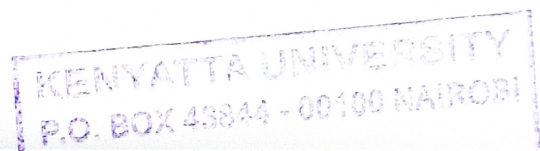


**EFFECT OF INTERNAL CONTROL SYSTEM ON THE OPERATIONAL  
PERFORMANCE OF ORGANIZATION: A CASE STUDY OF KENYA REVENUE  
AUTHORITY (KRA) HEADQUARTER, KENYA**

**LORNA CHEPKORIR CHEPKONGA**  
**C153/MSA/PT/38283/2017**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF LAW, ARTS AND  
SOCIAL SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE  
AWARD OF THE DEGREE OF MASTERS OF PUBLIC POLICY AND  
ADMINISTRATION, KENYATTA UNIVERSITY.**

**JUNE, 2023**



## DECLARATION

This research project is my original work and has not been submitted to any university for consideration for a degree.

Signature: 

Date: 19.10.2023

**Lorna Chepkorir Chepkonga**

**C153/MSA/PT/38283/2017**

This project has been submitted for review with my approval as the university supervisor.

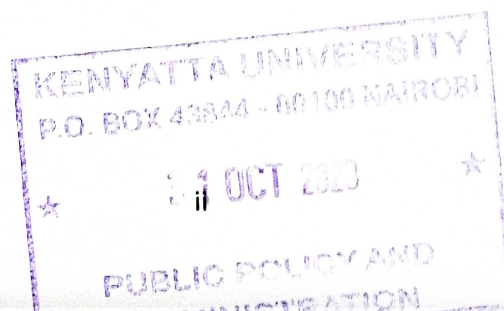
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Date: 30/10/2023

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## ABSTRACT

The issue of financial crisis has persisted despite the fact that internal control systems have been in place for many years in the majority of organizations. However, the current research aims to determine the effect of the internal control system on operational performance of Kenya Revenue Authority. The survey objectives were; to explore the effect of control environment, risk assessment, control activities and automation on the performance of Kenya Revenue Authority. The survey was anchored by New Public Management theory and Contingency Theory. A descriptive research design was utilized. The research targets 640 employees working at finance, administration and internal audit departments. The study sampled 128 respondents. Questionnaires were utilized to gather primary data. Both quantitative and qualitative data were collected. Secondary data were gathered from annual financial reports. Quantitative data were analyzed descriptively and inferentially. Qualitative data were analyzed through themes and presented in verbatim forms. Only frequency, percentage, means, and standard deviations were utilized in descriptive statistics. Regression modeling and product moment correlation were used for inferential statistics. Graphs and tables were used to display the findings. The findings show that coefficient of correlation was 0.865, an indication that the study variables significantly influenced operational performance of KRA. Coefficient of adjusted determination was 0.724 which translates to 72.4%. This indicates that variations in dependents variable was explained by the independent variables (risk assessment, control environments, control activities and automation). Also, the findings from regression coefficients revealed that risk assessment, control environments, control activities and automation significantly affect the operational performance of KRA since the P-value is less than 0.05. The study concludes that internal control systems have statistically significant relationship with operational performance of Kenya Revenue Authority. The study concludes that KRA should establish strong internal control policies that will help the firm achieve its goal of optimizing revenue collection. The study recommends that management needs to be dedicated to the system's operations, set policies and processes for authorizations at a high enough level, and make sure that clear lines of authority and responsibility have been established to guarantee policy and procedure compliance. Additionally, managers need to make sure that roles in the department responsible for collecting revenue are clearly defined, train personnel on how to use the accounting and financial management system, and finally make sure that management promptly explains any differences between actual and budgeted income.