCH METHODOLOGY

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) support choice of case study method in opposition to others, like survey study.

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Target Population

The target population of the study was 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 target population 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 census. The table below shows the distribution of the population. The study dealt with Managers of departments, head of sections and other permanent and temporary staffs from different departments.

Table 1 : Distribution of the Population

Category	Frequency
Managers from department	5
Head of sections	10
Staff from department	25
TOTAL	40

Research Instrument

The data collection instrument employed in this study was a questionnaire. 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 control environment and revenue collection on study.

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 particularly the Statistical Package for Social Scientist (SPSS) for easy analysis and interpretation of results. Narrative analysis was used to explain the quantitative results.

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ANALYSIS AND FINDINGS

The researcher distributed 40 questionnaires and received a total of 37 questionnaires back for analysis. This represents approximately 92% response rate. This high rate of response would be able to give good results 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.

Control Environment

The study sought to establish the perceptions of the respondents regarding control environment for revenue collection. As such, the frequencies of respondents in all responses categories were established together with means and standard deviations. The findings from the analysis were as presented in table 2.

Table 2: Control Environment

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

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 documented. 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.

Revenue Collection

Regarding revenue collection the means and standard deviations of the responses were as presented in table 3

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Table 3: Revenue Collection

	N	Min	Max	Mean	Std. Dev
Collection targets set by The Ministry of Finance is realistic and achievable	37	1	5	3.4595	0.93079
There is effectiveness of control	37	1	5	2.3784	1.13899
The targets set are always met by the hospital	37	1	5	2.8108	0.73929
People override the system affecting Revenue collection	37	1	5	3.9459	1.05267

It was established that respondents were undecided on whether the collection targets set by the ministry of finance are realistic and achievable. The assertion returned a mean response of 3.46 (Neutral). They were also uncertain on whether the targets set are always met by the hospital. On the other hand respondents disagreed that there is effectiveness of control in Nakuru Level 5 hospital. However respondents agreed that people override the system thus affecting revenue collection in the hospital. The researcher observed varying trends in responses with respondents showing slightly strong cohesion in some of the statement having standard deviations less than 1 while others showing disperse responses with standard deviations greater than 1.

Table 4: Effect of Control Environment on Revenue Collection

Correlations			
		Revenue Collection	Control environment
Revenue Collection	Pearson Correlation	1	.094
	Sig. (2-tailed)		.579
	N	37	37
Control environment	Pearson Correlation	.094	1
	Sig. (2-tailed)	.579	
	N	37	37

The findings established a very weak positive insignificant relationship between control environment and revenue collection. Therefore, the researcher observed that revenue collection in level 5 hospital in Nakuru is not dependent on control environment. Therefore the study concluded that control environment have no significant effect on revenue collection in Level 5 hospital in Nakuru.

SUMMARY OF THE STUDY

Descriptive statistics indicated that on average respondents strongly agreed that there was good accounting and management system. A majority of the respondents agreed that the board of directors is committed to the internal control system. In addition, many of the respondents strongly agreed that there is a well elaborate organization structure. The respondents also

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strongly agreed that policies and procedures are documented. Most of the statements registered means approximately equal to 4 meaning that they generally agreed on the statements.

In regard to revenue collection, respondents were undecided on whether the collection targets set by the ministry of finance are realistic and achievable. They were also uncertain on whether the targets set are always met by the hospital. On the other hand respondents disagreed that there is effectiveness of control in Nakuru Level 5 hospital. However respondents agreed that people override the system thus affecting revenue collection in the hospital. Inferential analysis indicated the presence of a very weak insignificant relationship between revenue collection and control environment. As such, it was observed that control environment have no significant effect on revenue collection in level 5 hospital in Nakuru.

CONCLUSION OF THE STUDY

From the findings, the study concluded that revenue collection in Nakuru level 5 hospital is not determined by the control environment. Therefore other factors not addressed in this study play a role as far as revenue collection is concerned. In addition, the study concluded that it is important to have good accounting and management systems in the hospital in order to enhance revenue collection. Consequently, the study recommended that the Hospital management/ministry should be able to set revenue collection targets that are realistic and achievable. In addition the study recommends that the management should ensure that they put in place proper accounting and management systems that will enhance revenue collection in the hospital. The researcher suggested that future researchers should conduct studies to investigate other factors that influence revenue collection in level five hospitals in Kenya. In addition, future researchers should replicate this study in other places to authenticate the findings of this study.

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