

Effect of Internal Control on the Financial Performance of a Rwanda Public Organization

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ABSTRACT

The study was conducted to examine the internal control systems and financial performance of Rwanda Revenue Authority which has a total population of 90 employees in all departments at head quarter from which the sample size of 90 respondents were randomly selected by using universal sampling method. The study used both qualitative and quantitative since the major findings from the field was descriptively presented through the use of tables and graphs for easy understanding and interpretation. The study had three objectives which includes, to examine the effect of Control Environment on the financial performance of RRA Institution, to examine the role of control activities on the financial performance of RRA Institution, to examine the effect of internal audit on financial performance of RRA Institution. The study used both primary and secondary data in collecting data. The study used cross sectional survey design in which the survey questionnaire was used to collect the required data. The results showed that $\beta=0.652$ with the p values of 0.00 and t value of 4.906 which is greater than 1.96. Since the p value is less than 0.05, the researcher confirmed the positive hypothesis and saying that Control Environment affect financial performance. On the other side, the results showed that $\beta=0.513$ with the p values of 0.00 and t value of 4.699 greater than 1.96. Since the p value is less than 0.05, the researcher observed the positive hypothesis and conclude that Control Activities affect financial performance. Lastly, as per the table no.14, $\beta=0.852$ with the p values of 0.001 and t value of 3.493 greater than 1.96. Since the p value is less than 0.05, the researcher observed the positive hypothesis and conclude that Internal Audit affect financial performance. The researcher recommends the following due to the results from respondents: There is still a need in preventing corruption existing in paying taxes whereas some businesses do not pay the exact amount of taxes they should pay due to corruption. Most of the times, these types of businesses can be classified into two categories. The first category includes business owners who do not expose all commercial activities they are running. There is a need in sensitizing Rwandans about the use of taxes. They are used for different purposes including building infrastructure, education, and healthcare, just to name a few. Lastly, the government of Rwanda should introduce a system that prevent people from tax evasion. One more highlight that I can give here is like how the introduction of speed governors limited the number of accidents. There is a need in introducing a new system that can bring changes and discourage tax evaders.

KEYWORDS: financial performance, internal control, control environment, control activities, internal audit

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I. INTRODUCTION

In recent years many organizations have attempted to manage organizational performance using balance score card methodology where performance is tracked and measured in multiple dimensions as financial performance, customer service, employee stewardship and social responsibly for example corporate citizenship and community out research

According to Richard et al (2009) organizational performance encompasses three specific areas of firm outcome, Financer performance (profit, return on assets and return on investment) Product market performance (sales, market share) shareholders return (total shareholders return, economic value added)

Organizational performance is quite simply the way in which the people who comprise the organization work together, are they working to maximum capacity and are they highly motivated, if they are, it makes dairy business life much easier and for more effective, the organization should be well structured in order to improve on their performance.

Internal accounting controls govern your financial system. "Management is responsible for developing and maintaining effective internal control," reports the United State. Whitehouse Office of Management and Budget, Internal controls provide quality assurance and keep an eye on weaknesses in your operation. This allows you to stop problems before they start and keep your business operations running smoothly. The analysis, implementation and design go side by side with a system of control. Accounting controls provide feedback for the system, making sure that everything is working correctly. Without methods of monitoring your procedures, you cannot determine the system's effectiveness.

II. STATEMENT OF THE PROBLEM

There is a general perception that the institution enforcement and proper internal control systems will always lead to improved financial performance. It is also a general belief that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity (Miller, 2013). In Rwanda, the performance of organizations is increasingly asking their role in the creation of employment and income generation among the youth who view it as the only source of employment (Kasekende and opondo, 2003). However, about 90% of Rwanda's public organizations doesn't get clean opinion from Office of Auditor General. This is probably because Audit is to some extent perceived poorly in the organization which limits performance improvement, creates tension and thus gives negative return to the

organization. Weak or ineffective internal control systems cause losses in many organizations and has contributed to the failure of others around the world. Some of these losses can be prevented or discovered through effective internal control systems mechanism before they actually occur.

In Rwanda, according to Auditor general report for the financial years (2014,2015,2016,2017) has identified the following main challenges in public institutions: Unreliable financial statements, failures in internal controls, and weak financial problem leads to failure to achieve the organization goals. Auditor General Report of June 2015 to April 2016 confirm that the number of reports of audit opinion on financial statement increased from 36% to 50%. The critical situation is that public institutions in Rwanda are still challenged by improper management of public funds, lack fair financial reporting and yet they have the services of the internal audit. The office of Auditor-General reports to the parliament public finance commission every year that some public institutions do not comply with rules and regulations for public finance management (Biraro, 2016).

Therefore, many public organizations in Rwanda risk collapsing/underperforming if the internal control system is not strengthened. The researcher therefore finds it important to study the internal control systems and the financial performance of Rwanda Revenue Authority.

The research aimed at analyzing and evaluating the internal control and the financial performance of Rwanda Revenue Authority. The research hypothesis is as follows:

- H₀₁:** There is no positive significance effect of Control Environment on the financial performance of Rwanda Revenue Authority Institutions.
- H₀₂:** There is no positive significance effect of control activities on the financial performance of Rwanda Revenue Authority Institution.
- H₀₃:** There is no positive significance effect of internal audit on financial performance of Rwanda Revenue Authority institution.

III. RELATED STUDIES

3.1. Financial performance

Stoner (2003) in his statement, he defined financial performance as the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg& Anderson (1995) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved

by an individual, team, organization or process (EFQM, 1999).

Hitt, et al (1996) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris (Roll, 1986) or overvaluation of managerial capability in the acquisition process.

According to Dixon et al (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Kotey & Meredith (1997) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent (1994) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed.

Financial consultants Stern Stewart & Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments. This ranking is based on eight more traditional aspects of financial performance including: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity. Verschoor however, mentions other financial measures to include value of long-term investment, financial soundness, and use of corporate assets. He also talks of non-financial performances measures to include; innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility.

Hitt, et al., (1996) mention accounting-based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure was calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

Hitt, et al (1996) mention current ratio (current assets/current liabilities) as a standard measure of liquidity in organizations. Baysinger, (1989) also emphasized the importance of current ratio as a measure of an organization's liquidity. Other

measures of Liquidity according to ACCA and Panday (1996) are; Acid test ratio (i.e. Current Assets less Inventory/Current Liabilities).

According to Hayes, et al., 2005, Managers need regular financial reports so as to make informed decisions. Reporting (particularly financial reports) is one way through which managers make accountability for the resources entrusted to them. Emasu (2010) asserts that Accountability can be political, social or financial accountability.

Whittington & Pany (2001), talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They further note that "Internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executives to maintain control over the variety of activities and functions that are performed in a large organization" They mention internal control devices to include; use of budgetary techniques, production standards, inspection laboratories, employee training and time & motion studies among others.

According Bakibinga 2001, corporate law requires a divorce between ownership and management of an entity. Owners normally entrust their resources in the hands of managers. Managers are required to use the resources entrusted to them in the furtherance of the entity's objectives. Managers normally report to the owners on the results of their stewardship for the resources entrusted to them through a medium called financial statements. It is these financial statements that reveal the financial performance of an entity.

John J. Morris (2011) believes that Enterprise Resource Planning systems provide a mechanism to deliver fast, accurate financial reporting with built-in controls that are designed to ensure the accuracy and reliability of the financial information being reported to shareholders.

Internal controls are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. Internal controls system includes a set of rules, policies, and procedures an organization implements to provide direction, increase efficiency and strengthen adherence to policies. The internal control system differs from one business organization to another depending on the nature and size of the business. The internal control system is introduced to avoid errors and frauds and for systematic control of business activities, (Whittington and Pany, 2001).

3.2. Internal control system and financial performance

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. This definition reflects certain fundamental concepts. Internal control is geared to the achievement of objectives in one or more categories—operations, reporting, and compliance (Foster, 2019).

Internal control is defined as referring to both Administration control and accounting control. Administration control organization showing who reports to who and all the methods, planning and control operations. According to the auditing committee guidelines, internal control can be defined as the whole system of control, financial or otherwise established by the management in order to carry out on the business of the an organizational orderly an efficiency manner, ensure adherence to management 's policies and secures as far as possible the completeness and accuracy of the records (Adeniyi, 2010). The internal control has a great role to help the organization achieve specific goals or objectives. COSO Framework's role is to drive internal controls and to allow the realization of these goals using improved organizational performance and governance. The primary party of strengthening internal control involves changing attitude some employees have towards spending of government money.

Internal auditor 's presence is critical in order to assess whether the control is properly designed, implemented, working effectively and make recommendation to managers on how they improve internal control and that every public money be properly accounted. Proper internal controls should be designed to make it as difficult as possible to commit errors and fraud. Internal control is a term normally used to define how organization ensures that an entity meets its financial and other objectives. Internal control not only contributes to managerial effectiveness but also important duties of corporate boards of directors (Verschoor, 2007). The board of directors can be equated to councilors in this study

who have an oversight role of policy making and control of resources to improve financial performance.

Every institution should have an internal control firmly in place. Proper internal control should be designed to make it difficult as possible to commit errors and frauds. Policies and procedures establishing guidelines for the financial and liability recording, valuing, processing, posting and reporting of financial data and safeguarding of an organization's assets is vital in preventing cases of embezzlement. Many of the frauds discovered in business are uncovered through internal controls, strong system plays an important role in government organization. Abdullahi&Muturi, (2016) argue that there are two types of major internal controls associated with management of large firms, particularly diversified firms, which have an important effect on firm innovations these are, strategic controls and financial controls. Strategic controls entail the use of long-term and strategically relevant criteria for the evaluation of business.

Management is responsible for the determination of the extent to which internal control are able to be applied within the organization. Adequate internal control should be designed to make it as difficult as possible to commit fraud and to minimize innocent mistakes. Management is responsible for the determination of the extent to which internal control are able to be applied within the organization. Internal control is the integration of the activities, plans attitudes, policies and efforts of the people of an institution working together to provide reasonable assurance that the organization will achieve its objectives and mission. (Dinapoli, 2016).

IV. CONCEPTUAL FRAMEWORK

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. When clearly articulated, a conceptual framework has potential usefulness as a tool to assist the research to make meaning of subsequent findings (Yount, 2006). It forms part of the agenda for negotiation to be scrutinized and tested, reviewed and reformed as a result of research.

Control Environment:

- Financial management system
- Monitors implementation
- Management provides feedback
- Appropriate measures are taken
- Great degree of integrity

Control Activities:

- Internal audit department is sufficiently staffed
- Conduct regular audit activities
- internal audit reports frequently
- Makes appropriate recommendations



1. Liquidity
2. Accountability
3. Reporting

Internal Audit:

- Appropriate supervision
- Corrective action is taken
- Staff are trained
- Our security system identifies and safeguard Institutional Assets

Researcher, 2021

V. RESEARCH METHODOLOGY

The category of data that was used in this research are basically primary and secondary data. Data will be collected as first hand in order to meet the requirement of statistical investigation, Coral (1989). To conduct a successful study, this research employed a hybrid methodology. It employed both Qualitative and Quantitative strategies. The population of the study was Administration, Finance, Operations, Human resource & Quality Assurance Departments in Rwanda revenue authority the total number of targeted populations will be 90, these constitute, 5 staffs from Administration, 17 staffs from Finance, 58 staffs from Operations, 5 staffs from Human Resources department, 5 staff from Quality Assurance department. And it was from these study populations that the research will select the sample size.

The researcher used universal sampling technique because the population size which includes the staffs in finance, human resource management, corporate relations and internal audit departments is less enough to be covered altogether as regards to Richard & Margaret (1990).

The sources of data for this research were both primary and secondary data sources. Primary data was gotten from respondents through interviewing and use of self-administered questionnaires. Secondary data was obtained from published reports, journals, newspapers, magazines, textbooks and other available documents.

The researcher used in-depth interviews which involved use of questionnaires. In addition, reading and recording the available literature was employed in this study to complement on the data obtained from interviewing.

The process of this research began with the writing of the proposal which led to designing and pretesting tools. Upon this, permission seen from relevant departments before the data collection process can begin. In the process of data collection, some data processing and analysis was done for mainly qualitative data. This process of data processing and analysis continued after data collection and finally a research report that Presents the research findings was written.

Data was analyzed using Statistical Package for Social Science (SPSS), The levels of analysis was yielded frequency tables and descriptive statistics to indicate the background characteristics of respondents and analyses which is test of Statistical significance of the association between the dependent variable (performance of RRA) and the independent variables (Internal control system) interpreted using suitable tests.

Normality test was used to determine whether sample data has been drawn from a normally distributed population (within some tolerance). The Kolmogorov–Smirnov statistic quantifies a distance between the

empirical distribution function of the sample and the cumulative distribution function of the reference distribution, or between the empirical distribution functions of two samples. The Shapiro-Wilk value listed in the output is the p-value. If the chosen alpha level is 0.05 and the p-value is less than 0.05, then the null hypothesis that the data are normally distributed is rejected. If the p-value is greater than 0.05, then the null hypothesis is not rejected.

Descriptive statistics or frequencies was used to summarize the data. The researcher evaluated the mean by using these equivalences which are found in the table illustrated below.

Table 5: Interval of Means

Range	Interpretation of the mean
[1-1.8]	Very weak
[1.8-2.6]	Weak
[2.6-3.4]	Neutral
[3.4-4.2]	Strong
[4.3-5]	Very strong

Source: Researcher; October 2020. Constructed basing on regression models' interpretations.

5.1. Quantitative Models

Pearson correlation coefficient is a statistical measure of the strength of a monotonic relationship between paired data. In a sample it is denoted by and is by r_s design constrained as follows: $-1 \leq r_s \leq 1$

Table 5.2: Interpretation of correlation coefficient

Scales	Interpretation of Scales
[-1.00 - 0.00]	Negative correlation
[0.00 - 0.25]	Positive and very low correlation
[0.25 - 0.50]	Positive and low correlation
[0.50 - 0.75]	Positive and high correlation
[0.75 - 1.00]	Positive and very high correlation

Source: Researcher; October 2020. Constructed basing on regression models' interpretations.

The P values only mean the possibility of accepting the null hypotheses, and don't mean the possibility of accepting the 'study hypotheses. Even $P < 0.05$ not supported the researcher's arguments. Smaller P values was not implied the presence of more important effect, and larger P values was not implied a lack of importance. $P > 0.05$ only means "no evidence of difference". It doesn't mean "evidence of no difference". No evidence of "difference" does not mean "no difference" between the groups.

Based on research objectives and Research hypothesis, the following are multiple regression models that are to be developed in confirming or rejecting null research hypothesis and finding the effects and relationship between internal control system and financial performance.

The regression model of this research was used in the form below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (i)$$

Where:

X = Internal Control System

Y = Financial Performance

X_1 = Control Environment

X_2 = control activities

X_3 = internal audit

$$Y = \alpha + \beta_1(\text{Control Environment}) + \beta_2(\text{Control Activities}) + \beta_3(\text{Internal Audit}) \quad (ii)$$

$\beta_1 - \beta_3$ = Scope or coefficient of estimates.

ε = Error term

$$X = f(x_1, x_2, x_3, x_4)$$

$$Y = f(y_1, y_2, y_3)$$

Then $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \epsilon(0)$ (multiple regression equation).

Where, β_0 is the interception representing the value of Y variables when other variables are zero or non-existent, β_1 coefficient of X_1 when other variables are constant and zero, and β_2 coefficient of X_2 when other variables are constant and zero, up to the infinity. With Y Financial Performance and X Internal Control.

5.2. TYPES OF DATA USED

The researcher used the following instruments to collect data.

A Questionnaire was constructed and designed by the researcher for the respondents. The questionnaire contained both open and closed-ended type questions. The closed-type of Questions was used because they are easy to be filled by the respondents in a short time.

The close-ended type questionnaires was used to ensure the respondents' Initiative to answer using his/her own words, to give a deeper meaning, through explanations in which they tend to be more original in giving opinions.

This involved editing to check for; accuracy, completeness and uniformity. Coding, Data entry and data sorting and summarizing was used for qualitative data processing. The data was collected, recorded and safely kept to ensure no loss of data and effective retrieval.

The reliability was used to ensure by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbach, (1946). Cronbach recommends analysis for Alpha values for each variable under study. According to Sekaran 2001 Alpha values for each variable under study should not be less than 0.6 for the statements in the Instruments to be deemed reliable. Consequently, all the statements under each variable was subject to this test and was proven to be above 0.6.

The validity of the data collection instruments was done with the help of an Expert (the Researcher's Supervisor) to edit the questionnaire and the Interview guide. The Researcher forwarded the structured Questionnaire to Supervisor who is an expert in the area covered by the research for editing and reviewing.

Table 5.2: Reliability table

Constructs	Alpha Values
Control Environment	0.88
Internal Audit	0.83
Control Activities	0.87
Liquidity	0.70
Accountability	0.72

Source: researcher illustration, 2021

The researcher first explained the purposes of the research before requesting the respondents to be interviewed to ensure informed consent and also assure them that the data should be treated with utmost confidentiality. The place for interviews was selected in a way that ensures privacy of the respondents. The researcher also obtained permission and authorization from the relevant authorities before carrying out the study.

VI. RESULTS AND DISCUSSION

6.1. Rate of response

The rate of respondents included the number of distributed questionnaires, gender of respondents, education background owned by respondents, and their working experience. The sample used in this study was 90.

6.1.1. Response rate of respondents

Table 6.1: Rate of respondents

Participants	Frequencies	Percent
Returned questionnaires	81	90%
Questionnaires not returned	9	10%
Total of Distributed questionnaires	90	100%

Source: (Field data, 2021)

This table projected the participants and the total number of questionnaires distributed to them. The total number of questionnaires distributed was 90 and 9 of them were not returned by respondents. This means that the total respondents used in this study was 90 representing 100% of the respondents used to collect information.

6.1.2. Gender of the respondent**Table 6.2: Gender rate of respondents**

S/N	Gender of respondents	Frequencies	Percentage
1	Male	46	56.8%
2	Female	35	43.2%
Total		81	100%

Source: (Field data, 2021)

As per table no.2 above, males represented 46 frequency or 56.8% while females shown 35 frequencies indicating 43.2% of females. This shows that both genders were used in the study as both males and females work in Rwanda Revenue Authority and are able to provide some information regarding the functionality of this institution.

6.1.3. Respondents rate by Education background**Table 6.3: Education background rate of respondents**

Gender of respondents	Frequencies	Percentage
Certificate/Diploma	0	0.0%
Bachelor	71	87.7%
Masters	10	12.3%
Phd	0	0.0%
Total	81	100

Source: (Field data, 2021)

The table above reveals the education background that the respondents have. I didn't find any respondent with Diploma or certificate. Instead, the majority of respondents owned Bachelor's degree as they occupied around 71 frequency or 87.7% of the total respondent. Another category that the respondents revealed were those ones with masters who occupied 10 frequency or 12.3% which means that they occupied the lowest space compared to those who have Bachelors. In fact, owning bachelors is enough for someone to be able to explain how RRA functions as many employees of RRA have at least Bachelors.

6.1.4. Age of respondents**Table 6.4: Age category of respondents**

S/N	Age of respondents	Frequencies	Percentage
1	18-30 years old	10	12.3%
2	31-40 years old	46	56.8%
3	41-50 years old	15	18.6%
4	Above 51 years old	10	12.3%
Total		81	100%

Source: (Field data, 2021)

The table above reveals the ages of respondents. Basically, the respondents are grouped into four categories starting with those who are between 18 to 30 years old with 10 participants equivalent to 12.3%. The majority of respondents were classified under 31 to 40 years with 46 frequencies with 56.8% represent more than a half of respondent who are aged in this range. Other categories included those with 41 to 50 years old having 15 frequencies with 18.6 percent and above 51 with only 10 frequencies equivalent to 12.3%.

6.2. Tests of Normality

Normality test was used to determine whether sample data has been drawn from a normally distributed population (within some tolerance). The Kolmogorov-Smirnov statistic quantifies a distance between the empirical distribution function of the sample and the cumulative distribution function of the reference distribution, or between the empirical distribution functions of two samples. The Shapiro-Wilk value listed in the output is the p-value. If the chosen alpha level is 0.05 and the p-value is less than 0.05, then the null hypothesis that the data are normally distributed is rejected. If the p-value is greater than 0.05, then the null hypothesis is not rejected.

Table 6.5: Normality test of financial performance in RRA

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Our institution has enough cash to meet its obligations effectively (As and when they fall due)	.538	81	.000	.142	81	.000
The fees charges by our institution is appropriate to cover the costs of running the courses	.536	81	.000	.182	81	.000
All RRA fees are dully corrected	.533	81	.000	.254	81	.000
Our Institution's Accounting system adequately identifies the receipts and expenditure of grant contracts	.535	81	.000	.138	81	.000
The RRA's asset base has greatly increased over time	.538	81	.000	.142	81	.000

Source: (Field data, 2021)

As per table no.5, the normality test of financial performance in Rwanda Revenue Authority is indicated. The Kolmogorov-Smirnov statistics are indicated to quantify the distance between the empirical distribution function and the cumulative distribution function for the factors “Our institution has enough cash to meet its obligations effectively (As and when they fall due); The fees charges by our institution is appropriate to cover the costs of running the courses; All RRA fees are dully corrected; Our Institution's Accounting system adequately identifies the receipts and expenditure of grant contracts; and the factor the RRA's asset base has greatly increased over time.” By interpreting the results, the researcher refers to the p value in the sig. column to determine if the data are normally distributed. The p value was 0.000 which is less than 0.05 and pushed the researcher to reject the null hypothesis saying that data are normally distributed.

6.3. Descriptive statistics

The main importance of using descriptive statistics is to measure the lack of symmetry in the data. With the help of mean, kurtosis, and skewness, it is possible to assess if the data are heavy tailed or simply light tailed or if having strong or weak range in the mean. To interpret the skewness, the general rule says that if the range exceeded +1 or -1, there is a substantially skewed distribution in the sample. For kurtosis, we'll say that the distribution was too peaked whereas the mean indicates if the range if somewhat weak neutral or even strong.

Table 6.6: Descriptive statistics of Control environment

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
The institution has an accounting and financial management system	81	4.9630	.19003	-4.996	.267	23.540	.529
Management closely monitors implementation of Internal control systems in your institution	81	4.9753	.15615	-6.242	.267	37.898	.529
Management provides feedback to the junior officers about the operation of the system	81	4.9383	.28921	-5.161	.267	28.547	.529
Appropriate measures are taken to correct misfeasance in operation of our Accounting & Finance Management System	81	4.9506	.26932	-5.991	.267	38.148	.529
Management acts with a great degree of integrity in execution of their roles and Ethical values are upheld in all management decisions.	81	4.9259	.34561	-4.919	.267	24.261	.529

Source: (Field data, 2021)

In The Rwanda Revenue Authority action plan of 2019/2020, it was found that there is strong commitment of RRA staff with the support from board of directors but the lack of tax gap analysis has hindered the ability of Rwanda Revenue Authority to prioritize its compliance and taxpayer assistance. Sometimes it is also leading to tax evasions and delays in recovering tax arrears (RRA, 2019). As per table no. 6, the descriptive statistics for Internal Control Systems was indicated. This table revealed the test for skewness and kurtosis for internal control systems. With the mean, the smallest value in the mean was 4.92 while the highest value was 4.97. This shows that the range in the mean is between 4.3 and 5 which is interpreted as a strong range between the factors. Testing for skewness, the range varied between -4.91 as the highest value while -6.24 was the lowest. This range shows negative values which are always less than +1 and it indicates a substantially skewed distribution. For kurtosis, the values ranged from 38.14 as the highest while 23.54 was the lowest. The range indicated that the values are always positive which means that the distribution is too peaked.

Table 6.7: Descriptive statistics of Control Activities

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
RRA has an internal audit department and is sufficiently staffed	81	4.9630	.19003	-4.996	.267	23.540	.529
Internal audit staff conduct regular audit activities in the institution and reports are produced regularly	81	4.9506	.26932	-5.991	.267	38.148	.529
Internal audit report address weaknesses in our internal control system	81	4.9630	.24721	-7.171	.267	53.554	.529
Management discusses internal audit reports frequently	81	4.9877	.11111	-9.000	.267	81.000	.529
Internal	81	4.9506	.26932	-5.991	.267	38.148	.529
Internal auditor performs his duties with a greater degree of autonomy and independence from management	81	4.9012	.43603	-5.166	.267	28.904	.529

Source: (Field data, 2021)

The table no. 7 shows the descriptive statistics for control activities. Skewness and kurtosis tests are indicated but first starting with the mean, the smallest value in the mean was 4.90 while the highest value was 4.98. This shows that the range in the mean was between 4.3 and 5 which is interpreted as a strong range between these factors of control activities. On the other side, the skewness ranged between -4.99 as the highest value while -7.17 was the lowest. This range shows negative values which are always less than +1 and it indicated a substantially skewed distribution for the data. Next, the test for kurtosis printed the values ranged from 81.00 as the highest while 23.54 was the lowest. The range indicated that the values are always positive and that the distribution was too peaked.

Table 6.8: Descriptive statistics of Internal Audit

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
There is appropriate supervision by senior staff on the work of their juniors	81	4.9753	.15615	-6.242	.267	37.898	.529
Corrective action is taken to address weaknesses	81	4.9506	.26932	-5.991	.267	38.148	.529
Staff are trained to implement the accounting and financial management system	81	4.9877	.11111	-9.000	.267	81.000	.529
It is impossible for one staff to have access to all valuable information without the consent of senior staff	81	4.9753	.15615	-6.242	.267	37.898	.529
Controls are in place to exclude incurring expenditure in excess allocated funds	81	4.7284	.79076	-2.893	.267	7.089	.529
Our security system identifies and safeguard Institutional Assets	81	4.9877	.11111	-9.000	.267	81.000	.529

Source: (Field data, 2021)

The overall mission of Rwanda Revenue Authority is to provide assurance on the effectiveness and efficiency of the operating of internal control systems as well as promoting the staff integrity. Internal audit is responsible for Implementing and assessing the overall goals of the RRA and aim ultimately to become a world-class organization working under quality world-class standards (RRA, 2021). Interpreting the table no. 8, the descriptive statistics including mean, skewness and kurtosis are presented for Internal Audit. The mean indicated that the smallest value in the mean was 4.72 while the highest value was 4.98. This shows that the range in the mean is between 4.3 and 5 which is interpreted as a strong range between the factors. Testing for skewness, the range varied between -2.89 as the highest value while -9.00 was the lowest. This range shows negative values which are always less than +1 and it indicates a substantially skewed distribution while kurtosis indicated the values ranging from 81.00 as the highest while 7.089 was the lowest. The range indicated that the values are always positive which means that the distribution is too peaked.

Table 6.9: Descriptive statistics of Performance of RRA

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Our institution has enough cash to meet its obligations effectively (As and when they fall due)	81	4.9753	.15615	-6.242	.267	37.898	.529
The fees charges by our institution is appropriate to cover the costs of running the courses	81	4.9506	.26932	-5.991	.267	38.148	.529
All RRA fees are dully corrected	81	4.9136	.36047	-4.447	.267	19.956	.529
Our Institution's Accounting system adequately identifies the receipts and expenditure of grant contracts	81	4.9630	.24721	-7.171	.267	53.554	.529
The RRA's asset base has greatly increased over time	81	4.9753	.15615	-6.242	.267	37.898	.529

Source: (Field data, 2021)

The table no. 9 shows the descriptive statistics for Performance of RRA. Skewness and kurtosis tests are indicated but first starting with the mean, the smallest value in the mean was 4.91 while the highest value was 4.98. This shows that the range in the mean was between 4.3 and 5 which is interpreted as a strong range between these factors of Performance of RRA. On the other side, the skewness ranged between -4.44 as the highest value while -7.17 was the lowest. This range shows negative values which are always less than +1 and it indicates a substantially skewed distribution. Moving forward, the test for kurtosis had the values ranging from 53.55 as the highest while 19.95 was the lowest. The range indicated that the values are always positive and that the distribution was too peaked.

6.4. Inferential statistics

6.4.1. Testing the relationship of internal control on financial performance

A correlation matrix is a table showing correlation coefficients between variables. Each cell in the table shows the correlation between two variables. A correlation matrix was used to summarize data, as an input into a more advanced analysis, and as a diagnostic for advanced analyses.

Table 6.10: Correlation matrix of internal control and financial performance

	Financial Performance	Control Environment	Control activities	Internal audit
Financial Performance	1			
Control Environment	.689**	1		
Control activities	.502**	.488**	1	
Internal audit	.770**	.506**	.687**	1
* Correlation is significant at 0.5 level (2-tailed)				
** Correlation is significant at 0.01 level (2-tailed)				

Source: (Field data, 2021)

As per Table No 10 we can see that the correlation coefficient between the variables 'Control Environment' and 'Financial Performance' is 0.689** and the P value for two tailed test of significance is less than 0.0005 (values less than 0.0005 are shown as 0.000 in SPSS output) from these figures this can be conclude that there is strong positive correlation between variables 'Control Environment' and 'Financial Performance' and this correlation is significant at the significance level of 0.01 (2-tailed). We can accept the hypothesis saying that there is significant strong relationship between 'Control Environment' and 'Financial Performance' in RRA. Therefore, the researcher rejects the null hypothesis saying that, Control Environment has no significant effect on the Financial Performance.

From Table No 10 we can see that the correlation coefficient between the variables 'Control activities' and 'financial performance' is 0.502** and the P value for two tailed test of significance is less than 0.05 (values less than 0.05 are shown as 0.000 in SPSS output) from these figures this can be conclude that there is positive correlation between variables 'Control activities' and 'financial performance' in RRA, and this correlation is significant at the significance level of 0.01 (2-tailed). Therefore, the researcher rejects the null hypothesis saying that Control Environment has no significant effect on the financial performance, and take the alternative hypothesis and consider the hypothesis saying that there is a significant effectiveness of Control Environment on financial performance at RRA.

Considering the Pearson's correlation applied in table No 10, it can be found that it exists strong correlation at 0.770** levels and positive correlation exists between two variables Internal audit and financial performance. From these figures this can be concluded that there is a positive strong correlation between variables and the P value for two tailed test of significance is less than 0.0005 (values less than 0.0005 are shown as 0.000 in SPSS output) from these figures this can be conclude that there is strong positive correlation between variables. And the researcher rejects the non-hypothesis saying that, Internal audit has no significant effect on the financial performance in Rwanda.

6.4.2. Regression analysis

The role of regression analysis is to enable the researcher making data driven conclusions. It was possible to test for objectives of this study. The interpretations and conclusions were based on the correlation which could be positive or negative but still interpreted as very low, low high and even very high in particular to conclude on the strength of relationship between the dependent and independent variables.

6.4.3. Predicting the Effect of Objectives: Effect of Internal Control on financial performance**Table 6.11: Predicting the Effect of Internal Control on financial performance**

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Control Environment	4.529	.923	.652	4.906	.000
2	Control activities	5.643	1.201	.513	4.699	.000
3	Internal audit	5.285	1.513	.852	3.493	.001

Source: (Field data, 2021)

The above table shows that beta=0.652 with the p values of 0.00 and t value of 4.906. Since the p value is less than 0.05, the researcher confirmed the positive hypothesis and saying that Control Environment affect financial performance.

The above table shows that beta=0.513 with the p values of 0.00 and t value of 4.699. Since the p value is less than 0.05, the researcher observed the positive hypothesis and conclude that Control Activities affect financial performance.

As per the table no.11, beta=0.852 with the p values of 0.001 and t value of 3.493. Since the p value is less than 0.05, the researcher observed the positive hypothesis and conclude that Internal Audit affect financial performance.

6.4.4. Model summary of Internal Control on financial performance**Table 6.12: Model Summary for Internal Control on financial performance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Control Environment	.272 ^a	.074	.012	.15521
a. Predictors: (Constant), Control Environment				
Control Activities	.760 ^a	.600	.075	.16188
a. Predictors: (Constant), Control Activities				
Internal Audit	.521 ^a	.270	.056	.16046
a. Predictors: (Constant), Internal Audit				

Source: (Field data, 2021)

The table no.12 reveals the model summary table for Control Environment on financial performance. The regression indicated in the second column of the table helped the researcher to conclude on the relationship between Control Environment and Financial performance assisted with the R square indicating total variation between variables. From the table, R value was 0.272 representing a positive correlation and a very low correlation between variables. Tackling on the R square, the value was 0.074 or 7.4% indicating the effect occurring to the variables. With this in mind, there is a relationship between control environment and financial performance as the relationship can be explained and is significant.

Control activities are established within each annual report by the Administration and Logistic department. According to RRA (2015), the action plan focuses on optimizing revenue collection from current levels to capacitate the government for meeting both economic and social obligations. As per table no.12, the model summary table for Control Activities on Financial performance is indicated. From the table, R value was 0.760 representing a high and positive correlation between variables. Tackling on the R square, the value was 0.600 or 60% indicating the effect occurring to the variables. With this in mind, there is a relationship between control Activities and financial performance as the relationship can be explained and is significant.

The table no.12 reveals the model summary table for Internal Audit on financial performance. The regression indicated in the second column of the table helped the researcher to conclude on the relationship between Internal Audit and Financial performance assisted with the R square indicating total variation between variables. From the table, R value was 0.521 representing a positive correlation between variables. On the other side, the R square value was 0.270 or 27% indicating the effect occurring to the variables. With this in mind, there is a relationship between Internal Audit and financial performance as the relationship can be explained and is significant.

6.4.5. ANOVA table of Internal Control on financial performance**Table 6.13: ANOVA table of Internal Control on financial performance**

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.144	5	.029	1.194	.020 ^b
	Residual	1.807	84	.024		
	Total	1.951	89			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), Control Environment						
1	Regression	.011	6	.002	.072	.008 ^b
	Residual	1.939	83	.026		
	Total	1.951	89			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), Control Activities						
1	Regression	.045	6	.008	.293	.039 ^b
	Residual	1.905	83	.026		
	Total	1.951	89			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), Internal Audit						

Source: (Field data, 2021)

As per table no.13, the ANOVA table demonstrated the test for Control Environment on financial performance. The regression model predicted that the dependent variables should be strongly significant and able to explain variables. The change happening in two variables should be explained by the independent variable to the dependent and vice-versa. In the sig. column, the p value was 0.020 which is less than 0.05. In fact, the researcher observed that the regression model was statistically significant and strong to predict the behaviors existing in the variables. In agreement with Kinyua et al (2015), internal control Environment is usually observed by the board of directors and personnel who are eligible for providing reasonable assurance about the achievements of an organization or entity. Like they added, positive financial performance in a firm can be achieved by eradicating waste in benefits processes systems. The environment under which the internal system work is determined by the quality in maintaining a rigid supervision and full attainment of the intended results.

Analyzing the table no.13, the ANOVA table demonstrated the test for Control Activities on financial performance. As it can be seen, the regression model predicted that the dependent variables remained strongly significant and able to explain the behavior and the changes happening in two variables. In fact, the dependent should be able to explain the independent variable and vice-versa. As the p value shows, it was 0.008 which is less than 0.05 meaning that $p < 0.05$. Moving forward, the researcher confirmed that the regression model was statistically significant and strong to predict the behaviors existing in the variables.

As per table no.13, the ANOVA table demonstrated the test for Internal Audit on financial performance. The regression model predicted that the dependent variables should be strongly significant and predict the changes occurring within these variables. The change happening in two variables should be explained by the independent variable to the dependent and vice-versa. In the sig. column, the p value was 0.039 which is less than 0.05. To conclude, the researcher recognized that the regression model was statistically significant and strong to predict the behaviors existing in the variables.

6.5. Discussion on Hypothesis

This study followed a scientific method which required also to tackle on hypothesis to verify the accuracy in drawing conclusions at the end of the day. The main purpose was to evaluate the degree of association or freedom level that exist between variables.

6.5.1. Test of Null Hypothesis Predicting the Effect of Objectives**Table 4.14: Testing hypothesis by coefficient of internal control**

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Control Environment	4.529	.923	.652	4.906	.000
2	Control activities	5.643	1.201	.513	4.699	.000
3	Internal audit	5.285	1.513	.852	3.493	.001

Source: (Field data, 2021)

This part of the fourth chapter presents the analysis of the hypothesis of this research. The hypotheses of this research were: H₁. There is statistical significance of Control Environment on the financial performance, H₂. There is statistical significance of Control activities on the financial performance and H₃. There is statistical significance performance of internal audit on the financial performance.

6.5.2. Control Environment has no significance influence on financial performance

Based on the result in table 4.14,

$$Y = \alpha + \beta_1 X_1 + e$$

$\beta = .652$ which means change on Control Environment causes increase of 0.652 (65.2%) of financial performance. The ratio of β test modal results into t value. $t = 4.906$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, Sig=.000, since p value (0.05) is less than 0.05 and this reject the first hypothesis of this research which says that Control Environment has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that Control Environment has a positive significance influence on financial performance.

 β : - Regression coefficientSig=.000, $t=4.906$ greater 1,96 $\beta \neq 0$: Reject Ho if $\beta_1 \geq \alpha$

Reject the first Null hypothesis

6.5.3. Control activities has no significance influence on financial performance

Based on the result in table 4.14,

$$Y = \alpha + \beta_2 X_2 + e$$

$\beta = .513$ which means change on Control activities causes increase of 0.513 (51.3%) of financial performance. The ratio of β test modal results into t value. $t = 4.699$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, Sig=.000, since p value (0.05) is less than 0.05 and this reject the second hypothesis of this research which says that Control activities has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that Control activities has a positive significance influence on financial performance.

 β : - Regression coefficientSig=.000, $t=4.699$ greater 1,96 $\beta \neq 0$: Reject Ho if $\beta_1 \geq \alpha$

Reject the second Null hypothesis

6.5.4. Internal audit has no significance influence on financial performance

Based on the result in table 4.14,

$$Y = \alpha + \beta_3 X_3 + e$$

$\beta = .852$ which means change on Internal audit causes increase of 0.852 (85.2%) of financial performance. The ratio of β test modal results into t value. $t = 3.493$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, Sig=.001, since p value (0.05) is less than 0.05 and this reject the third hypothesis of this research which says that Internal audit has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that internal audit has a positive significance influence on financial performance.

 β : - Regression coefficientSig=.001, $t=3.493$ greater 1,96 $\beta \neq 0$: Reject Ho if $\beta_1 \geq \alpha$

Reject the third Null hypothesis.

VII. SUMMARY AND CONCLUSION

It can be said that Control environment, control activities and internal audit affect financial performance. The general objective of this study aimed at analyzing and evaluating the effects of internal control systems on the performance of Rwanda Revenue Authority. The first specific objective of this study aimed assessing the effects of Control Environment on financial performance. Based on the result in table 4.14, $\beta = .652$ which means change on Control Environment causes increase of 0.652 (65.2%) of financial performance. The ratio of β test modal results into t value. $t = 4.906$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, $\text{Sig} = .000$, since p value (0.05) is less than 0.05 and this reject the first hypothesis of this research which says that Control Environment has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that Control Environment has a positive significance influence on financial performance. $\beta = .513$ which means change on Control activities causes increase of 0.513 (51.3%) of financial performance. The ratio of β test modal results into t value. $t = 4.699$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, $\text{Sig} = .000$, since p value (0.05) is less than 0.05 and this reject the second hypothesis of this research which says that Control activities has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that Control activities has a positive significance influence on financial performance. $\beta = .852$ which means change on Internal audit causes increase of 0.852 (85.2%) of financial performance. The ratio of β test modal results into t value. $t = 3.493$ greater than 1.96 hence the probability value has significance on financial performance since t value is greater than 1.96, $\text{Sig} = .001$, since p value (0.05) is less than 0.05 and this reject the third hypothesis of this research which says that Internal audit has no significance influence on financial performance. Thereafter, the researcher takes the alternative hypothesis saying that internal audit has a positive significance influence on financial performance.

Although around 80% of businesses in Rwanda are successfully registered and pay taxes as required, there still a gap to be identified indicating a certain number of businesses which rater evade or are not registered which help them to not pay taxes appropriately. The amount of taxes paid affect in return the country's economic development and this is why none should be allowed to evade from paying

taxes unless they are some other specific strategies which may include motivating startups to run smoothly.

There is a need in sensitizing Rwandans about the use of taxes. They are used for different purposes including building infrastructure, education, and healthcare, just to name a few. We cannot rely on foreign aid forever which means the Rwandan budget should be supported and contributed by all Rwandans. It simply means that we must carry on sensitizing people the role contributing to their economic development.

Lastly, the government of Rwanda should introduce a system that prevent people from tax evasion. One more highlight that I can give here is like how the introduction of speed governors limited the number of accidents. There is a need in introducing a new system that can bring changes and discourage tax evaders. One way which is possible can be like bringing automated machines which will be put into seller' stocks to record transactions so that there are accurate calculations made. I believe that this will be supportive and helpful in reduction corruption and tax evasions at the same time.

VIII. RECOMMENDATION AND SUGGESTION

I recommend that future studies will work on;

- The influence of tax evasion in delaying the economic development of the country
- The contribution of public and private sectors in encouraging startups to successfully launch their business and their contribution on country's development.
- Influence of tax evasion and corruption in decreasing the economic development pace established by the government of Rwanda.

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