THE EFFECT OF PERFORMANCE CONTRACTING ON INTERNAL REVENUE COLLECTION AT NAIROBI CITY COUNTY GOVERNMENT

BY

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DECLARATION

This research project is my original work and has not been submitted to any other University for examination

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This research project has been submitted for examination with my approval as university supervisor

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ACCRONYMS AND ABRREVIATIONS

COB	:	Controller of Budgets
CCN	:	City Council of Nairobi
FY	:	Financial Year
GOK	:	Government of Kenya
ICT	:	Information Communication Technology
NGO	:	Non Governmental Organization
NCC	:	Nairobi City County
PC	:	Performance Contract

ABSTRACT

This study sought to establish the effects of performance contracting on internal revenue collection at Nairobi City County. This research adopted descriptive research design through correlational study. The study targeted the staff of Nairobi City County that consisted of the top management, middle level management and the lower level management with a total population of 105. The study used 50% of the total population to obtain sample size of employees and stratified random sampling design was applied. The study collected both primary data and secondary data. Primary data was collected through the use of questionnaires administered to the respondents. Secondary data covered a period of five FYs before implementation from 2002/2003 to 2006/2007 and five years after implementation of performance contract from 2010/2011 to 2014/2015. The data was obtained from the performance contract records from the then City Council of Nairobi and Nairobi City County budgets. Data analysis was done using descriptive and inferential statistics. The study findings revealed that there was a sharp increase in internal revenue collection after implementation of performance contracting as compared to five years before implementation of the same. The results also revealed that investment in control systems significantly and negatively affected internal revenue collection after implementation of performance contracting. Risk assessment and revenue budgets positively affected internal revenue collection after implementation of performance contracting but were not statistically significant. This study concluded that performance contracting had significant impact on internal revenue collection at Nairobi City County. Its implementation has seen a sharp rise in internal revenue collection for the five years it has been in place as compared to five years before its implementation. Investment in control systems were found to be negatively correlated to internal revenue collection which could imply that perhaps the NCC invested in wrong control systems. NCC therefore, should review its investment in control systems to ensure that they impact internal revenue collection positively. Risk assessment and revenue budget targets although positively affecting internal revenue collection, they were not statistically significant. This study, therefore, concluded that risk assessment and revenue budget targets are not significant predictors of internal revenue collection. This study recommends that the Nairobi City County should retain and if possible emphasize on performance contracting in all its operations. Performance contracting has shown a positive impact on internal revenue collection. The study recommends that the Nairobi City County should review its control systems to ensure that they not only support performance contracting but also positively impact internal revenue collection. This will consolidate gains made after implementation of performance contracting. The study recommends that the Nairobi City County should work on its risk assessment function as well as how revenue budgets are set. In this way, risk assessment and revenue budget targets will be done in a manner to support performance contracting and significantly impact internal revenue collection. Further research should consider other external factors that affect internal revenue collection at Nairobi City County. Future scholars should consider control policies, procedures, rules and regulations as separate variables in studying their impact on internal revenue collection.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Performance contract is a freely negotiated performance agreement between the Government, acting as the owner of a Government Agency, and the management of the Agency. It clearly specifies the intentions, obligations and responsibilities of the two contracting parties (Domberger, 2010). A performance contract constitutes a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results. It is a useful tool for articulating clearer definitions of objectives and supporting innovative management, monitoring and control methods and at the same time imparting managerial and operational autonomy to public service managers. It is therefore a management tool for ensuring accountability for results by public officials, since it measures the extent to which they achieve targeted results (Greer, Youngblood & Gray, 2009).

Performance contracts originated from the perceptions that the performance of the public sector has been consistently falling below the expectations of the public. The decline is associated with excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement. However with the implementation of performance contracting in the last five years, there is need to establish how the implementation has impacted on service delivery. Implementation of the process of performance contracting began in 2004 in state corporations (Armstrong & Murlis, 2005). Performance contracting is supposed to enhance job satisfaction for the employees with the hope that their satisfaction would lead to improved job performance. The improved job performance should in turn lead to tangible and improved financial performance. The Economic recovery strategy for wealth and employment creation outlines the Government’s commitment to improve performance, corporate Governance and management in the public service through the introduction of performance contracts.

1.1.1 Revenue Collection

Revenue is an increase in assets or decrease in liabilities caused by the provision of services or products to customers. It is a quantification of the gross activity generated by a business. Under the accrual basis of accounting, revenue is usually recognized when goods are shipped or services delivered to the customer (Locke & Latham, 2012). Under the cash basis of accounting, revenue is usually recognized when cash is received from the customer following its receipt of goods or services. Thus, revenue recognition is delayed under the cash basis of accounting, when compared to the accrual basis of accounting.

National governments across the world assign more expenditure functions to local authorities or County government than can be financed from their own revenue sources. This is also the case in various African countries such as Kenya. The result of this mismatching of functions and finances usually referred to as vertical imbalances is that local governments are generally dependent on transfers from higher levels of government (Mullins, 2009). In addition, differences in local revenue bases and administrative capacities may create problems of equalization between the County governments. The presence of such imbalances means that one cannot design an appropriate system of County government taxation without simultaneously designing an appropriate system of intergovernmental transfers (Mullins, 2009). There are a number of methods to close the fiscal imbalances of sub national governments, some of which also reduce imbalances between jurisdictions. In practice, transfers may be in the form of surcharges or revenue sharing whereby a County government receives a share of the revenues from particular taxes collected by the central government within its jurisdiction.

1.1.2 Performance Contracting and Revenue Collection

The process of identifying revenue and performance targets is carried out after the budgets process has been completed and institutions informed about their resource allocation. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. Performance contacting establishes a platform from which change can be facilitated, but its initial impact and longer-term successful performance depend on: The strength and quality of the management of the local government authority; political commitment to support the reform; and transparency reflected in the provision of accessible and updated information to the general public on the tendering process and bids received, as well as data on the revenue potential and actual collection (Fjeldstad *et al* 2010).

In many Africa, public organizations are confronted with many challenges, which constrain their revenue collection capacities (Lienert, 2003). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets and sociologist that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and accountability has continued to bedevil the public sector in the delivering of public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

Major challenges facing internal revenue collection in County government authorities are the Counties' inability to review and enforce their fees and charges (Finance Bills), political interference by members of County Assembly especially in areas where they represent, inability by the concerned authorities to identify proper boundaries for the Counties, use of outdated By-Laws which in most cases cannot be enforced, and Counties not been able to win legal cases regarding revenue collection. Commonly, revenue assessment is conducted on an *ad hoc* basis, often based on the previous year's reported collection. Substantial underestimation of the revenue potential may imply that actual collection by the agent is substantially higher than what is reflected in the contract. Consequently, there is a risk of ending up in a situation where the agent keeps the substantial portion of the revenues collected.

1.1.3 Revenue Collection among County Governments in Kenya

There are 47 Counties (based on the 1992 Districts of Kenya) in Kenya, County Governments are geographical units envisioned by the 2010 constitution of Kenya as the units of devolved Government. Their powers are provided in Articles 191 and 192, and in the Fourth Schedule of the Constitution of Kenya and the County Governments Act of 2012. These governments are responsible for: County legislation, executive functions, functions transferred from the national government, functions agreed upon with other counties and establishment and staffing of a public service. Counties in Kenya were created as a result of devolution which is principally meant to take away and re-distribute/share out the power to plan, legislate, budgets and make policies for governing from the highly centralized national executive and legislature to fourty seven County executives and assemblies.

In the FY 2014/2015, the total revenue available to the Counties was Kshs. 317.48 billion which consisted of national shareable revenue of Kshs. 242.43 billion (76.4%), Kshs.33.85 billion (10.6%) as internal (local) revenue collected and a balance brought forward of Kshs. 41.25 billion (13%) which had remained unspent in the previous FY. The total annual internal revenue target for FY2014/2015 was Kshs.50.38 billion. In the FY 2014/2015, the percentage of internal revenue against annual internal revenue target was 67.2% compared to 48.5% for FY 2013/2014 (CoB, FY 2014/2015). However, most counties were not able to collect as they had budgeted and this was attributed to among other factors a weak internal control mechanism (Willis, 2000).

1.1.4 Nairobi City County

The Nairobi City County is charged with the responsibility of urban management and service delivery to the citizens with the objective of securing sustainable development and ensuring all have access to good conditions of life. Evolution and substance of the strategies to undertake this responsibility are based on the foundation of County's vision "to be recognized as one of the most attractive cities of the world" (Ryan, James and Saunders. 2004)

The Nairobi City County's management structure has been transformed over time in terms of increased technical competence and institutional set up to sufficiently undertake service delivery and effective urban management. The notable successes and visible results enjoyed by the residents are attributed to this institutional transformation and increased internal cooperation.· The challenges of a rapidly growing city with a population of over 3.5 million people are profoundly enormous and complex (Datta et. al. 2006). It requires a well inspired and intellectually endowed team to handle them. The County is making efforts to improve on its human resource capacity within the existing financial limitations and policy regime concerning employment and staff training.

However it has been possible to make some achievements in service delivery and management of the urban environment through staff motivation. As an organization that is not well endowed we ascribed to the principle belief that “there is no problem without a solution” for inspiration. This, in addition to our commitment to best practices, stakeholders’ involvement and productive organizational culture inspire our confidence to handle the challenges. The Nairobi City County faces numerous challenges like rapid urban growth and development, limited financial capacity and infrastructure development that lag behind urban growth, flood management, rehabilitation of health centres, schools, street lighting, garbage trucks, fire fighting equipments, road safety and environmental management, amongst others. Nonetheless, the County has embraced public private partnership approach to overcome some of these challenges.

1.2 Statement of the Problem

Performance contracting refers to a written agreement between government and a state agency which can be a County government, state corporation or central government ministry delivering services to the public, wherein quantifiable targets are explicitly specified for a period of one FY and performance measured against agreed targets. Performance Contracting is part of the broader Public Sector Reforms aimed at improving efficiency and effectiveness in the management of the public service. Performance contracting for service delivery involves risks, which if ignored increase the likelihood of contract failure. One of the ways governments can respond to these risks is to more effectively monitor vendors' performance -a costly activity. Effective monitoring may allow governments to capture the benefits of performance contracting while avoiding its pitfalls (Browin & Potoski, 2003).

The County government of Nairobi has put in place performance contracting to enhance the level of revenue collected from the various revenue streams. However, despite the importance of performance contracting within the County government, the constant shift in political interests and influence in the County administration have had a significant impact on the success of performance contracting. As political leaders attempt to meet changing political goals, the achievements of certain initiatives implemented by the County government have not been fully realized hence affecting the levels of revenue collected by the County government. On the other hand, resistance within public entities has been seen to affect the successful implementation of performance contracting initiatives particularly in City Council of Nairobi (Kiboi, 2006).

The total actual revenue collected by CCN before implementation of performance contracting in 2008 for the FYs 2002/2003, 2003/2004, 2004/2005, 2005/2006 and 2006/2007 was Kshs. 3,511 million, Kshs. 3,631.6 million, Kshs. 3,742.9 million, Kshs. 3,851.4 million and Kshs. 4,073 million respectively against the revenue budgets (PC targets) of Kshs. 3,650 million, Kshs. 3,700 million, Kshs. 3,850 million, Kshs. 4,000 million and Kshs. 4,800 million respectively. The increase in actual revenue collection was Kshs. 120.6 million in 2003/2004, Kshs. 111.3 million in 2004/2005, Kshs. 108.5 million in 2005/2006 and Kshs. 221.9 million in 2006/2007.

The total Internal Revenue Collection for CCN after implementation of performance contracting in the FYs 2010/2011, 2011/2012 and 2012/2013 was Kshs.6, 267.8 million, Kshs.6,946 million and Kshs. 7,101 million respectively. The CCN had budgeted for an internal revenue collection of Kshs.6,788.5 million in 2010/2011, Kshs.7,215.7 million in 2011/2012 and Kshs. 7,356.4 million in 2012/2013 FYs. After promulgation of the new constitution in 2010 and creation of County governments, NCC's internal revenue collection in FYs 2013/2014 and 2014/2015 stood at Kshs.13,516.7 million and Kshs.13,983.4 million respectively (excluding national government disbursements) against revenue budgets (PC target) of Kshs.13,984.4 million for 2013/2014 and Kshs.14,123.7 million for 2014/2015. However, after full implementation of performance contracting in the public sector in 2008 both City Council of Nairobi and Nairobi City County recorded a higher increase in actual internal revenue collection as a result of increase in revenue budgets (PC target) of Kshs. 678.2 million, Kshs. 354.9 million, Kshs. 6,215.7 million are Kshs. 466.7 million for FYs 2011/2012, 2012/2013, 2013/2014 and 2014/2015 respectively. The higher increase in amount of internal revenue collection after implementation of performance contract was more than the increase before implementation of the same implying that revenue budgets (PC target) had an indirect impact on the actual internal revenue collection by Nairobi City County (NCC, financial reports for FYs 2010/2011 to 2014/2015).

Kobia & Mohamed (2006) conducted a study on the Kenyan experience with performance contracting and highlighted general challenges of implementing performance contracts in Kenya. Their findings revealed that internal revenue systems of various government institutions in Kenya are usually complicated, non-transparent and costly to administer hence facilitating corruption and mismanagement. Kiboi (2006) examined the extent to which KRA satisfied conditions for introducing and implementing performance contracts. She concluded that KRA satisfactorily fulfilled the conditions necessary for developing and implementing Performance contract. This has enhanced accountability and the overall performance of the organization. No known study has been done on the effects of performance contracting on revenue collection in the County governments hence creating a knowledge gap. This study therefore aimed to fill this gap by exploring the following research questions: To what extent does performance contracting affect internal revenue collection at Nairobi City County?

1.3 Objective of the Study

To establish the effects of performance contracting on internal revenue collection at Nairobi City County

1.4 Value of the Study

The management of Nairobi City County would benefit from this study by obtaining valuable information that various individuals had contributed. This information would enable Nairobi City County to tell whether the findings obtained would affect revenue collection.

Other County Governments may find this study very useful in terms of performance contract and revenue collection. This can make a difference on the type and level of revenue collection in other County Governments.

This study would be useful to researchers who would want to carry out similar studies. This study would be used as a major reference. The County Governments can use the results to identify the weaknesses in performance contracting and local revenue collection especially in Nairobi City Government and come up with possible solutions which will enhance performance contract and revenue collection.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the literature on the effect of performance contract on revenue collection. Section 2.2 presents the theoretical review. Section 2.3 discusses the empirical literature. Section 2.4 examines factors influencing performance contract in Kenya and 2.5 presents the summary of the study.

2.2 Theoretical Review

2.2.1 Goal Setting Theory

Wigfied *et al.* (2004) indicated that goal setting theory is based on the notion that individuals sometimes have a drive to reach a clearly defined end state. Often, this end state is a reward in itself. A goal's efficiency is affected by three features: proximity, difficulty and specificity. An ideal goal should present a situation where the time between the initiation of behavior and the end state is close. A goal should be moderate, not too hard or too easy to complete. In both cases, most people are not optimally motivated, as many want a challenge. At the same time people want to feel that there is a substantial probability that they will succeed. Specificity concerns the description of the goal in their class. The goal should be objectively defined and intelligible for the individual. A classic example of a poorly specified goal is to get the highest possible grade. Most children have no idea how much effort they need to reach that goal, (Ryan et. al. 2000).

Cervone et. al. (2006) noted that Self determination focuses on the importance of intrinsic motivation in driving human behavior. Like Maslow's hierarchical theory and others that built on it, Self Determination Theory (SDT) posits a natural tendency toward growth and development. Unlike these other theories, however, SDT does not include any sort of autopilot for achievement, but instead requires active encouragement from the environment. The primary factors that encourage motivation and development are autonomy, competence feedback, and relatedness. The latest approach in developing a broad, integrative theory of motivation is Temporal Motivation Theory (TMT). It synthesizes into a single formulation the primary aspects of several other major motivational theories, including Incentive Theory, Drive Theory, Need Theory, Self-Efficacy Theory and Goal Setting Theory. The original researchers note that, in an effort to keep the theory simple, existing theories to integrate were selected based on their shared attributes, and that these theories are still of value, as TMT does not contain the same depth of detail as each individual theory. However, it still simplifies the field of motivation and allows findings from one theory to be translated into terms of another, (Baumeister et. al. 2004).

2.2.2 Expectancy Theory

Expectancy theory is a motivational theory that states that individuals would be motivated to the engage in behaviors if they expect that those behaviors led to desirable outcomes. The extent to which someone is motivated to engage in a certain behavior is a product of what Vroom called a motivational force. The Expectancy theory states that employee’s motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality). In short, Valence is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals (Baran, 2012). Expectancy is the faith that better efforts would result in better performance. Expectancy is influenced by factors such as possession of appropriate skills for performing the job, availability of right resources, availability of crucial information and getting the required support for completing the job.

The theory suggests that an individual's perceived view of an outcome will determine the level of motivation. It assumes that the choices being made are to maximize pleasure and minimize pain, as also seen in the Law of Effect, one of the principles of reinforcement theory which states that people engage in behaviors that have pleasant outcomes and avoid behaviors that have unpleasant outcomes (Fang, 2011). He suggests that prior belief of the relationship between people's work and their goal as a simple correlation is incorrect. Individual factors including skills, knowledge, experience, personality, and abilities can all have an impact on an employee's performance.

2.3 Performance Contracting in Public sector

To improve service delivery in the public sector, the Government of Kenya instituted performance contracting through cabinet Memorandum No. CAB (90) 35 of 3rd May, 1990 which approved the introduction of performance contracts in the management of public agencies. In 2003, the Government made a commitment to introduce performance contracting as a management tool to ensure accountability for results and transparency in the management of public resources. The policy commitment was contained in the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007) (GoK, 2003). Further, Kenya Vision 2030 recognized performance contracting among the key strategies to strengthen public administration and service delivery. The strategies focus on deepening the use of citizen service delivery charters as accountability tools and entrenching performance as a culture in the public service of which local authorities are included. The Performance Contract Steering Committee was established in 2003 to spearhead the introduction and implementation of the process. On 15th January, 2004, the Government v*ide* Cabinet Memo No CAB (03) 115, directed that all Permanent Secretaries/Accounting Officers of Ministries/Departments and chief Executives Officers of State Corporations be placed on performance contracts by June, 2004 (GoK, 2007).

Generally performance contracting is a freely negotiated performance agreement between government, acting as the owner of the agency and the agency (GoK, 2007). The formal discussions between the government agency and chief executive take place within every year or two years depending on the country. Every appointed chief executive /director general meets his/her government agency to present their personal analysis of the situation in their respective institutions based on their business plans. This covers the assessment of strong and weak points and the policy direction they wish to pursue. The government agency and the institution's head draft a formal record of the conclusions reached at the meeting. This record covers all the explicit contractual commitments that the chief executive has given on improving the performance of the services accountable to him, usually in the form of quantitative and qualitative targets in the sectors that both parties consider to be priorities.

2.4 Effect of Performance Contracting on Revenue Collection

Balance scorecard focuses on four indicators, including customer perspective, internal business processes, learning and growth and financials, to monitor progress toward organization's strategic goals and use of standard measurement is in a service industry for comparative purposes with other organizations (Johnson, 2009). Business Process Reengineering aims to increase performance by radically re-designing the organization's structures and processes, including by starting over from the ground up. It focuses on improving customer satisfaction through continuous and incremental improvements to processes, including by removing unnecessary activities and variations. Continuous improvement is often perceived as a quality initiative.

Cultural change is a form of organizational transformation, that is, radical and fundamental form of change. Cultural change involves changing the basic values, norms, beliefs, etc., among members of the organization. Embracing quality standardization and recognition (Miller & Grush, 2008). Knowledge Management: Focuses on collection and management of critical knowledge in an organization to increase its capacity for achieving results. Knowledge management often includes extensive use of computer technology. Its effectiveness toward reaching overall results for the organization depends on how well the enhanced, critical knowledge is applied in the organization.

2.5 Empirical Literature

Munge (2005) conducted a study on the factors affecting performance contracting and local public spending in Kenya revenue authority. He found that cultural change is a serious factor affecting the performance contracting in the sector. Mwangi (2008) carried a study on factors influencing performance. He noted that being unique in operations and providing quality services to customers are the most prevalent factors. Kanter (1997) noted that the value of organization require turning into the environment, challenging assumptions, crafting a vision, using diplomatic skills to get favorable responses, keeping actions moving by handling interferences and resistance, maintaining the momentum, incorporating emergent developments and never losing sight of the overall goals of performance contracting.

The objective of critical analysis of major issues is to review research studies as outlined by various scholars. Many of the past studies have dealt with the factors affecting performance contracting in telecommunication industry however almost none has focused on performance contracting and revenue collection in Kenya. Mutua (2007) studied on factors affecting revenue collection in the telecommunication industry named constraints as training and development, performance, leadership and staff motivation. Anwar (2006) noted that the performance of County government is on the expenditures runs along the same track as that of own source revenue or even total County revenue collection; however it is of significance of the same to be initiated in all sectors especially County governments if they are to achieve better performance. However, the success lies mainly with collecting revenue within and without an organization, the ability and level of communicating feedback and reliability as these are important for revenue collection.

These studies did not address performance contract and did not look into ways of improving the overall management performance in general. Some literature available are based on old data , in which some date back to 1974 , this in the researchers opinion do not add value to the study done over 30 years later . Most of the past literatures reviewed were based on the studies done by foreign writers, the researcher believes that these writers do not fully understand the culture and landscape of Africa; therefore their study may not be objective, because they relate Africa's circumstances to that of western countries which may not be necessarily true.

2.6 Summary

Revenue is simply fees for services provided by the unit of government that levies the tax. The benefit aspect of performance contract has usually been couched in terms of revenue collection. Nationally, almost two thirds of revenue collections are used to civic expenditure, operations, loan repayments, street lighting, road maintenance and public education. About half of state and local spending on education is from revenue collection, and for almost all counties, the revenue collection is the only source of general revenue that can be accessed. Taxpayers may agree that such quotidian public services as sidewalks, parks, and fire protection, or nonessential services such as beaches can be thought of along the same dimensions as the price of housing and swimming pools, but many believe that access to public education should not depend on willingness to pay for it through the housing market

Since its establishment, performance contract in Kenya has largely succeeded in its activities, this is evidenced in the steady increase in revenue collection and in the improved disbursement County services, However, Nairobi City County faces several challenges in the implementation of its mandate, same of the challenges include; raising adequate revenue to finance their expenditures. Deficit leads to increased borrowing hence increased debt in the County debt, inadequate revenue to meet the growing community demand for basic local authority services, land grabbing, water shortages in the city due to inadequate supplies, uncontrolled dumping of waste and ghost employees, and influx of Street Hawkers among others. The researcher in this study therefore seeks to explore ways of dealing with these challenges so as to maintain sustainability of the performance contract.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in the study. Section 3.2 presents the research design. Section 3.3 discusses the population and sample. Section 3.4 examines data and data collection procedures. Section 3.5 presents data analysis techniques employed and section 3.6 discusses validity and reliability.

3.2 Research Design

The researcher adopted descriptive research through correlational study. According to Mugenda & Mugenda (2008) this design was used to obtain information concerning the current status of the phenomena. A descriptive study ensures complete description of the situation making sure that there is minimum bias in the collection of data.

3.3 Population and Sample

Target population as defined by Saunders, Lewis and Thornhill (2009) is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. Due to the large sizes of populations, researchers often cannot test every individual in the population because it will be too expensive and time consuming. This is the reason why researchers rely on sampling techniques. A research population is also known as a well defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait.

The researcher targeted the staff of Nairobi City County that consisted of the top management, middle level management and the lower level management with a total population of 105. The researcher used 50% of the total population to obtain sample size of employees as shown in Table 3.1 below.

Stratified random sampling design was applied, it was considered suitable since it was based on different level of job positions, for instance the population was grouped by areas covered into different categories. Cote (2002) further points out that stratified random sampling method ensures inclusion. In this method, sub groups which otherwise were omitted entirely by other sampling methods were best suit for this research. This method helped in minimizing bias in sample selection. Stratified sampling involves grouping distinct populations with similar characteristics for easier handling. This technique was used to categorize target population into three distinct groups comprising of top level management, middle level management and lower level managers. In each category, simple random sampling technique was used.

Table 3.1 Population and Sample Size

Category	**Target Population**	**Sample Size**	**Percent**
Top Level Management	10	5	10
Middle Level Managers	15	8	14
Lower level managers	80	40	76
Total	**105**	**53**	**100**

Source: Author (2015)

3.4 Data Collection

The researcher collected both primary data and secondary data. Primary data was collected through the use of questionnaires administered to the respondents. Being a descriptive study, a self reporting and structured questionnaire was used to gather primary data. The questionnaire was structured inform of closed ended questions and also open ended questions that gave room for explanations based on the questions asked. According to Mugenda (2008) the questionnaires enhances confidentiality, it was cost effective and time saving.

The researcher prepared a set of questionnaires. The questionnaires were given to the three respondents who were expected to respond so that the researcher can ascertain whether the respondents are in position to respond to all the questions. After a period of five days, the questionnaires were collected back and necessary amendments were done on the other questionnaires that were later distributed to all respondents. Secondary data covered a period of five FYs before implementation from 2002/2003 to 2006/2007 and five years after implementation of performance contract from 2010/2011 to 2014/2015. The data was obtained from the performance contract records from the then City Council of Nairobi and Nairobi City County budgets.

3.5 Data Analysis

Data analysis procedure is the process of packaging the collected information putting them in order and structuring its main components in a way that the findings can be easily and effectively communicated (Delno, 2006). After the fieldwork, before analysis, all questionnaires were adequately checked for reliability and verification. The data was analyzed using qualitative and quantitative techniques. Qualitative method involved content analysis and evaluation of text material.

Quantitative method involved the use of statistical tools of descriptive analysis like SPSS, excels to draw percentages, numbers and was presented with use of tables, graphs and charts. Data was also grouped into frequency distribution tables to indicate variable values and number of occurrences in terms of ranking in performance. The inferential statistic multiple regression and correlation was carried out to determine the relationship between internal revenue collection and performance contract (targets). Correlation analysis was used to establish the strength of the relationship between the variables. A multiple linear regression model was employed to assess the relationship between performance contracting and internal revenue collection.

3.5.1 Analytical Model

In the above equation, X is independent variable and Y is internal revenue collection which is the dependent variable. The functional relationship was as shown by using the multiple regression equation which takes the form:

$Y = ß_0 + ß_1S + ß_2Q + ß_3C + ß_4D + \varepsilon$

Where:

Y	=	Internal revenue collection in million of Kenya shillings.
$ß_0$	=	Constant the level of internal revenue collection without inclusion of the predictor variables.
S	=	Investment in control systems in Kenya shillings.
Q	=	Risk assessment in Kenya shillings (Amount of revenue likely to be lost as a result of weak control systems in revenue collection).
C	=	Control policies, procedures, rules and regulations.
D	=	Revenue budgets (PC targets) reporting in million of Kenya shillings.
ε	=	Unexplained variation i.e error term, it represents all the factors that affect the dependent variable but are not included in the model either because they are not known or difficult to measure.

$ß_1$, $ß_2$, $ß_3$= Regression Co-efficient. Define the amount by which Y is changed for every unit change of predictor variables. The significance of each of the co-efficient will be tested at 95 percent level of confidence to explain the variable that explains most of the problem.

The two methods of data analysis were applied in this study. One method was correlation models specifically Pearson correlation to measure the degree of association between different variables under consideration. The other method was multiple regression analysis that estimated the causal relationships between performance contract and their determinants.

3.6 Validity and Reliability

According to Saunders et al. (2009)), validity can be defined as the degree to which a test measures what it is supposed to measure, while reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. Although unreliability is always present to a certain extent, there is generally a good deal of consistency in the results of a quality instrument gathered at different times. The tendency toward consistency find repeated measurements is referred to as reliability. To ensure reliability and validity, questionnaires were pre-tested on four respondents on trial basis to establish whether the questions are relevant and that whether the entire respondents were able to attempt all the questions, however; the response during pre-testing was not used in the final study. The questionnaires were then corrected before the final distribution.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study based on the research objectives. The study sought to determine the relationship between performance contracting and the internal (local) revenue collection at Nairobi City County. The study also sought to establish the effect of performance contracting on internal revenue from all the streams. The results were presented in summary tables and Pie Charts. Regression analysis was used to analyze the data to answer the research objectives.

4.1.1 General Information

Respondents were asked to indicate their department. According to the results, respondents were distributed across 15 departments where most of the respondents were drawn from finance (28.3%), audit (17%), trade licensing (13.2%) and Hrm departments. Table 4.1 shows respondents distribution by department.

Table 4. 1: Respondents Distribution by Department

Department	Frequency	Percent	Cumulative %
Audit	9	17.0	17.0
Finance	15	28.3	45.3
Trade licensing	7	13.2	58.5
Budget and expenditure	1	1.9	60.4
Public communication	2	3.8	64.2
HRM	6	11.3	75.5
ICT	2	3.8	79.2
Legal Affairs	1	1.9	81.1
Procurement	2	3.8	84.9
Performance management	1	1.9	86.8
Governance, monitoring & evaluation	1	1.9	88.7
Health	1	1.9	90.6
Investigations	2	3.8	94.3
Security	1	1.9	96.2
Revenue	2	3.8	100.0
Total	**53**	**100.0**	

Source: Author's Computations

The respondents were asked to indicate their respective revenue streams. The two major revenue streams were licensing (29.2%) and markets (12.5%). Twenty five percent of the respondents (25%) indicated their revenue stream as all. Table 4.2 shows these results.

Table 4. 2: Respondents Distribution by Revenue Stream

Revenue stream	Frequency	Percent	Cumulative %
All	6	25.0	25.0
Markets	3	12.5	37.5
Licensing	7	29.2	66.7
Court fines	1	4.2	70.8
Finance	2	8.3	79.2
Health services	1	4.2	83.3
Accounts	1	4.2	87.5
Rates	1	4.2	91.7
Sundry debtors	1	4.2	95.8
Attachments and training	1	4.2	100.0
Total	**24**	**100.0**	

Source: Author's Computations

Respondents were asked to indicate their position. Respondents were distributed across many positions with most being accountants (22%), revenue officers (14%), internal auditors (8%), auditors (8%) and directors (8%). Table 4.3 shows the results of the respondents by their positions.

Table 4. 3: Respondents Distribution by their Position

Position	Frequency	Percent	Cumulative %
Internal Auditors	4	8.0	8.0
Finance officer	1	2.0	10.0
Auditors	4	8.0	18.0
Director	4	8.0	26.0
Accountant	11	22.0	48.0
Revenue officer	7	14.0	62.0
Public relations officer	2	4.0	66.0
ICT officer	2	4.0	70.0
HRM officer	3	6.0	76.0
Administration officer	3	6.0	82.0
Executive officer	1	2.0	84.0
Supply chain manager	2	4.0	88.0
Chief cashier	1	2.0	90.0
Licensing officer	2	4.0	94.0
Management	2	4.0	98.0
Superintendent	1	2.0	100.0
Total	**50**	**100.0**	

Source: Author's Computations

Respondents were asked to indicate their gender. Male respondents were the majority (81.1%) as compared to 18.9% who were female. Figure 4.1 shows the results of respondents' distribution by gender.

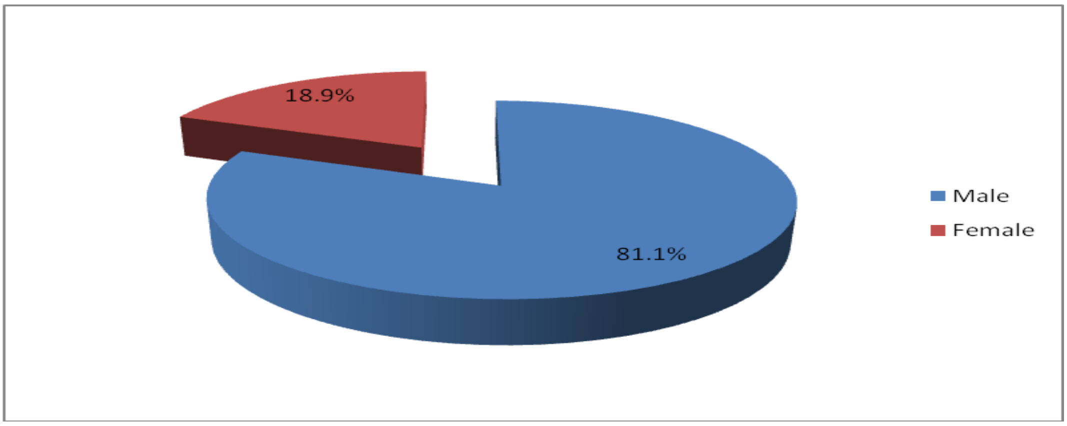

Figure 4. 1: Respondents' distribution by gender

Respondents were asked to indicate their education level. Majority of the respondents had university education (77.4%) while 20.8% of the respondents had college education. Only 1.9% of the respondents had secondary education. Figure 4.2 shows results of respondents' education level.

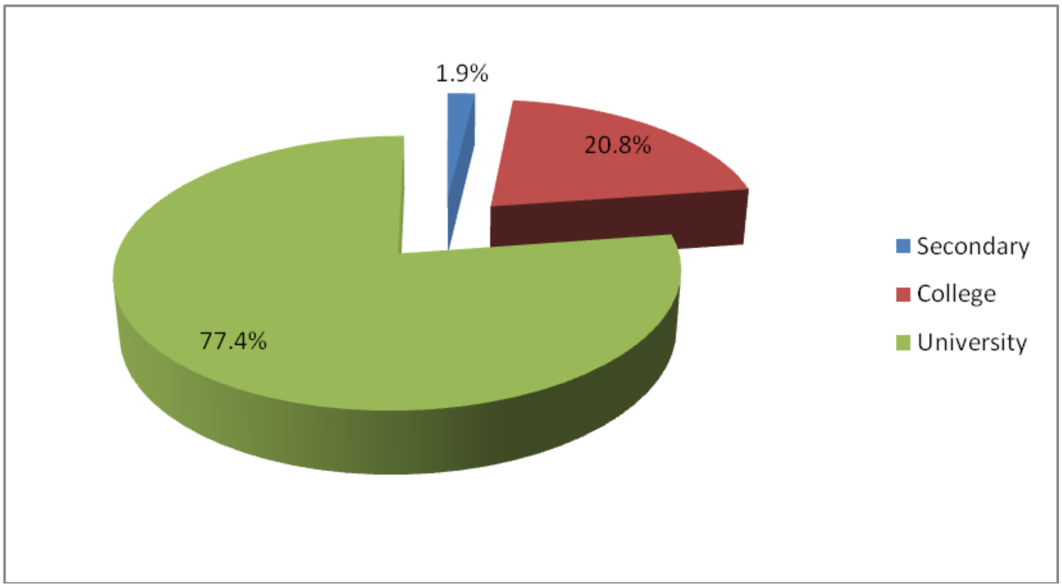

Figure 4. 2: Respondents' Education Level

4.2 Investment in Control Systems

Respondents were asked to indicate their agreement with statements on investment in control systems. They were to use a five-point likert scale where 1= to a very little extent, 2= to a little extent, 3= to a moderate extent, 4= to a great extent and 5= to a very great extent. The results show that the respondents indicated that performance contracting has made NCC to invest in ICT in the County (M=3.02) and control systems in place at NCC contributed to an increase in internal revenue collection to a moderate extent (M=3.00). The respondents also indicated that performance contracting has contributed to implementation of internal control systems in all County departments (M=2.96) and there is a well elaborate organization structure at NCC as a result of performance contracting (M=2.96) to a little extent. Respondents indicated that every County department has well documented control systems in revenue collection areas/streams (M=275) and NCC's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems (M=2.58) to a little extent. Table 4.4 shows the results.

Table 4. 4: Respondents responses on Investment in Control Systems

Statement	1	2	3	4	5	Total	Mean
Performance contracting has made NCC to invest in ICT in the County	11.3	13.2	43.4	26.4	5.7	100.0%	3.02
Performance contracting has contributed to implementation of internal control systems in all County departments	11.3	22.6	32.1	26.4	7.5	100.0%	2.96
There is a well elaborate organization structure at NCC as a result of performance contracting	11.3	22.6	32.1	26.4	7.5	100.0%	2.96
Every County department has well documented control systems in revenue collection areas/streams	17.0	20.8	37.7	18.9	5.7	100.0%	2.75
NCC's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems	23.1	25.0	30.8	13.5	7.7	100.0%	2.58
Control systems in place at NCC contributed to an increase in internal revenue collection	7.5	22.6	37.7	26.4	5.7	100.0%	3.00

Source: Author’s Computations

4.3 Risk Assessment

The respondents were asked to indicate the extent they agreed with statements regarding risk assessment. They were to use a five-point likert scale where 1= to a very little extent, 2= to a little extent, 3= to a moderate extent, 4= to a great extent and 5= to a very great extent. The results show that to a moderate extent NCC has large internal audit and risk management department (M=3.47) and as a result of performance contracting, NCC has developed the risk register to map all the risky areas in internal revenue collection (M=3.29). To a little extent, the employees have knowledge of high risk areas in every revenue stream (M=2.83), measures have been put in place for risk identification (M=2.75) and NCC has put in place mitigation measures to deal with risks in various revenue centre/areas (M=2.75). The results also indicated that NCC staffs are adequately trained on risk mitigation measures (M=2.17) and risk mitigation measures at NCC had a positive impact on revenue collection (M=2.58) to a little extent. Table 4.5 presents these findings.

Table 4. 5: Respondents responses on Risk Assessment

Statement	1	2	3	4	5	Total	Mean
NCC has large internal audit and risk management department	7.5	13.2	26.4	30.2	22.6	100.0%	3.47
As a result of performance contracting, NCC has developed the risk register to map all the risky areas in internal revenue collection	5.8	21.2	28.8	26.9	17.3	100.0%	3.29
The employees have knowledge of high risk areas in every revenue stream	17.0	26.4	24.5	20.8	11.3	100.0%	2.83
Measures have been put in place for risk identification	17.3	21.2	32.7	26.9	1.9	100.0%	2.75
NCC has put in place mitigation measures to deal with risks in various revenue centre/areas	15.1	26.4	30.2	24.5	3.8	100.0%	2.75
NCC staffs are adequately trained on risk mitigation measures	32.7	30.8	25.0	9.6	1.9	100.0%	2.17
Risk mitigation measures at NCC had a positive impact on revenue collection	20.8	32.1	22.6	17.0	7.5	100.0%	2.58

Source: Author's Computations

4.4 Control Policies, Procedures, Rules and Regulations

The respondents were asked to indicate the extent they agreed with statements regarding control policies, procedures, rules and regulations. They were to use a five-point likert scale where 1= to a very little extent, 2= to a little extent, 3= to a moderate extent, 4= to a great extent and 5= to a very great extent. The results revealed that there are well documented policies, procedures, rules and regulations governing revenue collection in the County (M=3.30) to a moderate extent and policies and procedures exist to ensure critical decisions are made with appropriate approval (M=3.21) also to a moderate extent. The results also indicated that to a little extent, the control policies, procedures, rules and regulations are normally followed by revenue collectors (M=2.77) and revenue collectors at NCC are rotated periodically based on achievement of performance contract targets (M=2.34). According to the findings, the control policies, procedures, rules and regulations are followed by revenue collectors at NCC in the execution of their day to day revenue collection exercise(M=2.60) to a little extent and there is proper and close supervision of junior staff involved in revenue collection (M=2.96) also to a little extent.

Table 4. 6: Respondents responses on Control Policies, Procedures, Rules and Regulations

Statement	1	2	3	4	5	Total	Mean
There are well documented policies, procedures, rules and regulations governing revenue collection in the County	5.7	20.8	30.2	24.5	18.9	100.0%	3.30
The control policies, procedures, rules and regulations are normally followed by revenue collectors	13.2	28.3	26.4	32.1	0.0	100.0%	2.77
Revenue collectors at NCC are rotated periodically based on achievement of performance contract targets	30.2	26.4	24.5	17.0	1.9	100.0%	2.34
The control policies, procedures, rules and regulations are followed by revenue collectors at NCC in the execution of their day to day revenue collection exercise	19.2	23.1	36.5	21.2	0.0	100.0%	2.60
There is proper and close supervision of junior staff involved in revenue collection	9.4	20.8	37.7	28.3	3.8	100.0%	2.96
Policies and procedures exist to ensure critical decisions are made with appropriate approval	1.9	24.5	35.8	26.4	11.3	100.0%	3.21

Source: Author's Computations

4.5 Revenue Budgets (Performance Contract Targets)

The respondents were asked to indicate the extent they agreed with statements regarding revenue budgets (Performance Contract Targets). They were to use a five-point likert scale where 1= to a very little extent, 2= to a little extent, 3= to a moderate extent, 4= to a great extent and 5= to a very great extent. The results show that to a great extent, the revenue performance contract targets are normally cascaded downwards to the junior staff at NCC (M=4.00). The results also indicated that there is effective reporting of revenue performance targets to be achieved in a particular financial year (M=3.92) to a moderate extent and there are midyear and periodic reviews of revenue collection performance before the end of the financial year (M=3.71) to a moderate extent. To a little extent, revenue performance targets (revenue budget) have contributed to increase in internal revenue collection at NCC

(M=2.85) and NCC normally takes disciplinary action against non-achievers of revenue performance targets (M=2.51). The results also indicated that to a little extent the revenue performance contract targets are realistic and negotiated with the junior staff at NCC (M=2.94) while NCC has reward system for achievers of revenue performance contract targets (revenue budget) at the end of the financial year to a very little extent (M=1.81). Table 4.6 shows the results.

Table 4. 7: Respondents responses on Revenue Budgets (Performance Contract Targets)

Statement	**1**	**2**	**3**	**4**	**5**	**Total**	**Mean**
There is effective reporting of revenue performance targets to be achieved in a particular financial year	1.9	9.4	15.1	41.5	32.1	100.0%	3.92
The revenue performance contract targets are normally cascaded downwards to the junior staff at NCC	0.0	11.3	15.1	35.8	37.7	100.0%	4.00
The revenue performance contract targets are realistic and negotiated with the junior staff at NCC	17.0	20.8	22.6	30.2	9.4	100.0%	2.94
There are midyear and periodic reviews of revenue collection performance before the end of the financial year	1.9	11.5	25.0	36.5	25.0	100.0%	3.71
NCC normally takes disciplinary action against non-achievers of revenue performance targets	20.8	28.3	32.1	17.0	1.9	100.0%	2.51
NCC has reward system for achievers of revenue performance contract targets (revenue budget) at the end of the financial year	50.0	28.8	11.5	9.6	0.0	100.0%	1.81
Revenue performance targets (revenue budget) have contributed to increase in internal revenue collection at NCC	17.0	20.8	28.3	28.3	5.7	100.0%	2.85

Source: Author's Computations

4.6 Regression Analysis Results

The regression analysis results show that predictor variables revenue budgets (performance contract targets), investment in control systems, risk assessment explained 99.3% change (Adjusted R^2=.993) in the dependent variable (Y). This therefore, means that other factors not studied in the this research contribute 0.7% to internal revenue collection. Results of the model summary are presented in table 4.8.

Table 4. 8: Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.999[a]	.998	.993	330.16284

a. Predictors: (Constant), Revenue budgets (performance contract targets), Investment in control systems, Risk assessment (in millions)

b. Dependent Variable: Internal Revenue Collection (in millions)

Source: Author's Computations

Table 4. 9: Analysis of Variance (ANOVA) Results

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	58831148.4	3	19610382.8	179.9	.050[b]
Residual	109007.5	1	109007.5		
Total	58940155.9	4			

a. Dependent Variable: Internal revenue collection(in millions)

b. Predictors: (Constant), Revenue budgets (performance contract targets), Investment in control systems, Risk assessment (in millions).

Source: Author's Computations

The F-ratio in the analysis of variance (ANOVA) was used to measure the fitness of the regression model. The F-ratio was found to be statistically significant (F=179.9, p=0.05). Therefore, the relationship between the dependent and independent variables established by the model did not occur by chance hence the model was fit. Table 4.9 shows the ANOVA results.

Table 4. 10: Coefficient of Determination Results

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	13716.347	1080.455	12.695	.050
Investment in control systems	-7705.884	373.974	-20.605**	.031
Risk assessment	2920.181	287.645	10.152	.063
Revenue budgets performance contract targets	2321.932	302.424	7.678	.082

a. Dependent Variable: Internal Revenue Collection (in millions).

** Significant at 95% confidence level

b. Predictors: (Constant), Revenue budgets (performance contract targets), Investment in control systems, Risk assessment (in millions).

Source: Author's Computations

The coefficients table shows that investment in control systems had a statistically significant negative relationship with internal revenue collection after implementation of performance contracting (β=-1.169, *p*=0.31). Risk assessment (β=0.652, *p*=0.063) and revenue budgets performance contract targets (β=0.389, *p*=0.082) had a positive relationship with internal revenue collection after implementation of performance contracting but were not statistically significant. Table 4.10 above shows these results.

The finding presented show that control policies, procedures, rules and regulations as a variable was excluded from the regression analysis due to multicollinearity. Multicollinearity (also collinearity) is a phenomenon in which two or more predictor variables in a multiple regression model are highly correlated, meaning that one can be linearly predicted from the others with a substantial degree of accuracy.

Secondary data shows a sharp increase in internal revenue collection after implementation of performance contracting in 2010/2011 financial year to 2014/2015 financial year. Five years before implementation of performance contracting shows a slight increase in internal revenue collection.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusion and recommendations on the relationship between the performance contracting and the internal (local) revenue collection as exhibited by the Revenue budgets (Performance contract targets) and risk assessment. The study bases its summary on the findings in chapter four and the methodology.

5.2 Summary of the Study

This study sought to establish the effects of performance contracting on internal revenue collection at Nairobi City County. This research adopted descriptive research design through correlational study. The researcher targeted the staff of Nairobi City County that consisted of the top management, middle level management and the lower level management with a total population of 105. The researcher used 50% of the total population to obtain sample size of employees and stratified random sampling design was applied. The researcher collected both primary data and secondary data. Primary data was collected through the use of questionnaires administered to the respondents. Secondary data covered a period of five FYs before implementation from 2002/2003 to 2006/2007 and five years after implementation of performance contract from 2010/2011 to 2014/2015. The data was obtained from the performance contract records from the then City Council of Nairobi and Nairobi City County budgets. Data analysis was done using descriptive and inferential statistics.

The study findings revealed that there was a sharp increase in internal revenue collection after implementation of performance contracting as compared to five years before implementation of the same. The results also revealed that investment in control systems significantly and negatively affected internal revenue collection after implementation of performance contracting. Risk assessment and revenue budgets positively affected internal revenue collection after implementation of performance contracting but were not statistically significant.

5.3 Conclusions

The findings of this research have unearthed a number of issues regarding management perceptions on the effect of performance contracting on internal revenue collection. Generally, managers in all levels of management are largely in favor of introduction of performance contracts and they belief that its implementation has seen a sharp rise in internal revenue collection for the five years it has been implemented compared to five years before its implementation.

Investment in control systems were found to be negatively correlated to internal revenue collection which could imply that perhaps the NCC invested in wrong control systems. NCC therefore should review its investment in control systems to ensure that they impact internal revenue collection positively.

Risk assessment and revenue budget targets although positively affecting internal revenue collection, they were not statistically significant. This study therefore concluded that risk assessment and revenue budget targets are not significant predictors of internal revenue collection.

5.4 Limitations of the Study

In evaluating the results of the study, the following limitations ought to be borne in mind. The study was constrained first and foremost with time. The time period for the study was too short and this limited the scope and depth of the study. Owing to this factor, the managers had to find time within their tight schedules to fill the questionnaires.

Secondly, there were limitations of measurements which are common to business research. Beliefs and feelings that are used in the study of perceptions may change over time and across different personalities. Also respondents may give biased or dishonest answers.

Thirdly, the study was limited to only Nairobi City County and may not apply to the entire 47 counties given that the signing of performance contracts were ongoing in the rest of the public service.

5.5 Recommendations

This study recommends that the Nairobi City County should retain and if possible emphasize on performance contracting in all its operations. Performance contracting has shown a positive impact on internal revenue collection.

The study recommends that the Nairobi City County should review its control systems to ensure that they not only support performance contracting but also positively impact internal revenue collection. This will consolidate gains made after implementation of performance contracting.

The study recommends that the Nairobi City County should work on its risk assessment function as well as how revenue budgets are set. In this way, risk assessment and revenue budget targets will be done in a manner to support performance contracting and significantly impact internal revenue collection.

Further research should consider other external factors that affect internal revenue collection at Nairobi City County. Future scholars should consider control policies, procedures, rules and regulations as separate variables in studying their impact on internal revenue collection.

Due to limitations in time, opinions and perceptions of managers from other county governments were not investigated. Therefore, in connection with further research possible areas can be recommended. First since this study was done at Nairobi City County yet the other counties operate in different parts of the country a case study could be done to take care of unique circumstances that are particular to each county in order to come up with valid and authentic conclusions instead of relying on one county.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

This questionnaire has been designed to collect information on the effects of performance contracting on internal (local) revenue collection at Nairobi City County. Please read carefully and answer them as honestly as possible. The information gathered will be used purely for the purpose of academic research and will be treated with utmost confidence.

Instructions

1. Tick appropriately in the box ☐ or fill in the space provided.
2. Feel free to give further relevant information to the research and not in the questionnaire.

PART A: RESPONDENT'S PROFILE (Please tick appropriately)

1. Department:………………………………………
2. Revenue stream:…………………………….……
3. Position:………………………………………….
4. What is your gender? ☐ Male ☐ Female
5. What is your education level?

   ☐ Secondary ☐ College ☐ University

   ☐Others, specify………………………

PART B: PERFORMANCE CONTRACTING AND REVENUE COLLECTION

(1=Very little extent, 2= Little extent, 3 = Moderate extent, 4 = Great extent, 5 =Very great extent)

1. INVESTMENT IN CONTROL SYSTEMS	1	2	3	4	5
Performance contracting has made NCC to invest in ICT in the County.					
Performance contracting has contributed to implementation of internal control systems in all County departments.					
There is a well elaborate organization structure at NCC as a result of performance contracting.					
Every County department has well documented control systems in revenue collection areas/streams.					
NCC's culture, code of conduct, human resource policies and performance reward systems support the business objectives and internal control systems.					
Control systems in place at NCC contributed to an increase in internal revenue collection.					

2. RISK ASSESSMENT	1	2	3	4	5
NCC has large internal audit and risk management department.					
As a result of performance contracting, NCC has developed the risk register to map all the risky areas in internal revenue collection.					
The employees have knowledge of high risk areas in every revenue stream.					
Measures have been put in place for risk identification.					
NCC has put in place mitigation measures to deal with risks in various revenue centre/ areas.					
NCC staffs are adequately trained on risk mitigation measures.					
Risk mitigation measures at NCC had a positive impact on revenue collection.					

3. CONTROL POLICIES, PROCEDURES, RULES AND REGULATIONS.	1	2	3	4	5
There are well documented policies, procedures, rules and regulations governing revenue collection in the County.					
The control policies, procedures, rules and regulations are normally followed by revenue collectors.					
Revenue collectors at NCC are rotated periodically based on achievement of performance contract targets.					
The control policies, procedures, rules and regulations are followed by revenue collectors at NCC in the execution of their day to day revenue collection exercise.					
There is proper and close supervision of junior staff involved in revenue collection.					
Policies and procedures exist to ensure critical decisions are made with appropriate approval.					

4. REVENUE BUDGETS (PERFORMANCE CONTRACT TARGETS).	1	2	3	4	5
There is effective reporting of revenue performance targets to be achieved in a particular FY.					
The revenue performance contract targets are normally cascaded downwards to the junior staff at NCC.					
The revenue performance contract targets are realistic and negotiated with the junior staff at NCC.					
There are midyear and periodic reviews of revenue collection performance before the end of the FY.					
NCC normally takes disciplinary action against non-achievers of revenue performance targets.					
NCC has reward system for achievers of revenue performance contract targets (revenue budget) at the end of the FY).					
Revenue performance targets (revenue budget) have contributed to increase in internal revenue collection at NCC.					

Thank you for your response