CORPORATE GOVERNANCE PRACTICES WITHIN KENYA REVENUE AUTHORITY

BY

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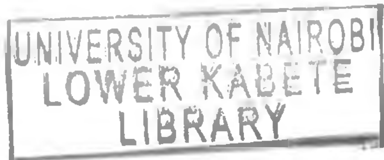
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RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTERS OF BUSINESS ADMINISTRATION DEGREE (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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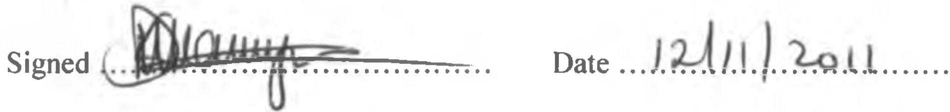
DECLARATION

This Management Research Project is my original work and has not been submitted for another degree qualification of this or any other University or Institution of learning.



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DEDICATION

I dedicate this Project to my wife Tabitha Githinji, daughters Esther and Jeniffer and my late mother Jennifer Wanyoike for their support and encouragement in my entire academic life.

ABSTRACT

Good Corporate Governance has become a critical success factor for any successful organization. The world focus has turned to the management of organizations and in particular to the board of directors. This is because all the stakeholders want their interests safeguarded in the organization. Shareholders want value for their capital, society wants quality services, employees want higher salaries, natural environment want to be exploited in a sustainable manner, while suppliers of finances want perpetual returns and good relationship.

This is a case study of Kenya Revenue Authority (KRA). The objective of this study was to establish the governance practices within KRA and determine the factors that lead to such practices. The KRA board of directors is mandated to oversee the revenue collection, accounting for it and general administration of tax laws in Kenya. The efficiency and effectiveness of executing its mandate depends highly on corporate governance practices adopted. The data for the study was collected from both secondary and primary sources. Primary data was collected though personal interviews while secondary date was from documents and records available. The content analysis method was used to analyze the data collected.

The study established that the Board of Directors in KRA has adopted practices of good corporate governance. The Board of Directors are involved in formulating three years corporate plan, allocation and monitoring the utilization of resources, have put in place internal controls, appoint and regularly monitor the top management performance, holds regular board meetings, have five standing committees and effectively reports to the stakeholders. The board members are well mixed in terms of

professional skills as required by KRA Act. However, board succession plan needs to be legislated in order to allow retirement by rotation to avoid a situation whereby 50% of the members would retire in one financial year. Adequate funding from Treasury and integration of departmental ICT systems needs to be enhanced. Most of the respondents also identified KRA strategic direction, Political, technological advancements, economic developments and the need to enhance efficiency and effectiveness in service delivery as the most prevalent factors that influence the corporate governance.

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LIST OF ABBREVIATIONS AND ACRONYMS

BOD – Board of Directors

CEO – Chief Executive Officer

HBR – Harvard Business Review

KRA – Kenya Revenue Authority

NGO – Non-governmental Organization

OECD - Organization for Economic Co-operation and Development

PSICG – Private Sector Initiative for Corporate Governance

SACCOs – Savings, Credit and Co-operative Societies

SOEs – State-owned Enterprises

CHAPTER ONE: INTRODUCTION

1.1 Background

The subject of corporate governance leapt to global business limelight after the collapses of high profile companies in United States and Britain. Enron, Texas based energy giant, and Worldcom, the telecom behemoth, shocked the business world with both the scale and age of their unethical and illegal operations. Even the prestigious New York Stock Exchange had to remove its director, Dick Grasso, amidst public outcry over excessive compensation. In UK, the debate on corporate governance received a boost as series of financial scandals were unearthed and reported. Several corporations collapsed in the late 1980s and early 1990s such as BCCI, Poly Peck and pension funds of Maxwell Communications Group. The impact on the economy and the society was indeed severe. It was clear that something was amiss in the area of corporate governance all over the world (William, Jim and David, 2011).

As a result of corporate collapse in the US, the Harvard Business Review set up a working group on corporate governance in 1990. Matters investigated by HBR Working Group included investors' rights and management accountability, and the role of executive and non executive directors in both monitoring management's performance and representing shareholders' interests. The resultant focus on issues of corporate governance culminated in the Cadbury Report on the financial aspects of corporate governance in 1992 and the Hampel Reports in 1997 and 1998. The French equivalent of Cadbury report, the Venot report was published in 1995 while Dutch's, the Peters Report was published in 1996. Interest in corporate governance issues within the commonwealth countries whose membership includes Kenya, Botswana, Tanzania, Gambia, Ghana, Mauritius, Trinidad, UK, Malaysia and South Africa etc

had its origin in performance improvement efforts and state enterprises privatization (Nyong'o, 2000).Due to the failures of Enron and Worldcom in the early 2000s, the need for the boards to be more clearly engaged in, and influencing, the strategic management of their organizations came to public prominence. Governments also responded in terms of changes to the governance framework to ensure that boards develop strategies that were in the interests of their shareholders and beneficiaries (Centre for Governance and Development (CGD), 2005).

1.1.1 Concept of Corporate governance

Corporate governance can be defined as the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled (Cadbury,1992). Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed (Johnson and Scholes, 2008). The Indian Kumar Mangalam Committee acknowledges that the fundamental objective of corporate Governance is the enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders. This report points out that this definition harmonizes the need for a corporation to strike a balance at all times between the need to enhance shareholders' wealth whilst not in any way being detrimental to the interests of other stakeholders. The corporations are managed and operated under the agency principle. The corporations/companies management is separate from the owners and therefore agency problem. Jensen and Meckling (1976), highlights the importance of agency problems in regard to competing interests. The agency literature has also elaborated on mechanisms that are available to mitigate these problems. The goal of these mechanisms is to align the interests of the management and board members with the

interests of the owners and other stakeholders (Klaus, 2001). The increased power of management over the organization's resources brings about conflict of interests and therefore the need to establish and implement codes of best practices (Commonwealth Approach to Corporate Governance (CACG, 1998).

Good corporate governance contributes to growth and financial stability by underpinning market confidence, financial market integrity, and economic efficiency. Recent corporate scandals have focused the minds of governments, regulators, companies, investors and general public on weaknesses in corporate governance systems and the need to address this issue (Organization of Economic cooperation Development (OECD, 2004).The clear route for any organization, it appears therefore is to adopt internationally accepted standards of governance and business practice in order to achieve their corporate aims and to attract investments.

1.1.2 Kenya's Public Sector

In Kenya, the main concern particularly in the late 1980s and 1990s was the governance at public sector. The underlying reason for the concern was the realization that poor corporate governance had led to wastage and misuse of public resources. This prompted the donor agencies and the World Bank to put stringent conditions including corporate governance to the Kenyan government in order to access aid/grants. The World Bank indicated that good corporate governance was a critical ingredient in development process (Session Paper No 1 of 1996 on Economic Management).

Since 1980s, Kenya has experienced collapse of key corporations such as Kenya Co-operative creameries, Kenya Meat Commission, Kenya Tanneries, while others were rescued by government such as National Bank of Kenya and recently Uchumi Supermarket. The National Cereals and Produce Board, City Council of Nairobi, Kenya Pipeline Corporation, and Ministry of Education, among other Government departments have recently appeared in the media for all the wrong reasons. The1990s and 2000s economic crimes in Kenya, including the so called grand scandals such as Goldenberg and agloleasing scandals have swindled public funds that would have otherwise prudently used to alleviate poverty and improve influstructeres for economic growth and prosperity.

This has sharply brought into focus the quality of corporate governance in public sector into question. Public awareness of the ills of poor corporate governance has given rise due to various lobby groups calling for government accountability, transparency and good service delivery to its citizens. With increased pressure from various stakeholders, the government has been forced to address the governance issue both through legislation such as Public Officers' Ethics Act, Kenya Anticorruption and Economic Crimes Act, Public Procurement & Disposal Act and establishment of various government agencies to monitor the performance such as Efficiency Monitoring Unit, Kenya Anticorruption Corruption Commission, Kenya National Audit Office (KACC, 2011). The governance issues have also been given high priority in the new constitution on various Chapters such as Devolution (chapter 11) where functions and powers of central and county governments are clearly spelt out, Leadership and Integrity (chapter 6), others include formation of Revenue Allocation Commission, Controller of budget and Salaries and Remuneration Commission.

Further, a 2006 African Peer Review Mechanism report under the New Partnership for Africa's Development (NEPAD) initiative confirmed that Kenya has adopted the Organization for Economic Co-operation and Development's (OECD's) Principles of Corporate Governance. On the company level, a survey of OECD Countries report found that the majority of the admittedly few listed companies are now adopting and implementing good corporate governance practices. As a result of concerted efforts by Kenyan institutions, corporate governance environment is improving and awareness of corporate governance values and principles is growing in Kenya. The Capital Market Authority (CMA) released its Guidelines on Corporate Governance Practices by Public Listed Companies in 2002. Based on the "comply or explain" principle, these guidelines were given legal status in the Capital Markets Act 485A (A survey of OECD Countries, OECD 2005).

1.1.3 The Kenya Revenue Authority

The Kenya Revenue Authority was established by an Act of Parliament on July 1st 1995 Cap. 469 for the purpose of enhancing the mobilization of Government revenue, while providing effective tax administration and sustainability in revenue collection. The Board and Management of KRA have since its inception spent time and resources setting up systems, procedures and the adoption of new strategies aimed at enhancing the operational efficiency of the Authority's processes. The Chief Executive of the Authority is the Commissioner General who is appointed by the Minister for Finance (KRA, 2011).

In particular, the functions of the Authority include; assessing, collecting and accounting for all revenues in accordance with the written laws and the specified provisions of the written laws and to advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws. KRA is also charged with the task of being a 'watchdog' for the Government agencies by controlling exit and entry points to the country to ensure that prohibited, counterfeit and illegal goods do not find their way into Kenyan market/economy (KRA, 2011). This goes along way in protecting citizens and local Industries from illicit drugs, goods and unfair competition through effective administration of tax laws relating to trade. In order to realize its mandates, the Authority administers the following main written laws relating to revenue among others; The Income Tax Act (Cap. 470), The Customs and Excise Act (Cap.472), The Value Added Tax Act (Cap.476), The Traffic Act (Cap. 403) . The written laws administered by the Authority therefore legally constitute the functional departments and sections of Kenya Revenue Authority, which include, Customs Services Department, Domestic Taxes Department, Road Transport Department, Support Services Department and Investigations & Enforcement Department (Government of Kenya, 1996).Just like other government owed institutions, KRA reports to the line Ministry (Finance) for all it budgetary needs, board appointments, government policies and performance contracting. Its policies, procedures and strategies must be in line with laid down legislations and can only be amended by parliament.

1.2 Research Problem

In today's world, where there is growing awareness of the rights of the citizens, organizations and governments need to rethink their processes and strategies to be able to survive against forces of changing needs, expectations and influence of citizens. The board of directors who are entrusted with the resources of the organization are expected to manage those resources in the most prudent and effective manner for the optimum benefit of the owners. This requires the board of directors and the Chief Executive Officer (CEO) to put in place systems, policies, and procedures that holds every one in the organization accountable to the efficient utilization of the entrusted resources for value to the owners. The quality of corporate governance at all levels is increasingly being seen as a critical factor in the success of the organizations. State Corporations have since independent assumed an increasingly significant role in offering critical/basic services and influstructeres development especially where it looks unattractive for private sector to venture (Nyong'o, 2000).

KRA is charged with enormous tasks of collecting revenue for the government and therefore it is clear that other than the enforcement of tax laws, KRA's operations impact directly and indirectly on the life of every Kenyan. KRA is amongst the very few non profit making and entirely government owned corporations. In addition, it entirely relies on government funding for its budget needs and operations. This makes it subject to political interference right from the board appointments to operational policies. It is also subject to stringent laws such as Government Owned Corporations Act, KRA Act, Procurement and Disposal Act, and tax legislations that require parliament approval to amend therefore hindering efficiency and effectiveness in its reforms especially on structure and information technology. KRA has been highly

focused on corruption related issues and political interferences due to the importance of the roles it plays in the economy. Effective governance practices helps to strengthen democracy and human rights, promotes economic prosperity and social cohesion, reduce poverty, enhance environmental protection and sustainable use of resources hence deepens confidence in government and public administration (Organization of Economic cooperation Development (OECD,1999).

Several studies have been done in this area focusing on private sectors such as Saccos (Wangombe, 2003), Listed companies (Nyaga, 2007), Insurance industry (Aphiud, 2007 and Mwangi, 2002). Whereas a number of studies have been done in the past, only a few (Wambua, 2006, Okech, 2005 and Kabura, 2006) have been done in public sector focusing on state owned corporations. Wambua did a survey on state owned corporations where he set out to establish governance practices adopted and to determine factors that lead to such practices. He did a survey of 79 public corporations whose results were generalized. I seek to narrow down to a case study to see whether the findings still hold. The respondents were the CEOs while the case study targets the KRA employees. Okech did a survey of National Sport organizations in Kenya where he set out to establish corporate governance practiced and the governance challenges. Kabura did a case study of Kenya Roads Board she was concerned with determining and assessing corporate governance practices of Board of Directors. She only interviewed the board of directors and general managers as the respondents using an interview guide.

This study seeks to focus on KRA Board of Directors and top management as the respondents and their awareness about the corporate governance practices adopted by

KRA. In addition, the study is being carried out at the time when Kenya has adopted the new constitution where integrity, accountability and transparency in public sector have been given a lot emphasis. This study therefore seeks to establish the various corporate governance practices in KRA and the factors influencing them.

1.3 Research Objectives

a) To establish the corporate governance practices employed by KRA.

b) To compare KRA corporate governance practices with the best practices.

c) Examine the factors that influence corporate governance practices in KRA

1.4 Value of the Study

The research project will be important to the organization since it emphasizes the critical role that good corporate governance practices plays in enhancement of service delivery across the organization. The study will also articulate the benefits of good corporate governance as a key success factor.

To researchers and academicians; the study forms a basis of further research on governance in public sector and its future in management of government owned institutions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction to Corporate Governance

Governance is the manner in which power is exercised in the management of economic and social resources for sustainable human development. It is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of goods and services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems. Corporate Governance, therefore, refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission. Simply put, corporate governance refers to the establishment of an appropriate legal, economic and institutional environment that allows companies to thrive as institutions for advancing long-term shareholder value and maximum human-centered development while remaining conscious of their other responsibilities to stakeholders, the environment and the society in general (PSICG, 1999).

Corporate governance as a strategic issue is concerned with people expectations. The role the people play in evolution of strategy. The most fundamental expectations are concerned with whom should the organization be there to serve and how should the direction and purposes of an organization be determined? This is the province of corporate governance and the regulatory framework within which organizations operate. This relates not only to the power to influence purposes, but also to the

process of supervising executive decisions and actions, and the issues of accountability. Whom the organization does actually serve in practice is not always the same as whom they should serve. This is because the expectations of powerful individuals and groups are likely to have more influence on organizational purposes than those of other stakeholders. There are also expectations about which purposes the organization should fulfill. This is an ethical consideration concerned with the expectations of the society at large (Johnson and Scholes, 2008).

State owned enterprises (SOEs) represent a substantial part of GDP, employment and market capitalization. Moreover, SOEs are often prevalent in utilities and infrastructure industries, such as energy, transport and telecommunication, whose performance is of great importance to broad segments of the population and to other parts of the business sector. Consequently, the governance of SOEs is critical to ensure their positive contribution to a country's overall economic efficiency and competitiveness. In addition, experience has shown that good corporate governance of SOEs is not only an importance prerequisite for economically effective privatization, but it will make the enterprises more attractive to prospective buyers and enhance their value (Nyong'o, 2000).

2.1.1 Principles of Good Corporate Governance

Corporate governance of SOEs has been a major challenge in many economies as evidenced by continued collapse and mismanagement of corporations. This is due to the fact that there has not been any international benchmark to help governments assess and improve the way they exercise ownership of these enterprises (William, Jim and David, 2011). The OECD Guidelines on Corporate Governance of State-

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Owned Enterprises (April, 2005) tries to fill this important gap. The guidelines are intended to provide a general advice that will assist governments in improving the performance of SOEs and ensure there is a level-playing field in markets where private sector companies can compete with state-owned enterprises and that governments do not distort competition in the way they use their regulatory or supervisory powers.

The existence of effective legal and regulatory framework for state-owned enterprises should ensure a level-playing field in markets where state-owned enterprises and private sector companies compete in order to avoid market distortions. The legal and regulatory framework within which SOEs operate is often complex and if it is not consistent and coherent it can easily result in costly market distortions and undermine the accountability of both management and the state as an owner. Governments should strive to simplify and streamline the operational practices and the legal form under which SOEs operate in order to enhance transparency and facilitate oversight through benchmarking. Any obligations and responsibilities that an SOE is required to undertake in terms of public services beyond the generally accepted norm should be clearly mandated by laws or regulations (Wambua, 2006).

SOEs should not be exempt from the application of general laws and regulations. The legal and regulatory framework should allow sufficient flexibility for adjustments in the capital structure of SOEs when this is necessary for achieving company objectives. SOEs should face competitive conditions regarding access to finance. The favoritism in regard to finance access has in many instances led to excessive

indebtedness, wasted resources and market distortion, to the detriment of both creditors and the taxpayers (Joel and Donald, 2003).

The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness. The government should develop and issue an ownership policy that defines the overall objectives of state ownership and the state's role in the corporate governance of SOEs. A clear ownership policy will help in avoiding the situation where SOEs are given excessive autonomy in setting their own objectives or in defining the nature and extent of their public service obligations. The government should not be involved in the day-to-day management of SOEs and allow them full operational autonomy to achieve their defined objectives. The ownership ability to give direction to the SOE or its board should be limited to strategic issues and policies. The state should let SOE boards exercise their responsibilities and respect their independence. The board members should not be guided by any political concerns when carrying out their board duties (William, Jim and David, 2011).

The state and state-owned enterprises should recognize the rights of all shareholders and ensure their equitable treatment and equal access to corporate information. It is in the state's interest to ensure that, in all enterprises where it has a stake, minority shareholders are treated equitably, since its reputation in this respect will influence its capacity of attracting outside funding and the valuation of the company. It should therefore ensure that other shareholders do not perceive the state as an opaque, unpredictable and unfair owner. The participation of minority shareholders in

shareholder meetings should be facilitated in order to allow them to take part in fundamental corporate decisions such as board election. It is important that any special mechanism for minority protection is carefully balanced. It should favour all minority shareholders and in no respect contradict the concept of equitable treatment (Conyon, 1997).

The state ownership policy should fully recognize the state-owned enterprises' responsibilities towards stakeholders and request that they report on their relations with stakeholders. Governments, the co-ordinating or ownership entity and SOEs themselves should recognize and respect stakeholders' rights established by law or through mutual agreements. The board of SOEs should be required to develop, implement and communicate compliance programmes for internal codes of ethics. These codes of ethics should be based on country norms, in conformity with international commitments and apply to the company and its subsidiaries (OECD 2005).

State-owned enterprises should observe high standards of transparency and disclosure. The co-ordinating or ownership entity should develop consistent and aggregate reporting on state-owned enterprises and publish annually an aggregate report on SOEs. This reporting should be developed in a way that allows all readers to obtain a clear view of the overall performance and evolution of the SOEs (Joel and Donald, 2003). Internal auditors are important to ensure an efficient and robust disclosure process and proper internal controls in the broad sense (Wambua, 2006). Their reporting is important for the board's ability to evaluate actual company operations and performance.

The boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions (Kabura, 2006). It is important that SOEs should have strong boards that can act in the interest of the company and effectively monitor management without undue political interference. The board should be fully accountable to the owners and treat all shareholders equitably. They should ensure that the CEO's remuneration is tied to performance and duly disclosed (Rosenstein and Watts, 1990). The boards of SOEs should be composed so that they can exercise objective and independent judgments. All board members should be nominated through a transparent process and it should be clear that it is their duty to act in the best interests of the company as a whole (Mburu, 2004). SOE boards should carry out an annual evaluation to appraise their performance. The board evaluation should provide input to the review of issues such as board size, composition and remuneration of board members. The evaluations could also be instrumental in developing effective and appropriate induction and training programmes for new and existing SOE board members.

These guidelines have been summarized by the four pillars of good corporate governance. There must be an effective body responsible for governance separate and independent of management to promote accountability, efficiency and effectiveness, probity and integrity, responsibility, transparent and open leadership with accurate and timely disclosure of information relating to all economic and other activities of the corporation. There must be an all-inclusive approach to governance that

recognizes and protects the rights of members and all stakeholders both internal and external. The institution must be governed and managed with the mandate granted to it by its owners and take seriously its wider responsibilities to enhance sustainable prosperity. The institutional governance framework should provide an enabling environment within its human resource which can contribute and bring to bear their full creative powers towards finding innovative solutions to shared problems (Cadbury report, 1992).

2.2 Code of Best Practices for Corporate Governance

Code of best practices for corporate governance mainly tries to resolve the issues relating to separation of ownership and management, disclosure and accountability in organizations. According to PSICG (March, 1999) the shareholders of the company shall jointly and severally protect, preserve and actively exercise the supreme authority of the company in general meetings. On the other hand, the Board of Directors shall exercise leadership, enterprise, integrity and sagacious judgment in directing the company so as to achieve continuing prosperity for the company and shall always act in the best interests of the company. Further, the Board of Directors shall exercise all the powers of the company subject only to the limitations contained in the law and the memorandum and articles of incorporation.

The composition of the Board shall include a balance of executive and non-executive directors (including independent non- executive directors) such that no individual or group of individuals or interests can dominate its decision making (Dennis and McConnell, 2003). There will also be transparent procedures for nomination and appointment of new directors to the Board. In order to avoid potential conflict of

interest, the Board of directors shall set up independent remuneration committee to determine the remuneration of respective individual executive directors. The committee shall make a report to the shareholders every year (Cadbury, 1992).

It is important for directors to disclosures information according to PSICG (1999). On first appointment and at regular intervals (at least once every year), or at any time when circumstances change, all directors shall, in good faith, disclose to the Board for recording and disclosure to the external auditors, any business or other interests that are likely to create a potential conflict of interest, including shareholding, trade membership and gifts or favors extended in respect of or in relation to any business dealings with the company.

Cadbury (1992) in his report observed that for Board members to exercise informed, intelligent, objective and independent judgments on corporate affairs, they shall have access to accurate, relevant and timely information. He further recommended that all directors shall receive some formal training on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment. This is particularly critical for those with no previous Board experience. It is desirable that all company directors are exposed, at least once every three years, on matters relevant to legal reforms, corporate governance, changing corporate environment, business /commercial risks and other matters (Dennis and McConnell, 2003).

Regarding the issue of audit and disclosure, it is the statutory duty of directors, jointly and severally, to cause to be kept proper and accurate books of accounts in respect to all sums of money received and expended by the company, and the matters in respect

of which receipt or expenditure takes place; all sales and purchases by the company; and of all the assets and liabilities of the company, as necessary to give with reasonable accuracy at anytime, the financial position of the company at that time; and to lay before the company's annual general meeting, a profit and loss account and a balance sheet reflecting a true and fair view of the profit or loss of the company and of the state of affairs of the company. It shall also establish formal and transparent arrangements for maintaining an "arms length" relationship with the external auditors, and ensure that there is timely and accurate disclosure to the shareholders of any information that would materially affect either the value or worth of their investment or earnings. The Board of Directors shall ensure that persons who are qualified, reliable and independent of the Board and management are appointed as auditors (Joel and Donald, 2003).

Cadbury (1992) recommends that the Board should have Audit Committees. A separate audit committee enables a Board to delegate to a sub-committee the responsibility for a thorough and detailed review of Audit matters, enables the non-executive directors to contribute an independent judgment and play a positive role in an area for which they are particularly fitted, and offers the auditors a direct link with the non-executive directors. The appointment of a properly constituted Audit Committee shall therefore be an important step in raising standards of corporate governance.

Organizations should have a policy on rights of shareholders and other stakeholders. All shareholder rights shall be recognized, respected and protected. Shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning

fundamental corporate changes such as statutes and governing documents, share capital. Shareholders shall have the opportunity to participate effectively and vote in general shareholder meetings and shall be informed of the rules, including voting procedures that govern general shareholder meetings. The Board of Directors and the company shall recognize the rights of stakeholders as established by law and shall encourage active co-operation between the company and its stakeholders in creating wealth, jobs and the sustainability of financially sound enterprises (William, Jim and David, 2011).

The obligations of the organization to its various stakeholders, including competitors, are critical to its success in pursuing a particular strategy. The Board of Directors shall develop and put in place a code of ethics outlining the values, ethics and beliefs that guide the policy and behavior of the company and define the ethical standards applicable to it and to all who deal with it. The Board of Directors will also monitor the social responsibilities of the company and promulgate policies consistent with the company's legitimate interests and good business practices such as fair employment policies, environment protection, and society interests (Johnson and Scholes, 2008).

2.3 Factors Influencing Corporate Governance

Organizations are open systems whose operations and activities are influenced by a number of factors both internal and external to them. They include among others corporate culture of the organization, stakeholders' interest and expectations, form of ownership, the extent of information disclosure, power, ethical stance, political-legal factors, economic, social and environmental factors (Wambua, 2006). Corporate governance is affected by the relationships among various participants in the

governance system. The corporate structure specifies the distribution of the rights and responsibilities among different participants in the corporation such as the board, internal and external auditors, the managers, shareholders and other stakeholders and spells out the rules and procedures for decision making (World Bank Review 2000). The board is responsible for setting up the companies' strategic aims, providing the necessary leadership, supervising the management of the business and reporting to shareholders on their stewardship. It also ensures compliance with legislation and effective corporate governance.

As owners of equity, investors are increasingly demanding a voice in corporate governance hence significantly influencing the corporate behavior. Investors whether institutions or individual are taking more interest on issues such as long term growth of the company, risk management strategies and how value can be created for all stakeholders. It is not good enough that shareholders interests are just confined to self interest as regards dividends. Creditors play an important role in governance system and can serve as external monitors over corporate performance. Employees and other stakeholders play an important role in contributing to long term success and performance of the corporation, while the government establishes the overall institutional and legal framework for corporate governance (Johnson and Scholes, 2008).

The key forces driving recent corporate governance reform includes; need to access capital markets, regulatory framework, internal forces and external scrutiny due to increased media attention driven by scandals globally. The need for capital from domestic and international investors has brought about the need to access capital

markets. This consequently forces corporations to comply with transparency and disclosure regulatory requirements therefore enhancing good corporate governance. The desire for sustainable economic growth and prevention of systematic crisis has led to stepped-up government investigations/enforcement and tightening regulations. The media, rating agencies and NGOs has paid a lot of attention to corporate governance. This has increased the public awareness and the need to hold individual directors responsible for corporate scandals and collapse (Nation Media Group, 2010).

2.4 Benefits of Good Corporate Governance

Corporate governance has substantial impact on the ability to access capital. It also significantly impact on firm's performance in terms of profitability, reputation, sustainability, efficiency and effectiveness. Corporate governance instills market confidence and provides added assurance to investors, creditors, and debtors. It enables firms to get better financial terms and pricing from the market which ultimately influence long-term operational sustainability. Empirical studies in Kenya (Mwangi, 2002; Wambua, 2006 and Nyaga, 2007) have revealed that there exists a relationship between various components of corporate governance and financial performance of the firm. By establishing more formal processes and controls, clarifying roles and authorities, and improving level of automation leads to enhanced efficiency and profitability in the organization.

Corporate governance and social responsibility should become the philosophy of business enterprises in setting standards of quality and integrity; respecting the physical environment by using and managing all the resources including air, water, and forests sustainably; recognizing the dignity and worth of all their employees and

the people in their communities; and innovating to meet the unfulfilled needs of the society. Transparency and good governance are more and more demanded by investors looking for investment opportunities. Good corporate governance is now a key ingredient for long-term business performance and a core component of sustainable market growth. It creates competitive and efficient companies and business enterprises, enhances the accountability and performance of those entrusted to manage corporations, and promotes efficient and effective use of limited resources. Without efficient companies or business enterprises, the country will not create wealth or employment (Johnson and Scholes, 2008).

Good corporate governance in state-owned enterprises is becoming a reform priority in many countries. Improved efficiency and better transparency in the state owned sector will result in considerable economic gains. In addition, creating a level-playing field for private and state owned enterprises to compete will encourage a sound and competitive private and public business sector. Without investment, companies will stagnate and collapse. If business enterprises do not prosper, there will be no economic growth; no employment, no taxes paid and invariably the country will not develop. The country needs well-governed and managed business enterprises that can attract investments, create jobs and wealth and remain viable, sustainable and competitive in the global market place (Klaus, 2001).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was conducted through a case study. A case study enables the researcher to collect data and explain phenomena more deeply and exhaustively. A case study gives an insight into the objectives, practices and stewardship (leadership) of the organization since it involves an in-depth examination of a single unit (Cooper and Shindler, 1999). It is the most appropriate when a detailed analysis of a single unit of the study is desired as it provides focused and detailed insights in to the unit of study that otherwise may be unclear. It is a method that drills down rather than cast wide. One of its major advantages is enabling an in-depth understanding of behavioral pattern of the concerned unit and facilitates intensive study of the unit (Mugenda, 2003). A case study is the most appropriate design since KRA is a distinct institution offering unique services and can not be easily compared with any other institution.

3.2 Data collection

Primary and secondary data was collected. This is because a case study requires that several sources of information be used for verification and comprehensiveness (Cooper and Shindler, 1999). Secondary data was collected from materials available in the organization mainly; the strategic plan, policies and procedure manual, annual reports, performance contracts, and various other guidelines manual. The primary data was collected through personal interviews of KRA Board of Directors and top management. The respondents were interviewed with the assistance of the interview guide (Appendix 1) which is a set of open ended questions.

3.3 Data Analysis

The primary and secondary data collected was analyzed and summarized according to identified study themes such as strategic planning, resources allocation, internal controls, corporate social responsibility, performance management, board appointments and meetings among others. The research used content data analysis to analyze the various aspects of corporate governance practices within KRA. The most prevalent corporate governance practices and the most influencing factors were identified from the data analysis. This method has been successfully used by Tokei (2007), Kabura (2006) and Mburu (2004) to analyze the qualitative data collected in their respective case studies.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Board Appointment, Skills and Code of Ethics

Appointment to the Board of Directors is done in accordance with KRA Act (Cap 469). Section 6 of the Act provides for the appointment of the Chairman by the president of the Republic of Kenya; the other members are Commissioner General, holder of Attorney General Office, Permanent Secretary Ministry of Finance and six other persons appointed by the minister for finance through a gazette notice by virtue of their knowledge and experience in accountancy, law, taxation, business administration and public administration. No person shall be appointed as the Chairman of the Board or as a member if such person is a public officer or has been a public officer within the immediately preceding twelve months.

The current Board Members are 9 in number with a well balanced skills mix from various professional backgrounds such as economics, accountancy, law and finance. However, there are only two females as the board members hence an indication of gender parity. In accordance with Section 7 of the KRA Act, a Board member shall hold office for a period not exceeding three years and shall be eligible for re-appointment for one further term of three years. The Board of Directors is bound by the KRA code of Conduct and Ethics when executing their duties. They are also expected to observe provisions of Public Officers Code of Ethics Act at all times.

4.2 Involvement in Strategic Corporate Planning

KRA operations are guided by three years strategic corporate plan. The Directors and top management indicated that they were fully involved in the corporate planning process especially the formulation and monitoring of the organization's strategic corporate plan. The first corporate plan covered period 2000/2001 to 2002/2003. This was the first policy document by KRA to harmonize all the policy initiatives and strategies that it was to adopt in order to realize its objectives and goals. Currently the Authority is in its fourth corporate plan that covers 2009/2010 to 2011/2012. The strategic goals that forms the basis of strategic corporate plans includes; developing a dedicated and professional team, re-engineering business processes and modernizing technology, improving and expanding taxpayer services and enhancing revenue collection and strengthening enforcement. The Board members understand KRA mission, vision and core values as well as their mandate as provided for in the KRA Act (Cap 469).

4.3 Monitoring Top Management Performance and Evaluation

It was established that, KRA negotiates annual targets with the Ministry of Finance through the Board of Directors. The Board of Directors therefore signs the annual performance contract with the Minister for Finance. The Board of Directors likewise signs the performance contract with the Commissioner General who is the Chief Executive Officer of KRA every year. This was achieved the first time in financial year 2005/2006. The targets in the performance contract are primarily the same as those contained in the performance contract between the Board of Directors and Ministry of Finance. The CEO sets quarterly and monthly targets on the performance contract and reports to the Board of Directors.

The Commissioner General cascades the performance contract to Commissioners and Heads of Departments using Balance Score Card (BSC) performance evaluation tool. BSC is based on four pillars which forms the basis of setting targets; Revenue collection, Quality service delivery to customers, Human resources/people welfare and Internal processes/ business automation. This process is repeated down wards to the lowest level employees. The Commissioners and Heads of departments reports on monthly basis to the CEO on the extent to which the targets have been achieved. The CEO and the Top management are evaluated by the Board of Directors at the end of the financial year on the basis of the agreed targets in accordance with the Balance Scored Card derivatives. The same BSC evaluation tool is used to appraise all the other employees annually. It is important to note that KRA introduced the Balance Score Card (BSC) and performance appraisal as performance management tools in 2003 way before the performance contracting which came in 2005/2006. To enhance performance amongst staff, KRA introduced a staff recognition and awards scheme. This scheme recognizes and rewards top performers annually.

4.4 Resource Allocation

At the inception of KRA in 1995, its funding was set at 1.5% of the estimated revenue target for a financial year, plus an augmentation of 3% of any revenue collected in excess of estimate in any three month period, provided the combined funding did not exceed 2% of the actual collection in that quarter. According to the first commissioner, Edger Manasseh, the 1.5% was arrived at based on the average cost of running the revenue departments that were previously based in the ministry of Finance. However, the development funding is directly sourced from the Treasury or

development partners. KRA also earns agency fees of 1.5% for collecting revenue on behalf of other agencies.

Most of the respondents felt that the funding is not adequate especially in under taking the revenue administration reform agenda. The acquisition of various ICT systems and surveillance equipments requires heavy capital outlay. A case in hand was the acquisition and installation of scanners at the entry points and speed boats. The cost of running the organization has also increased partly due to high level of inflation and the need to enhance efficiency and quality of service delivery. The Board of Directors and the Top Management prepares annual budgets with various funding proposals for approval by the Ministry of Finance. The Board finance committee under the direction of the Board of Directors is responsible for reviewing and monitoring the Authority's budgets, expenditure proposals, financial reports and policies through out the financial year.

4.5 Appointment of Chief Executive Officer and Top Management

The CEO of the Kenya Revenue Authority is the Commissioner General who is appointed by the Minister for Finance upon recommendation of the Board of Directors. With the exemption of the first Commissioner General Edger Manasseh (from June 1995 to January 1996) who was recruited internally from the Ministry of Finance where he was formally commissioner of Income Tax, all subsequent Commissioners General have been drawn from the private sector. The top and senior management are appointed by the Board of Directors through competitive interview process with the recommendation of Board's staff standing committee.

4.6 Internal Audit and Controls

KRA has an Internal Audit and Quality Assurance Department. The head of the department reports to the Board of Directors. All KRA departments have documented internal operation quality manuals inline with ISO 9001:2008 standards. The quality manual describes the quality management systems, delineates authorities and responsibilities of personnel responsible for performing within the system. The Board of Directors has an Audit Committee whose responsibility includes assistance in raising the standards of corporate governance by reviewing compliance with relevant laws and procedures, quality of financial reporting and oversight on internal controls systems. This committee meets on quarterly basis. There is also a finance committee that is responsible for reviewing the Authority's budgets, expenditure proposals, financial reports and policies. The committee meets on monthly basis. The financial accounts are audited by the Kenya National Audit Office (KENAO) as the external auditors. The latest audited accounts are for financial year 2009/2010.

4.7 Disclosures and Reporting

The Board of Directors does have in place a documented policy on reporting and disclosures. The performance contract between KRA and ministry of finance requires the Board of Directors to report the achievements of the targets on quarterly basis. KRA at the same time informs the public through mass media on their current performance and rating against budget targets. All KRA materials and information meant for public consumption such as auctions, Revenue Acts, various forms and any other public notices are made available at KRA website (www.kra.go.ke). The financial accounts are also audited by KENAO and published for public scrutiny. The 2009/2010 financial statements have already been audited and published.

4.8 Board Meetings and Committees

The Board of Directors meets on monthly basis to review management performance including revenue collection, operational issues, and future planning. The directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational, revenue and compliance issues. The Board of Directors has five standing committees which meet regularly under the terms and reference set out by the Board of Directors. They are staff committee, finance committee, Board of trustees committee, procurement and disposal oversight committee and audit committee.

All the non executive directors in the BOD are independent of the management and free from any business relationships that could materially interfere with the exercise of their independent judgment. Decisions in the board of directors meetings are taken by consensus. All the directors are given opportunity to air their views during discussions. Issues are also discussed in an open manner and in a free atmosphere.

4.9 Social Responsibility and Compliance with the Law

The Board of Directors is the supreme organ for formulating and interpreting policy and charting out the road map goals attainment including plans of action. The Board is responsible for the governance of KRA and is accountable to the minister for finance in ensuring compliance with the KRA Act, best practices and business ethics. The directors attach great importance to the need to conduct the business operations of the Authority with integrity, professionalism and in accordance with generally accepted international corporate practice.

KRA has taken over the challenge of Corporate Social Responsibility by formulating a policy on the various initiatives to be undertaken. Key among them is on HIV awareness within the organization and recognition of need to assist the less fortunate people in the society such as the children's homes, donating to people with disability and those affected by national calamities such as hunger, floods and fire. The Board has introduced Taxpayers week and Top Taxpayer's Awards since 2003 during which free medical camps and taxpayer education are conducted.

4.10 Succession Planning

The appointment of the Board of Directors is provided for by the KRA Act. The Act does not give framework for the rotation of the directors when the time to retire comes. At any one given time, almost half of the Board of Directors normally retires when their terms come to an end therefore disrupting the Board's business. This matter should be pursued by the Board particularly to ensure the directors retire at different times. This will avoid the disruption of the organization business.

The Board of Directors have put in place a policy of recruiting 120 graduate trainees every year to cater for the retiring employees and those opting to resign. This was aimed at achieving optimal staff level, right skills for the job and attaining organization continuity. With the exemption of Commissioner General and Commissioner for Large Taxpayers Office, all other commissioners and heads of departments have been recruited internally an indication that succession planning for top management and other employee is in place.

4.11 ICT and Risk Management

From an early stage, KRA identified the use of Information and Communication Technology (ICT) as a major success factor in revenue administration reforms and improving service delivery. The Business Processes Automation at KRA started with the development of ICT strategy articulating the road map to integrated business architecture. The main objective has been to provide a system for both internal and external stakeholders that enable a single view of the taxpayer across all KRA functions and facilitate operational excellence.

KRA automation strategy has three main thrusts; automation of revenue function, ensuring integration of systems and automation of support functions. KRA has been able to roll out Customs Dept Simba system in 2005, Road Transport Dept Vehicle Management System (VMS) in 2003, Domestic Taxes Dept Integrated Tax Management System (ITMS) since 2007, Finance Dept Common Cash Receipting System (CCRS) and launching of KRA Website in 2000. However, the Authority faced the challenge of identifying a single suitable ICT platform that would address the automation needs of the organization. These systems are currently independent and therefore the challenge has been to integrate them seamlessly. The integration of VMS and Simba 2005 system has been achieved since 2007 enabling online registration of motor vehicles. The ITMS is still being rolled out and it is expected that once it is fully operational, it will be able to integrate with other KRA systems including CCRS. The integration phase is yet to be achieved.

4.12 Factors Influencing Corporate Governance Practices

Organizations operate in an environment which continually shapes their objectives, policies, strategies and operations. It is this environment that influences the way organizations work or behave consequently impacting on the corporate practices of the organization and its people. This section sort to establish the factors that lead to the adopted corporate governance practices.

Most of the respondents identified KRA strategic direction, Political, technological advancements, economic developments and the need to enhance efficiency and effectiveness in service delivery as the most prevalent factors that influence the corporate governance. The formulation of strategic corporate plans and introduction of performance contracting have significantly transformed the KRA way of operations. The formalization and documentation of corporate planning process and formulation of detailed strategic plans has instilled displine on Board of Directors and top management in the utilization of KRA resources and provides a unified direction. The virtues of accountability and integrity have been enhanced in KRA operations through performance contracting. The documentation and circulation of the KRA Mission, Vision and core values have given direction to the expected KRA code of conduct at all times.

Technological advancement across the world has brought about the need for business automation therefore significantly transforming how KRA conducts its business and communicates with its stakeholders. As discussed earlier, the formulation of ICT strategic plan and implementation of various reforms in ICT have been a driving force in KRA's adoption of best corporate governance practices. Most of the respondents

felt that the political leadership has been conducive for change with minimal inference at the operations level. Other factors that the respondents felt had moderate impact on corporate governance included; the new Constitution, legislations, Staff welfare and remuneration and staff training and development. However, the respondents felt that the provisions in the new Constitution on Leadership and Integrity Chapter and relevant legislations will greatly influence corporate governance in public sector in future.

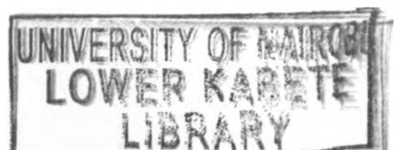
4.13 Discussion of Findings

In today's world, visionary corporations owe a moral duty to the society and environment in which they thrive. It is therefore important for corporations' board of directors and top management to understand and appreciate the need to go beyond the legal requirements in relation to good governance in both public and private sectors. The KRA board of directors and top management was found to appreciate and value the tenets of good corporate governance. The board members shares and understands the organization's mission, vision, beliefs and values. Their mandate and appointment is clearly spelt out in KRA Act. They are fully involved in strategic plan formulation and effectively monitor its implementation. The board has put in place effective internal controls and has five standing committees to assist in policy formulation and monitoring of management performance. The board members execute their legal mandate without fear or any political influence and adhere to board meetings management and procedures. The board has also formulated policies on corporate social responsibility and fair recruitment and retention of quality staff. These finding agreed with Kabura (2006), Wambua (2006) and Mburu (2004) who sort to establish

the corporate governance practices adopted by different organizations in both private and public sectors.

Although the succession plan for the management is in place that of board of directors was lacking. This finding was the same as those found by Wambua (2006) where he found that the board succession plan in state corporations was not legislated. Wambua (2006) did a survey of 76 state corporations and his findings are supported by the case studies so far carried out in state corporations. Kabura (2006) also found there was no retirement by rotation in Kenya Roads Board hence smooth board transition was not in place neither legislated.

The main factors that lead to the corporate governance practices as identifies by Wambua (2006) and Nyaga (2007) were; need for efficiency and effectiveness in service delivery, strategic direction being pursued, technological developments, political and economic factors and government legislations. This case study finding agreed with those previous studies findings.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LOWER KABETE
LIBRARY

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Good corporate governance practices ensure firm's profitability, efficiency and long term sustainability. One of the key structures of corporate governance is the Board of Directors. KRA is the only organization that collects revenue for the central government. Due to the importance of revenues to the government, the practices of the organization need to be such that they ensure efficiency and effectiveness. This study sort to establish the various corporate governance practices within KRA and factors influencing them. The Board's responsibilities are broadly set out in the KRA Act, Sec 6(6) and includes; review and approval of the policies, monitoring performance of the Authority and displine and control of all members of KRA.

The Board of Directors was found to be fully involved in strategic planning, monitoring of top management, reporting and disclosure of information and proper conduct of Board meetings with all relevant information. The Board members appointment and qualifications are clearly provided for in the KRA Act. The board of directors was closely involved in strategic planning right from the formulation of the plan through to evaluation and monitoring of the plan. The board of directors ensures all the directors and top management undergoes a course in principles of good corporate governance. It also closely monitors the performance of the top management, appoint them and determine their remuneration. The board approves budgets and periodically monitors utilization of the funds.

However, the issue of Board of Directors succession needs to be pursued further to provide for directors retirement at different times to avoid disruption of Board business. The funding as indicated by the respondents above is inadequate given the revenue administration reform being under taken. The integration of various ICT systems in KRA is critical to future enhanced service delivery and revenue collection. It was noted KRA has also initiated a lot of reforms in ICT modernization and organization structure change, from revenue based to functional based, that are yet to be fully realized.

5.2 Conclusion

The study established that KRA generally observes and practices good corporate governance practices. KRA governance practices to a great extent compares well with the world best corporate governance practices. The Board of Directors and the top management clearly understands the importance of corporate governance to the continued service delivery improvement and improved revenue collections. The weak areas in corporate governance such as Board succession, funding and ICT systems integration have been noted and the same should be considered in order to meet the world best corporate governance practices. One of the key aspects of good corporate governance is the change of attitude and enhanced commitment. The attitude towards risk and commitment to formulation and implementation of corporate strategic plans, as demonstrated by the KRA leadership and top management, has been instrumental in business automation and structure change reforms against deep seated will to retain the status quo.

5.3 Recommendations

The smooth transition of the Board of directors is an aspect of good corporate governance among others. At least a third of Board members should not retire at any one given financial year for smooth Board operation. Retirement by rotation should be provided for in the KRA Act to avoid disruption of Board of Directors business.

Adequate resources are critical to any successful organization that practices good corporate governance. The funding of the Authority needs to be reviewed to reflect the current realities faced in revenue administration. Since 1995, a lot of environmental factors have changed posing new challenges and opportunities in revenue collection. Economic factors must have eroded the purchasing power of the 1.5% funding set in 1995 hence need for review.

The technology arena has transformed the business transactions all over the world and therefore it is imperative for KRA to relent in this area. The integration of all KRA internal ICT systems should be hastened with a view of creating an online information sharing platform with other stakeholders such as KPA, regional Revenue Authorities and other government enforcement agencies. There is need for continuous learning and training among the staff to enable them acquire new skills and stay up to date with new technological developments and most importantly view business automation reforms as measures to enhance quality of service delivery. The automation phase is very critical for future success in fulfilling its core mandate of sustainable revenue collection and accountability.

I would like to recommend a further study to be carried out in future to determine the relationship between corporate governance practices and performance in terms of service delivery and revenue collection. A further research could also be carried out on specific aspects of corporate governance such as to establish whether there is need for government legislation to ensure good corporate governance. Are the benefits of good corporate governance practices and organizations/society awareness of the same not enough to ensure compliance?

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APPENDIX 1

Interview Guide

Name of the Organization...

Part One

1. Please indicate the position in the organization.

    a) Executive Director [ ]

    b) Chairman [ ]

    c) Director [ ]

    d) Top Management [ ]

    e) Other ....

2. Please indicate level of education.

    a) Below Degree Level [ ]

    b) Degree Level [ ]

    c) Advanced Degree Level [ ]

3. Indicate the gender

    a) Female [ ]

    b) Male [ ]

4. Number of years in the Board/Organization....................

Part Two

1. Do you feel the Board members understand and shares KRA's beliefs, core values, mission and vision?
2. Do you feel the Board members understand the KRA business as a whole and success drivers in revenue administration.
3. To what extent are you involved in strategic planning process in the Board?
4. Do you think the Board is transparently appointed and has a balanced mix of skills?
5. To what extent do you think the board of Directors is in control of the management of KRA?
6. Are the CEO and all the top Management transparently appointed by the Board?
7. How often does the Board of Directors meet?
8. Do Board members receive Board papers in time and prepare adequately for meetings?
9. Do you feel the directors can raise dissenting views during discussions in Board meetings in a free atmosphere?
10. Is there a possibility of any individual or a group of directors to dominate the Board discussions?
11. Are the decisions in the Board taken by consensus or by voting?
12. How are issues of conflict of interest handled in the Board?
13. Is the Board fully and properly appraised about the performance of KRA in all areas including strategic plan implementation?

14. Is succession for directors and that of top management adequately provided for?
15. Does the Board regularly assess its performance and that of CEO and Top Management?
16. Is there a systematic induction process of new Board members and continuous development process in order to develop and strengthen their governance skills?
17. To what extent do you feel the following factors influence the corporate governance practices within KRA:
    a) The legislation (Laws, regulations and procedures)
    b) The prevailing corporate culture.
    c) Strategic direction the KRA is pursuing.
    d) Developments in economic and technological arena.
    e) Political considerations (Especially on the Board and Top management appointments).
    f) Prevailing organization structure.
    g) Need to enhance efficiency and effectiveness in service delivery.
    h) Staff training and development.
    i) Staff welfare and remuneration.
18. Do you think there are other factors influencing corporate governance practices within KRA?

APPENDIX 2

INTRODUCTION LETTER

Daniel Wanyoike,

Dept. of Business Administration,

School of Business,

University of Nairobi.

Dear Respondent,

Re: Corporate Governance Practices within Kenya Revenue Authority

My names are Daniel Wanyoike a student at University of Nairobi. As part of the requirement for the award of the Degree of Master of Business Administration, I am required to carry out project research on a topic relevant to my course. My topic of research is; Corporate Governance Practices within Kenya Revenue Authority.

This is therefore to request you to assist me in fulfilling this noble objective by granting me an interview opportunity to be guided by the attached interview guide. The information provided will be confidential and purely for learning purposes only.

Daniel Wanyoike,

D61/8501/2006,

MBA Student,

University of Nairobi.

Tel : 0722341277.

Supervisor: Dr. Maalu,

University of Nairobi,

School of Business.