

## Social Internal Control Mechanisms and Revenue Generation in Rivers State Internal Revenue Service (RIRS)

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### Abstract

This study was meant to examine the effects of internal control mechanisms on revenue generation in Rivers State Internal Revenue Service (RIRS) and was limited to within the time frame of 2007 to 2015. Primary sources of data were gotten and utilized in this study. Results of the analysis of the data revealed that significant relationship exists between internal control and revenue generation in RIRS. The study showed that effective application of Information and Communication Technology is vital in revenue collection in RIRS. Also, the issuance of Tax Identification Number (TIN), Internal Audit and Segregation of Duties as part of the internal control mechanisms were also examined in this study and found them to contribute to improved revenue generation in RIRS as well as blockage of leakages. The study revealed that these mechanisms are periodically reviewed in order to ensure their continuous relevance according to the dynamic nature of the agency and that internal control mechanisms are not a replacement for good management but vitals tools for managerial efficiency. The findings of this study provided the basis for recommendations such as steady update, upgrade and expansion of ICT facilities in the agency, prosecution of tax evaders, extensive monitoring, enlightenment campaigns and customers' education, and adequate customers' complaints and feedback mechanisms.

**Keywords:** Social; Control; Internal control; Revenue; Information and communication technology (ICT); Revenue generation

### Introduction

Every organization has the ultimate goals of sustenance, rendering services and providing products using the most appropriate cost effective and efficient methods of operations for the purpose of achieving its goals. Puttick stated that at all cadres of an organization, both superiors and subordinates or management and personnel need to be effectively involved in the daily administrative processes in order to tackle risks and provide reliable and effective means of the realisation of the organization's goals and objectives [1].

Otto points out that an effective system of internal control is a vital part of the strategies of an organisation's management system and a reliable basis for secured and strong operations of that organization [2]. Adequate internal control is designed in order to protect organizations from practices that are contrary to stipulated acceptable practices within the organisation thereby helping to guard against loss, fraud and inefficiency. Olumbe also noted that the rapidly changing economic and competitive economic environments and other trends indicate how an organization's internal control should be structured in order to ensure continuous growth in revenue generation [3].

Organizations, in most cases, commit themselves with large investments on financial accounting software and consumables, and other internal control measures. Yet, leakages still exist through unscrupulous activities within the organization which makes such investments to be in vain. In essence, the determination of an organisation's objectives, plans and every other expectation establishes the basis for control. Control is established in order to maintain high performance level or an acceptable level of what is expected of that organisation [4].

Prest and Barr has it that organisations continue to seek ways and means of boosting their revenue in the face of constantly increasing challenges of running and administering such organisations [5]. Also, in a bid to continuously improve on their internally generated revenue, Governments all over the world continue to institute structures and

agencies that will aid the generation of more revenue in addition to what it statutorily gets. Hence, in the case of Rivers State, the establishment of Rivers State Internal Revenue Service (RIRS)

RIRS was set up by Rivers State Government with the aim of boosting the revenue base of the State in order to enable the government meet up with its basic responsibility of providing social amenities, basic infrastructure and the total well-being of the people. The State was relying on its monthly allocations from the Federation's Account, 13 percent derivation to oil producing states and internally generated revenue through the Rivers State Internal Revenue Service (RIRS). These were not adequate to carter for the needs of the people as a result of steadily increasing population and growing government responsibilities especially as expected from RIRS which is the State's internal revenue generation machinery.

The inability of State to meet up with the expectations of the people of the State raised eyebrows on why the revenue of the State would be inadequate for government responsibilities even in the midst of numerous local and international business organisations operating in the State and such business organisations expected to contribute to the revenue base of the State through payment of taxes and other levies as stipulated by the applicable laws. Moreover, this also called to question the level of effectiveness and efficiency of RIRS, the body whose major responsibility is to internally generate revenue that will complement the State's statutory allocations.

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The fluctuating nature of the statutory allocation of Rivers State cannot be unnecessarily questioned as a result of the equally fluctuating nature of the price of crude oil which is the Country's main source of revenue. On the other hand, the level of viability of RIRS was brought to question owing to the fact that the internally generated revenue of the State was also fluctuating and not what it ought to be in the midst of large number of small, medium, and large scale; and local and international business organisations and enterprises. These challenges made the State to resort to borrowing from financial institutions in order to meet up with the demands of governance thereby increasing the debt profile of Rivers State.

In order to effectively tackle those challenges, there became the need for investigating the role of RIRS in boosting the revenue base of Rivers State. In other words, the need for RIRS to live up to its responsibilities so that the State will be able to cater for the essential needs of the people and also minimise her debt profile. The level of revenue generation by RIRS was such that the agency was regarded as one of those government agencies that merely provide employment opportunities to indigenes of the State without adding value to the economy of the State. It was evidently clear that Rivers State could generate internal revenue that may be commensurate to what it gets from the federal allocations if RIRS, which is the internal revenue generation machinery, was repositioned and reorganised to effectively and efficiently carry out its statutory obligations especially through proper and adequate internal control systems. There were also strong feelings within the people of the state the agency may have become a conduit for syphoning and looting the treasury of Rivers State.

This study was of the perception that inadequacies in the internal control mechanisms may have contributed immensely to this because internal control, to a larger extent, determines how an organisation is being administered and any organisation that is effectively and efficiently administered will definitely achieve its set aims and objectives. The internal control mechanisms in RIRS was constituted of the control environment which was the foundation of all other control activities; risk assessment methods, information and communication technology, internal audit systems and monitoring of organisational activities. These mechanisms seemed not to be adequate due to some operational flaws such as the mode of deployment of information and communication systems and the control over financial transactions. In essence, there was need for further assessment and investigation of these mechanisms. As from 2007, there were adjustments in the internal control mechanisms in RIRS, such as improvements in information and communication technology and issuance of tax identification number among others, which were aimed at repositioning the agency for the purpose of internally generating revenue at its full capacity which will enable the government to provide essential needs and services to the people.

From the above analysis, the need to critically examine the internal control mechanisms in RIRS arose. Therefore, this study sought to find answers, whether or not, the internal control mechanisms in RIRS had played a major role in strengthening the revenue drive of the agency within the period of 2007 to 2015. It is against this background that this study intends to determine the effectiveness and efficiency of internal control mechanisms in Rivers State Internal Revenue Service (RIRS) revenue generation and management system. In other words, this study aims at verifying whether investments in internal control measures by RIRS have any impact on the amount of revenue generated.

## Clarification of concepts

**Internal control:** Internal control mechanisms are formulated to

guard an organisation against inefficiency, loss and abuse of its resources and assets. Sound internal control helps to ensure that transactions are properly carried out and authorised, and rules and procedures are actually complied with. This makes information contained in an organisation's financial records reliable which in turn fine tunes the mode operation of the organisation towards achieving its aims and objectives. Simmons stated that in the 1980s, a lot of globally renowned failures in audit resulted to the establishment of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), put in place with the objective of re-examining internal control systems and the strategies for assessing the effectiveness of internal control systems in an organisation [6]. They carefully examined the possible factors that can result to fraudulent financial practices and came up with recommendations that will help public institutions, private and public auditors, Securities & Exchange Commissions, and other regulatory agencies. According to him, the product of the creation of Committee of Sponsoring Organizations of the Treadway Commission (COSO) is what is today known as the COSO Internal Control - Integrated Framework.

Adewale refers to internal control as a defined set of policies of an organisation and stipulated internal processes put together by an organisation's management in order to effectively achieve the management's main aim of ensuring that the business of the organisation is undertaken in a flawless manner [7]. In other words, He is of the view that business entities can be said to be operating effectively and efficiently if they are able to adhere to the stipulated policies of management in order to safeguard the resources and assets of the organisation, set up a system that would put an end to or eradicate the undue alteration of the organisation's transactions. He is of the view that internal control is put in place by management in order to ensure that the business and activities of an organisation are in line with what the organisation is set out to achieve and how management wants the organisation to operate. His view on internal control hinges on how management wants the operational strategies of the organisation to look like. That is, how management tends to achieve the goals of the organisation through efficient and effective operational policies as designed by management.

Internal control as defined by Anthony is a process through which managers of organisations ensure that the resources of the organisations are gotten and utilised in an effective and efficient manner for the purpose accomplishing the objectives of the organisation [8]. This implies that, internal control is the mechanism through which the management of an organisation effectively achieve the set objectives of that organisation through the proper utilisation of the resources of an organisation. This assertion views internal control as being designed by management to guard against waste and encourage the maximum utilisation of both human and material resources of the organisation through the proper application of stipulated organisational rules and regulations. Organisations do this by putting in place systems and rules by which personnel in that organisation are expected or bound to adhere to in terms of how the resources of the organisation will be acquired and deployed towards the achievement of the set goals and objectives of the organisation.

The entire internal control system of an organisation, according to Weiss, is strictly inter-related to the management structures applied in overseeing the overall activities of the organisation and the corporate governance of that organisation [9]. Due to the existence of efficient and effective internal control systems, most organisations achieve a good standard of corporate governance which establishes the right

incentives for management to work towards and achieve the set objectives of the organisation. Millichap refers to internal control as a total system of financial and other controls which are being instituted by the management of an organisation for the purpose of carrying on the organisation's business in an efficient and orderly manner which will help to ensure compliance with the policies of management, safeguard organisation's assets and as far as possible ensure the correct entry and accuracy of the records of all the components of an internal control system [10]. Internal control involves various methods and precautions that are employed by the management of an organisation for the purpose of ensuring economic and smooth operation of the business enterprise. Kurmar and Sharma are of the argument that adequate internal control helps management in the execution of different functions that are aimed at realising the set objectives of the organisation [11]. He is of the argument that, these methods and measures are for the purpose of ensuring compliance to set rules and procedures thereby creating room for smooth and efficient accomplishment of organisational tasks. This assertion also holds that adequate internal control helps minimise cost in the running of an organisation if properly implemented.

Chambers is of the view that having a good understanding of the principles of internal control is beneficial to the development of an understanding of its effects on revenue generation in any organisation [12]. As a positive consequence of adequate internal control systems, organisations can achieve sound corporate governance that will provide a good environment for management to implement and realize the purpose and desires of the organisation. He establishes a direct relationship between internal control and revenue generation in an organisation. That where there is adequate internal control the organisation is poised to achieve its set goals and objectives which also includes revenue. This is based on the fact that revenue remains a major determinant of the growth and sustainability of any organisation.

Accountability processes and corporate governance as already noted by Simmons are all aimed at the protection of the interest of shareholders which is seen as one of the top priorities of modern organizations [6]. In effect, adequate internal control is essential in order to ensure that management's responsibilities are effectively and efficiently carried out through prevention of fraudulent losses, institution of accounting accuracy and reliability, ensuring adequate compliance to the rules of the organization, and assessing the performance level in all departments of the organization.

Hayes has it that internal control is made up of five component areas namely; control environment, risk assessment process of the entity, information and communication system, control processes and monitoring of control activities [13]. He refers to internal control as those systems that are instituted for the purpose of either preventing errors from affecting the processes of an organisation or detecting errors. In his own simple terms he defined as the processes relied upon by management for the purpose of ensuring that things do not get mixed up in the work place. In other words, he views internal control from the point of making sure that the organisation is flawless in its mode of operations and that internal control helps management to detect when the mode operation of the organisation is being altered or when rules are no longer adhered to.

Barry is of the argument that many managers and administrators still view internal control from a limited or small perspective as mere steps taken by a business entity to prevent employees from perpetrating fraud [14]. Such measures are actually a small component of internal control. It is a basic part of the responsibility of management to furnish interest parties with strong guarantee that the organization is

controlled effectively and that the accounting records it receives on a periodic basis are reliable and accurate. It is only a strong system of internal control that can provide this assurance of effective control of the organisation and reliable and accurate accounting data. A strong system of internal control does not only prevent fraud but ensures that the general principles, policies and rules of the organisation are maintained and adhered to. Fraud prevention is viewed here as a component or small aspect of what internal control is meant to achieve and not the sole purpose for which internal control is being instituted.

**Revenue:** Revenue has to with the products and services of an organization as their source of expected cash inflows. The value of assets of a firm increases as a result of the firm undertaking some business activities certain activities or there are economic activities undertaken by the firm. Pandey defined revenue as that monetary event of the asset values increasing in the organization because of the physical event of production or sales of the organization's products or services of the organization [15]. Most organizations get their revenue from interests, dividends or royalties that are paid by other organizations. In other words, he sees it as income generated by the sale of products to the right customers at the appropriate time and at an acceptable price.

Duru and Njoku refers to revenue as that which represents income expected by government within the budget period [16]. In other words, these are cash flows into the government coffers from different sources. In general terms, revenue is income generated by an organisation in the form of cash or its equivalents. Sales revenues are income realized from the sale of goods and services within a particular period of time. It is also known as turnover. Any income realized from the sale of goods and services, or through the use of capital and assets, coordinated through the main operations of an organisation before any costs or expenses are deducted can also be referred to as revenue. It is usually shown as the main item in the profit and loss account from which all other costs, charges and expenses are deducted in order to get the net income.

**Revenue generation:** According to Rittenberg and Schwieger revenue generation is the inflow or enhancement of the assets of an entity or the settlements of the liabilities of that entity from the period of delivery or production of goods to rendering of services and all other activities which makes up the ongoing central or major operations of the entity [17]. In other words, they termed revenue to be the inflow of assets received for products or services rendered to customers. In order to be able to generate better revenue, organisations need to critically explore the best possible ways of satisfying the needs of their customers and other stakeholders in the business.

Slamet refers to revenue management as the act of managing every aspect of a business that deals with money through an approach that is systematic, integrated and continuous [18]. The main purpose, according to him, is for the maximization of revenue through working on price changes and in response to expected demand. Revenue management also involves a broad understanding and knowledge of the historical trends in order to be able to predict the future. Organisations should strive to steadily improve on their revenue drive and put in place internal control mechanisms that can intervene with the activities of the organisation. This argument is supported by Thompson who opined that revenue management tends to be most effective if control mechanisms are made an integral part of an organization's system in order to boost the competitive advantage of the organization [19]. There should also be clear cut out strategies and plans on how an organisation can create a direct beneficial relationship between controls and effective revenue generation.

**Theoretical framework:** The theory applied in the analysis of the finding of this study is the control theory. Control theory is based on the argument that human beings generally are mostly interested in the satisfaction of their desires and needs, and do not want to encounter negative situations. They really do not want other persons to look down on them thereby avoiding the risk of losing approval and support from the people in their life. They are so much interested in how not to make mistakes that may attract negative criticisms about them or their work [20].

Ruth and Fuller has described control theory as an interdisciplinary branch of engineering and mathematics that deals with the behaviour of dynamical systems with inputs, and how their behaviour is modified by feedback [21]. They viewed control theory as scientific strategy that is employed in the analysis of how dynamic mechanical systems are being applied in the operations of an organisation and the kind of output expected from them. However, this view may not be applicable to social institutions and systems.

The routine objective of control theory is to control a system often called the plant so its output follows a desired control signal called the reference which may be a fixed or changing value. To achieve this, a controller is designed which monitors the output and compares it with the reference. The difference between actual and desired output, called the error signal, is applied as feedback to the input of the system, to bring the actual output closer to the reference [22].

Control theory in Sociology, as identified by Giddens, Appelbaum and Carr is based on the idea that two control systems inner control and outer controls work against our tendencies to deviate [23]. They asserted that, control theory can be either classified as decentralized or centralized control. Decentralized control is regarded as the market type of control while centralized control is regarded as a bureaucratic type of control. Decentralized control can only be applicable in decentralized manner as it embraces or gives room different actions to be taken at the same without establishing and recognizing a particular structural hierarchy. On the other hand, centralized control can only be applied through structures and institutions with well-defined structural hierarchy where there is an established line of authority.

According to them, decentralized control or market control is mostly necessitated through market forces such as competition, price or market share while centralized control or bureaucratic control is maintained through administrative and hierarchical structures and techniques such as establishing standards and policies. Decentralized control is applicable to economic terms and conditions or is applied in analyzing economic situations while the centralized control is applied in administrative conditions as a result of being implemented through well-defined centralized structures and institutions.

For the purpose of this papers, the centralized aspect of the control theory as identified by Giddens et al. was adopted and applied [23]. The adoption and application of the centralized aspect of this theory was deemed suitable for this study because internal control, to a greater extent, is centralized in nature and applied through administrative techniques, policies and structures. Also, the purpose of instituting administration in any organisation is to give that organisation the required type of leadership, guidance and control that will aid an effective and efficient attainment of the set goals and objectives of that organisation. Defliese identifies administrative control as a type of internal control and refers it to the plan of the organization and the procedures and records that are concerned with the decision processes leading to management authorization of actions and transactions [24].

That, as an administrative and management function, authorization is directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing proper control of transactions.

The importance of administrative control is reflected in the fact that the prime responsibility of management is to operate the organization within the available resources, it must be able to operate at acceptable cost, and use its limited resources in an efficient manner. To accomplish this, management must develop the requisite policies and procedures needed to promote efficiency in every area of the organization's activities. These policies and procedures must be implemented through proper personnel selection, training and management and the personnel made to understand how such policies and procedures must be implemented [25]. The effective and efficient implementation of administrative and management decisions, policies, and authorizations through the personnel of an organisation by means of well-articulated rules and procedures translates to administrative control.

## Methodology

### Research design

The research design employed in this study was purposive sampling also known as judgemental sampling. Cooper and Schindler asserts that purposive sampling design is a type of research design that guides a researcher to select a sample population that are most likely to provide him with the requisite data or information that are relevant to his study [26]. This type of research design does not allow generalisation. The researcher was interested in getting the opinion of the sample population that have the information needed for this study and are the custodians of internal control in RIRS. In other words, only those that are involved in the core of internal control in RIRS formed the sample population.

### Data collection

The data for this research was collected using primary data collection methods. Gupta and Gupta defines primary data as data which is collected by the researcher himself with the purpose of carrying out a specific investigation or inquiry [27]. The data were obtained through structured questionnaires.

### Historical background of rivers state internal revenue service

The Rivers State Internal Revenue Service (RIRS) was created in 1993 under the Board of Internal Revenue Law of 1993 (No. 3). It is the government agency entrusted with the responsibility of assessing, collecting and accounting for all taxes, fees and levies in Rivers State. It is involved in the formulation of tax policies as well as the supervision of revenue collection due to the State. However, the current tax regime derives its authority from the Personal Income Tax Act Amended (PITAM) which came into effect on June 14 [28,29].

Section 87(1) of Personal Income Tax Act Amended (PITAM) of 2011 states that "there shall be established in each State a Board to be known and addressed as the State Board of Internal Revenue (to be referred to in this Act as 'the State Board') with an operational arm that is to be known as the State Internal Revenue Service (to be referred to in this Act as 'the State Service')" [29]. The provisions of that Act makes Rivers State Internal Revenue Service the operational arm of Rivers State Board of Internal Revenue.

In 2013, the Rivers State House of Assembly passed the Rivers State Tax Bill into Law in order to ensure compliance with the provisions



with Section 87 [29]. In other words, PITAM 2011 was domesticated in Rivers State in 2013 by the Rivers State House of Assembly. Rivers State Internal Revenue Service is an autonomous agency of the Rivers State Government [29]. Autonomy was granted to the agency in April 2013 through the Rivers State Internal Revenue Monitoring Agency Law of 2013. The implication of that law is that, from that date, the Rivers State Internal Revenue Service ceases to be a department in the Governor's Office neither was it any longer under the supervision of the Ministry of Finance.

The Rivers State Internal Revenue Monitoring Agency Law of 2013 made provisions for harmonisation of taxes in the State. Taxes that were collected by Ministries, Departments and Agencies (MDAs) were all transferred to the RIRS. This helped to tackle the problem of multiple taxation in the State. In effect, the passage of that Law established a new tax administration system in Rivers State, precisely with effect from April 2014. The new tax administration system changed the method of collection and general tax administration system in Rivers State.

Section 87(2) of PITAM 2011 made provision for the appointment of a Chairman by the State Governor and subject to the approval of the House of Assembly of the State [29]. The Chairman is appointed as both the head of the Board and the Service. The functions of the Board, as stated in Section 88(1) of the aforementioned Act, are as follows:

- i. The Board shall be responsible for:
  - a. Making sure that there exists an effective and favourable collection of all taxes levies and penalties that are due to the Government as stipulated by the appropriate laws;
  - b. Undertaking such things that may be deemed necessary and advantageous for the proper determination and collection of all taxes and account for all the amounts collected in such a manner that is being determined by the State Commissioner for Finance provided that not less than five percent of the total amount of revenue collected and as being approved by the House of Assembly of the State shall be kept by the State Board of Internal Revenue to cover the cost of collecting and administering tax;
  - c. To make appropriate recommendations to the Joint Tax Board from time to time on tax reforms, tax policies, tax legislations, tax agreements and tax exemptions as may be deemed necessary;
  - d. To exercise general control over the management of the State Revenue Service; and
  - e. To appoint, promote, transfer and impose discipline on the State Revenue Service employees.
- ii. The Board of the State Revenue Service shall remain autonomous in the daily administration of the, professional, technical and administrative actions of the State Revenue Service.
- iii. In compliance to the provisions of subsection (4) of this section, the State Board may, through a notice in writing or through a Gazette, mandate any person to:
  - a. Exercise or perform on behalf of the State Board, any responsibility, functions or powers bestowed on the State Board; and
  - b. Receive any other document or notice that may be given or

delivered to or as a result of this Act and any other lesser but related law made under it.

- iv. Irrespective of the provisions of subsection (3) of this section, the State Board shall not authorise any of its power granted it under sections 2, 6, 7, 17, 46, 47, 50, 53, 54, 55, 57, 78, 86, 99, 102, 103 and 104 of this Act to any person [29].

### **Internal control mechanisms in rivers state internal revenue service**

The study revealed that Rivers State Internal Revenue Service (RIRS) adopted different internal control measures in order to ensure steady improved revenue generation by the organisation. On the use of ICT as part of internal control measures, this study clearly shows the level of importance of ICT in the overall activities of the organisation. Respondents interviewed, demonstrated a huge amount of reliance and importance of ICT revenue generation. As noted by Henry the use of ICT gives room to speedy execution of responsibilities, easy and quick dissemination of information and ideas, quick data analysis, prompt and secured record keeping and retrieval, and the retention of very large volume of data and information [30]. In addition, it also creates room constant interaction with other agencies of government, tax payers, and other stake holders involved in revenue generation by the agency. Long queues and unnecessary delays in processing of transactions are no longer experienced. This is in line with what Tahij rightly noted, that, the application of ICT in modern day governance and transactions helps to create room for transparency, accountability and a reduction in operational cost [31]. In other words, He is consolidating on the idea of the importance of ICT in almost all facets of our modern day activities.

A very remarkable achievement of the use of ICT as noted by the respondents is that it helped to abolish cash payments within the agency. All payments were made directly through the bank and payment tellers and receipts generated instantly online reflecting the details of payment including the bank through which it was paid. Notices of due payment dates, renewals, and other vital information in the form of text messages and electronic mails to notify and remind customers and tax payers on their obligations. Blockage of these leakages have helped to mop up cash and increase the revenue base of RIRS. The reminders have equally helped to facilitate payments as and when due. However, it was observed that some departments were yet to be fully integrated into the ICT system thereby slightly slowing down the rate of operations of those departments but that does not negatively affect the level of output in terms of revenue generation.

A publication by the National Bureau of Statistics on internally generated revenue showed that the internally generated revenue of Rivers State grew from ₦49.5bn in 2010 to ₦66.2bn in 2012 [32]. Also, the level of extensive public awareness in Rivers State on the importance of paying of taxes and some advertised evidences of how the State Government has applied the internally generated revenue in the provision of basic amenities and social infrastructures seems to attest to that fact.

This study also revealed that the issuance of Tax Identification Number (TIN) to tax payers by RIRS has contributed to the significant improvement in generation by the agency. The introduction of TIN as enshrined in PITAM (2011) has enabled RIRS to effectively compile a comprehensive record of all tax payers (both private and corporate entities), monitor the level of compliance to tax regulations, remind tax payers when and how to file in their annual tax returns, and made

it easier to track defaulters and tax evaders [29]. Section 94 of PITAM clearly spells out punishments for non-compliance, incorrect returns, false declarations and evasion. This study has demonstrated that issuance of TIN has contributed to easy and effective means of tax and levies payments thereby helping to increase the revenue base of Rivers State through the RIRS [29].

The internally generated revenue (IGR) of Rivers State grew from N2.5bn in 2007 to N5bn in 2008, and from N7bn in 2010 to N8.2bn in 2013 as a result of aggressive revenue drive and blockage of internal leakages National Bureau of Statistics [32]. However, it was observed that not all customers knew their TIN because they were only issued on request. Though, this does not in any way inhibit the payment of taxes and other rates and levies. On the part of the tax payer, TIN is vital when making reference to your tax record as it makes the agency to access your records easily. Whether a customer knows his TIN or not, it is already be generated once record has been established about a particular tax payer.

This study has revealed the role of internal audit in effective revenue generation in RIRS. As noted by Frank internal audit considers those practices and principles which contributes to the financial and overall success of an organisation and also systematically reviews an organizations mode of operations [33]. The results of the analysis of this study has revealed that internal audit has helped in contributing to improved revenue generation in RIRS as a result of compliance to financial regulations, periodic review of financial and general administrative methods and standards, protection of the assets and resources of the organisation, and compliance to general organizational rules and regulations. The study also showed that internal audit is of high importance to the operations of RIRS and the internal audit processes are reviewed periodically in order to enable always be meet up with the dynamic nature of modern day organisations. Howard rightly points out that internal audit assesses if the internal control processes are working effectively and an organization's risk are properly managed order to ensure maximum output [34].

The results of the analysis of the findings of this study also showed that in RIRS, segregation of duties has a relationship with revenue generation in RIRS. The responses gotten from the respondents which was applied in testing the hypotheses indicates that in RIRS, the existence of clear cut responsibilities creates room for proper checks and balances and also helps to detect the source of faulty transactions in the organisation. Millage rightly points out that segregation of duties is a principal element in internal control because it helps to ensure that no single or a group of employees should be in a position where fraudulent acts can be carried out and concealed [35]. Ross stated that general system of internal control also involves assigning responsibilities to individuals in different capacities in the organisation. In RIRS, different employees perform different responsibilities thereby making the internal control system in the organisation stronger, effective and reliable.

### Summary of findings

From the findings of this study, it was revealed that effective utilization of ICT in the operations of RIRS had contributed immensely to the yearly improvements in revenue generation by the agency. It created room for speedy execution of tasks, timely banks and customers record reconciliation, and retention and accessibility to large volume of data within the agency. Hence, tasks are usually accomplished within the stipulated time frame. From the results of the data, it was clearly shown that ICT is very vital to the sustainability

and effectiveness of RIRS in revenue generation. An article by Nengia in The Tide Newspaper of March 13, 2013 reported that the internally generated revenue of Rivers State grew from N2.5billion monthly in 2007 to N5 billion in 2008, and from N7 billion in 2011 to N9.5billion as at February 2013 which showed significant improvement across the years [36].

The study revealed that the issuance of Tax Identification Number (TIN) also contributes to effective and improved revenue generation in RIRS. All tax payers, both private and corporate bodies are issued TIN and this serves as their mark of identity with the agency. As a result of this identity, individuals and corporate bodies who have not complied with their tax obligations are easily identified and compelled to comply as stipulated in the law. For instance, persons seeking for elective offices, political appointments, and contracts usually approach the agency for tax clearance certificates and if found wanton, they are made to pay all tax arrears. In addition, TIN makes it easier for periodic tax assessment and audit of tax payers thereby increasing the level of revenue generation.

The study revealed that RIRS carries out quarterly internal audits with external audits carried out at the end of the financial year, which is December. Internal audit is very important in revenue management in RIRS because the internal auditors are well experienced in understanding the operational and control measures and procedures, and the financial and accounting systems of the agency. Peter mentioned that internal control helps to institute discipline in an organization's workforce thereby reducing the risks of failure to safeguard the organization's assets, theft, fraud and failure to ensure adequate compliance to operational rules and regulations in an organization [37]. In other words, internal control contributes to effective and improved revenue generation in RIRS.

The study revealed that in RIRS, the principle of segregation of duties is well in force and that no individual can perform numerous tasks at the same time or no individual can undertake any responsibility outside what that assigned to do. Management has clearly spelt out the responsibilities of the various departments and units in such a manner that such responsibilities do not overlap. For instance, there are clear-cut responsibilities between those who are responsible for monitoring and compliance and those who are responsible for serving of demand notices. All these are done for the purpose of eliminating collusion and fraud among the staff and these measures have contributed significantly to improvements in revenue generation in RIRS as shown in this study.

### Conclusion and Recommendations

The growth and sustainability of any organisation cannot be well achieved without adequate coordination and control of the component units that make up that organisation. Hence, the need for adequate internal control. This study revealed the components or mechanisms that create room for effective internal control system in Rivers State Internal Revenue Service. The study had endeavored to examine the positive link between the internal control mechanisms and revenue generation in Rivers State Internal Revenue Service.

The various mechanisms examined play different roles that are all geared towards achieving one purpose in the RIRS. Diamant opines that internal control measures are geared towards ensuring compliance to operational rules and regulations, drastically minimizing accounting related errors, safe guard the organisation against fraud and irregularities, and proper management of the material and financial resources of the organization [38-40]. In the case of RIRS, it is these

variables and all the attendant positive effects that results in increased revenue generation.

The control theory applied in this study adequately explains the central objective of the study. The theory posits that control is centralized in nature and applied through administrative mechanisms and techniques. Internal control is an administrative technique that is applied with the central aim ensuring effectiveness, efficiency, authorization, regulation and high productivity in an organisation. As an administrative function, adequate internal control in RIRS is directly associated with the responsibility of improved revenue generation and that is evidenced in the findings of this study [41-44].

Internal control falls in the ambits of the centralized aspect of the control theory. This aspect is bureaucratic in nature and applied through administrative policies and techniques and internal control is an administrative responsibility which is applied and regulated by the administration of agency, in this case the administration of RIRS.

This study has shown that the internal controls mechanisms put in place in RIRS have a direct relationship revenue generation in RIRS and these mechanisms have contributed immensely to the continuous improvement in the level of revenue generation. However, in order to consolidate on these gains, the following recommendations were hereby made:

- i. Internal control mechanisms are not substitutes for effective management rather they are tools that help management in achieving set organizational goals and objectives [45,46]. Therefore, management should not solely rely on them for optimum performance of the organisation but should always seek ways of improving on the existing internal control measures while obsolete and non-productive methods should be abolished. In doing this, they should take cognizance of the dynamic nature of modern organizations [47].
- ii. There should be an expansion of the ICT facilities and gadgets in RIRS as some units and departments are yet to be fully integrated into the system and all the staff should be adequately trained on how to use the relevant software for record keeping, monitoring of customers' records, speedy processing of payments and dissemination of information to customers and tax payers [48-50].
- iii. Constant checks and upgrading of the ICT facilities should be carried out in order to guard against the challenges of congestion of the service network, slow data processing speed, and obsolete software's.
- iv. RIRS should ensure that TIN is automatically generated and issued to all tax payers without the tax payers demanding for it. This should be done once a fresh record has been made and the customer be made to know his TIN immediately and not on request.
- v. Prosecution of tax evaders and those who under-declare their taxable income should be regarded as a matter of importance as stipulated by the law.
- vi. There should be extensive enlightenment campaigns on the part of the agency in order to make the masses understand payment of taxes is not only for business owners and salary earners for every legitimate income earned.
- vii. There should be effective monitoring of customers' complaints and feedback mechanisms in RIRS.

- viii. The management of RIRS should employ more personnel in order to cope with the increasing number of tax payers and the challenges of expansion of the agency.

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