

THE EFFECT OF INTERNAL CONTROLS ON TAX COMPLIANCE IN ORGANIZATION CASE STUDY: LINK BUS SERVICES LTD

MERCY LAUREEN NAKIMBUGWE

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DECLARATION

I NAKIMBUGWE MERCY LAUREEN declare that this is my original work and to the best of my knowledge, it has never been submitted to any University or institution for a degree award.

Signed.....

Date14th/04/2026.....

NAKIMBUGWE MERCY LAUREEN

M23B05/154

APPROVAL

This is to certify that this research report was prepared by Nakimbugwe Mercy Lauren M23B05/154 on a topic "The Effect of Internal Controls on Tax Compliance in Organizations: A Case Study of Link Bus Services Ltd" under my supervision and hereby approve it for submission for the award of the degree of Bachelor Of Business Administration of Uganda Christian university

Signed  Date 13/04/2026

DR. NYAMUYONJO DAVID

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DEDICATION

I dedicate this research report to my family, relatives, friends and loved ones for the love, care and support they have rendered to me during my academic journey and in the process of writing this research report, may all might God bless you all abundantly

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
ACKNOWLEDGMENT	iii
DEDICATION	iv
LIST OF FIGURES AND TABLES.....	vii
ABBREVIATIONS.....	viii
ABSTRACT	ix
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.0 Introduction	1
1.1 Background of the Study	1
1.2 Statement of the problem.....	2
1.3 General objective	3
1.4 Specific objectives of the study.....	3
1.5 Research questions	3
1.6 Scope of the study	3
1.6.1 Content scope.....	3
1.6.2 Geographical scope	4
1.6.3 Time scope.....	4
1.7 Significance of the study	4
1.8 Conceptual framework	4
CHAPTER TWO.....	5
LITURETURE REVIEW	5
2.0 Introduction	5
2.1 Theoretical Underpinning.....	5
2.2 The Concept of Internal Controls.....	6
2.3 The Concept of Tax Compliance	7
2.4 The Relationship Between Internal Control and Tax Compliance	7
2.5 Empirical Studies	8
2.5.1 Record-Keeping Practices and Accuracy of Tax Declarations	8
2.5.2 Segregation of Duties and Timely Filing of Tax Returns	8
2.5.3 Internal Audits and Payment of Correct Tax Liabilities	9
2.7 Summary of the Literature Review	10
CHAPTER THREE	11
RESEARCH METHODOLOGY	11
3.0 Introduction	11
3.1 Research Design.....	11
3.2 Target population.....	11
3.3 Sample Size	11
3.4 Sample Techniques	12
3.5 Data Sources	12
3.5.1 Primary Data Sources	13

3.5.2 Secondary Data Sources	13
3.6 Data collection method	13
3.7 Data analysis.....	13
3.7.1 Analysis of techniques.....	13
3.8 Ethical Considerations	16
3.9 Measurement of Variables	14
3.10 Anticipated limitations	14
CHAPTER FOUR.....	15
RESEARCH FINDINGS AND INTERPRETATION OF RESULTS.....	15
4.0 Introduction	15
4.1 Response Rate.....	15
4.2 Background of the respondents.....	15
4.3 Description of the Dependent Variable (Tax Compliance).....	17
4.4 Description of independent variables	18
4.4.1 Description of how do record-keeping practices influence the accuracy of tax declarations	18
4.5 Description of how does segregation of duties affect the timely filing of tax returns?	20
4.6 Description of the role of internal audits in ensuring the payment of correct tax liabilities.....	21
4.7 Linear Regression Results and Hypotheses Testing.....	22
4.7.1 Testing of hypotheses	23
CHAPTER FIVE	25
DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.....	25
5.0 Introduction	25
5.1 Discussion of finding	25
5.1.1 Record-Keeping Practices and Accuracy of Tax Declarations	25
5.1.2 Segregation of duties and Timely Filing of Tax Returns	25
5.1.3 Internal Audits and Payment of Correct Tax Liabilities	26
5.2 Conclusions	26
5.3 Recommendations.....	26
APPENDIX.....	28
REFERENCES	32

LIST OF FIGURES AND TABLES

Figure 1: Conceptual Framework

Table 1: Target Population, Size and Selection

Table 4.1: Response rate

Table 4.2: Background Information on the Respondents

Table 4.3: Description of Tax Compliance

Table 4.4: Record-keeping practices influence the accuracy of tax declarations

Table 4.5: Description on how does segregation of duties affect the timely filing of tax returns

Table 4.6: Description of internal audits in ensuring correct payment of liabilities

Table 4.7: Linear Regression Analysis Results

ABBREVIATIONS

URA - Uganda Revenue Authority

VAT - Value Added Tax

ERP - Enterprise Resource Planning

PPDA - Public Procurement and Disposal of Public Assets Authority

OECD - Organisation for Economic Co-operation and Development

COSO - Committee of Sponsoring Organizations

ABSTRACT

This study investigated the effect of internal controls on tax compliance in organizations, focusing on Link Bus Services Ltd in Uganda. Despite the presence of internal control systems, many organizations continue to face challenges such as inaccurate tax declarations, delayed filings, and penalties. The study specifically examined the influence of record-keeping practices, segregation of duties, and internal audits on tax compliance. The study employed a descriptive research design with a population of 40 employees of the company, however, only 38 employees responded to the questionnaires which gave the study a 95% response rate. A structured questionnaire was used to collect the data from the employees. The data was analyzed using descriptive statistics and multiple linear regression analysis using the statistical package for social sciences (SPSS). The findings of the study revealed that there was a significant positive relationship between the practice of maintaining good record keeping and tax compliance within the organizations ($\beta = 0.206$, $p = 0.037$). Furthermore, the practice of conducting internal audits within an organization was also significantly positively related to the taxpayers' compliance with the country's tax laws ($\beta = 0.265$, $p = 0.029$). While a positive relationship was found between the segregation of duties within an organization and tax compliance, such a relationship was not statistically significant ($\beta = 0.165$, $p = 0.063$). The internal control measures analyzed in this study accounted for 19.3% of the total variation in the taxpayers' compliance with the country's tax laws. Recommendations for improvement in the taxpayers' compliance with the country's tax laws include improving record keeping practices within the organizations, providing training to the employees on these record keeping practices, and improving the organization's internal audit functions. These findings will be of benefit to the managers of the organizations, the policymakers of the country, and the Uganda Revenue Authority as they seek to develop effective strategies to improve tax compliance within the taxpayer population of the country.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents an introduction to the study on the effect of internal controls on tax compliance in organizations. It provides the background to the study, outlines the statement of the problem, and clearly states the purpose, research objectives, and research questions that guide the investigation. Additionally, it discovers the scope, justification, significance and conceptual framework.

1.1 Background of the Study

Tax compliance is a fundamental responsibility of companies, and has a big part to play in ensuring financial transparency and sustainability. Enterprises must evaluate, report and pay taxes in full compliance with national tax laws. Good tax compliance ensures that organizations evade sanctions, interests and reputational damages while contributing to the revenue collection of governments that fund service delivery and economic expansion (Kihato, 2019; Maseko & Manyani, 2019).

Internal controls form the foundation of compliance in any company. Internal control refers to a system of structured policies, procedures and practices, held in place by the integrity of corporate management and staff are designed to provide reasonable assurance that business objectives will be achieved and that undesired events will be prevented or detected early (COSO, 2021). Good internal controls promote transparency and minimize errors in financial transactions which would result to proper tax filing on time and accurate paying of duties. Key components of internal controls are well kept records, separation of duties, authorisation procedures, internal audits, and ongoing monitoring processes (Bananuka et al., 2018).

In Uganda, companies must meet tax requirements regulated by the Uganda Revenue Authority, which include income tax, Value Added Tax (VAT), Pay As You Earn (PAYE) and withholding tax. However, a lot of organisations are still having hurdles in achieving full compliance as a result of the internal control system's failure to perform to the users' expectation coupled with less competence by staff and poor supervision (Kihato, 2019). Business entities may receive heavy fines and more inspection from the government if their money documents are messy or if their tax math is wrong or if their money is not being balanced properly. Experts have also stated that having the policies in place within the office is not enough to ensure the company's success if the bosses do not care for the company and if the workers are not properly trained for their

positions within the company. Companies that watch their activities closely and do deep checks on dangers usually follow tax regulations much better than those who are lazy.

The work that is done for the Government by the internal audit team is to find the holes in the money steps that the companies take and to tell the leaders of those companies how to fix those issues before the Government becomes angry at them for the missing money. New machines and computer programs have changed the way that business entities manage their money and tax regulations in the modern world. Using computers to count money and keeping better systems of money has led to the reports of the money being correct and taxes automatically completed by itself. Only when the machines are set up correctly and the employees are properly trained will the benefits of these new technologies be seen. Furthermore, regardless of the use of the best money management and tax control computers, any weaknesses in the internal controls will pose dangers to tax regulations for those companies. Companies like those in the moving and travel industry deal with the movement of money every single day to pay for gas, employees, and to collect money from those who require their provided goods. Because of this, many believe that these companies require strong internal controls to ensure that their money and tax regulations remain strong. These companies utilize different systems to manage the movement of their money in order to remain in compliance with the rules of the country and its tax office. However, due to the fact that their internal controls are sometimes not strong, these companies are at a high chance of committing mistakes in their management of taxes and taxes being submitted on time with the Government.

1.2 Statement of the problem

Although there are internal control systems implemented into the taxes that are collected from all individuals in the nation, many groups of people still find problems in the compliance of those taxes due to the complexity of the rules that have been established. These internal control systems are established to enhance financial transparency and to ensure that no mistakes are made by the organizations or to engage in any deceptive actions, but many problems with individuals submitting incorrect taxes and paying fees as a result of their incorrect returns are still seen. People often feel that these systems are weakened in instances in which there is bad supervision of the taxes or if there are no individuals in crucial positions who have the necessary skills to manage the financial risks of the organization.

In nations like Uganda and other developing financial systems, governmental authorities that are in charge of collecting taxes have increased their activities to monitor the taxes of the businesses in these regions of the nation. Despite these increased efforts, however, people within these nations still believe that the organizations within those

regions are failing to meet the required standard of paying the taxes that are mandated for those nations. The rules that are established for these nations are to be strictly followed by the government officials to ensure that the people contribute to the nation's growth through the 缴纳 of taxes. Even though these laws are established, however, the implementation of these internal controls is failing relative to the operations that occur within those nations, leading to problems for the local economies. Thus, due the gap between the required taxes and the actual taxes that are collected, it is necessary for the researchers to investigate the impact that internal controls has on tax compliance of the individuals in those nations..

1.3 General objective

- i. To examine the effect of internal controls on tax compliance in organizations.

1.4 Specific objectives of the study

- i. To examine the influence of record-keeping practices on the accuracy of tax declarations.
- ii. To assess the effect of segregation of duties on the timely filing of tax returns.
- iii. To determine the role of internal audits in ensuring the payment of correct tax liabilities.

1.5 Research questions

- i. How do record-keeping practices influence the accuracy of tax declarations?
- ii. How does segregation of duties affect the timely filing of tax returns?
- iii. What is the role of internal audits in ensuring the payment of correct tax liabilities?

1.6 Scope of the study

The scope of the study will cover three dimensions that is; content, geographical and time and these are discussed in detail below.

1.6.1 Content scope

The study will focus on examining the effect of internal controls on tax compliance in organizations. Specifically, it will assess the challenges organizations face in implementing internal controls for effective tax compliance, examine the extent to which internal controls minimize risks of tax evasion and avoidance, and determine the role of internal audits in enhancing tax compliance.

1.6.2 Geographical scope

The study will be conducted at Link Bus Services Ltd, located in Uganda. The research will specifically focus on the finance, accounts, and internal audit departments of the organization to examine how internal controls influence tax compliance within the company.

1.6.3 Time scope

The study will focus on the period 2018 to 2024 as our time scope

1.7 Significance of the study

This study is significant to several stakeholders.

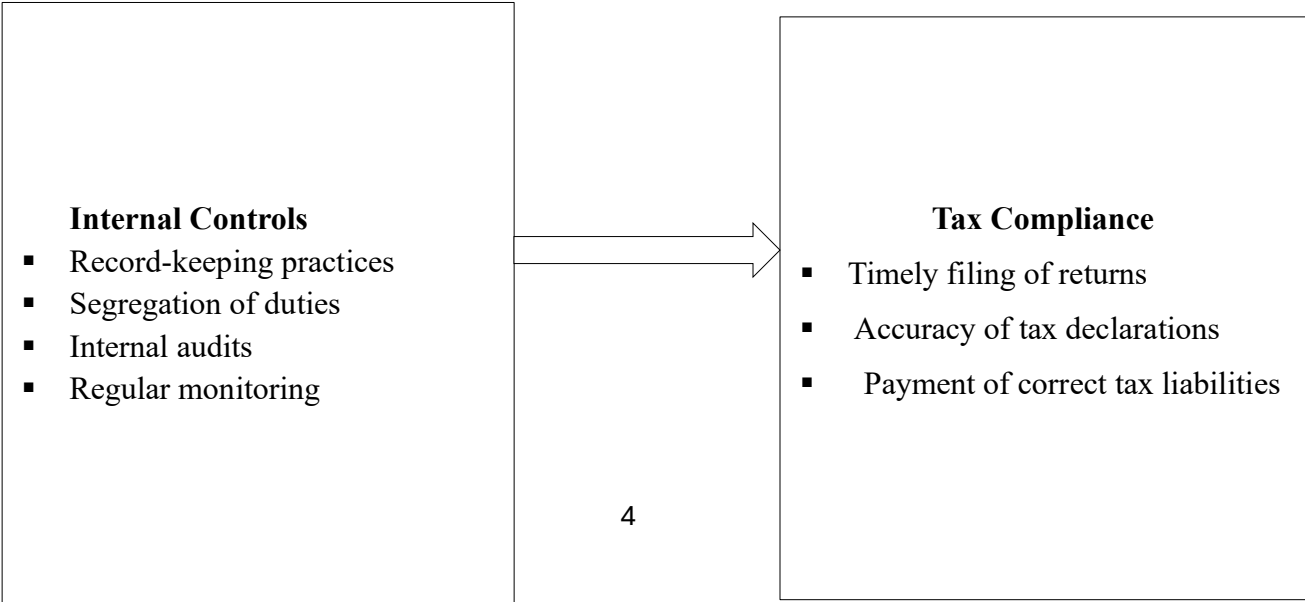
- i. For enterprises, the research shows how strong internal controls can favorably impact tax compliance, penalty exposure and accurate/timely reporting of taxes and other estimates.
- ii. The findings of this research project will allow the policymakers and governing authorities to formulate strategies and frameworks to encourage compliance with tax laws.
- iii. For the academic community, this research will add to the existing literature on the topic of internal controls and tax compliance in countries like Uganda and others across the developing world. Furthermore, this research will also help to open avenues for future research on the topic of internal controls and tax compliance in these regions of the world.

1.8 Conceptual framework

Figure 1: Conceptual Framework

Independent variable

Dependent variable



CHAPTER TWO

LITURETURE REVIEW

2.0 Introduction

Chapter three examines the literature on internal controls and tax compliance in organizations. The chapter examines the theories related to internal controls and how these relate to tax compliance. Furthermore, the various findings of literature in the field of internal controls are examined as well as opportunities for future studies in the area.

2.1 Theoretical Underpinning

Experts have claimed that the theories of agency theory explain how managers in organizations often focus on their own personal gains as opposed to the gains of the organization as a whole due to the very low level of supervision that is often provided to them (Nkundabanyanga et al. 2017). As a result of these managers focusing on their gains, errors in accounting for organizations finances and taxes for those organizations are often seen. Through the use of internal controls in the organization, though, which work to reduce the risks associated with the management of that organization and promote honesty in the records of that organization, these issues can be avoided. For

instance, internal controls can be implemented that focus upon the retention of records of the organization and performing internal audits to avoid situations in which managers present bad information to the public. Through these internal controls, taxes can be set up in a manner that is accurate and in time for the stakeholders of the organization.

Agency theory posits that when there is a low level of supervision of employees and managers, those employees and managers will tend to focus on their own interests above those of the organization as a whole (Nkundabanyanga et al. 2017). These conflicts of interest can often result in accounting errors and an incorrect reporting of taxes for those organizations. Internal controls in this case function as a form of governance to mitigate these instances, with the aim of promoting honesty, accountability, and compliance with the legislation and policies of the organization and its stakeholders. These practices focusing on tax compliance such as record retention, segregation of duties and internal audits serve to monitor managerial behaviors as deterrents against poor reporting together with ensuring accurate and timely fulfillment of tax obligations.

2.2 The Concept of Internal Controls

Internal control is defined as a structured group of systems and procedures that help an educational institution or organization reach its goals in a systematic way (Bananuka et al. , 2018) Protection against all kinds of mistakes is provided by internal controls and they identify unusual data points while reducing incorrect reporting in particular for tax matters where errors lead to financial penalties or harm. And many people believe that effective internal controls help in molding how directors act since these systems provide trustworthiness for money-related operations and confirm that tax debts are paid correctly.

Maintaining records and dividing tasks among workers along with checking books frequently are key parts of internal controls which make sure financial dealings are written down so that tax forms and bank balances match perfectly for the year (Musah et al. 2021). Experts claim that such tools are used so that a single individual doesn't control every single step since this reduces the danger of theft or simple human mistakes while helping with the filing of papers (Maseko & Manyani, 2019). since internal audits stay separate from the leaders, errors in the books are discovered by auditors who propose ways to fix things for tax payments (Ainomugisha, 2020). Checking work on a regular basis makes internal controls stronger by catching strange things early and encouraging everyone to follow rules.

2.3 The Concept of Tax Compliance

The observance of legal tax obligations is required from companies including the accurate reporting of income and submitting returns to the Uganda Revenue Authority (URA) without any delay or mistakes. It has been observed that tax compliance shows a company is being honest and responsible with its money while following the regulations which help the government collect funds for the people who need them (Bananuka et al. , 2018).

loads of Ugandan entities face serious difficulties when they try to follow the laws as internal control systems are weak and disorganized, which leads to incomplete records that are kept by the workers, and delayed filing of their monthly returns. So it has been observed that these Ugandan entities struggle since financial management is weak and recording systems aren't good enough (Ainomugisha, 2020). Many people believe that tax compliance is determined by the way businesses are managed inside the offices every day even though government inspectors watch them.

2.4 The Relationship Between Internal Control and Tax Compliance

Systematic methods for maintaining precise documentation and performing checked deeds while making reports help internal controls to see to it tax compliance is achieved effectively every single time. External investigations show that a very big link exists between bad internal controls and wrong tax returns or late filing or delayed payment of taxes compared to those with good systems who follow laws and rules carefully (Ainomugisha 2020). Tax compliance is supported by these methods because they offer a way to collect and review the financial data of the company before submitting it to the Uganda Revenue Authority. Furthermore, based on existing literature, the implementation of these basic procedures will ensure that the company's tax compliance process remains strong and reliable (Maseko & Manyani, 2019).

Internal auditing and the continuous checking of the company's activities ensure that all the financial data that the company collects is in accordance with the national financial regulations and effectively submits returns to the Uganda Revenue Authority. It is believed by experts that audits make sure the math for taxes and payments is correct every time while monitoring allows quick fixes. Accountability is strengthened by these controls as they make financial reports more trustworthy for everyone involved while reducing risks for a working position at Link Bus Services Ltd in Uganda when operations (Tumwesigye & Wanyana, 2021).

2.5 Empirical Studies

2.5.1 Record-Keeping Practices and Accuracy of Tax Declarations

Proper tax filing connects deeply with the specific way a business entity manages its financial records every single day. since financial records are organized with great care, every exchange of money is recorded and checked before being sent to the Uganda Revenue Authority. Many experts believe that the daily habit of updating invoices and receipts in Uganda helps financial workers and tax agents to verify facts much more effectively while reducing mistakes when tax computation every year. Financial workers in organizations with pretty good financial records are better able to prepare tax declarations which reflect the real money case clearly so that they can avoid heavy penalties or conflicts with the government tax officers (Bananuka et al. , 2018).

Problems often start to grow when the management of financial records isn't strong or disciplined for the company. Money exchanges might be put in wrong groups, and it has been observed that some earnings are hidden from the government. Serious trouble can come to a business since these mistakes damage the truth of the tax returns submitted to the tax office. Reliable tax reports are produced by organizations that use good systems and hire people with a working position of high skill while keeping all their papers updated every single week. Matching the money accounts becomes a simple task for these groups when they need to show proof while an audit to stay inside the law and remain compliant (Ainomugisha, 2020). Modern machines and software have helped to make financial records much better inside the country of Uganda lately for many businesses. Computers now help to write down money movements and keep all the information in one place where people can see it fast and use it for their daily office work. Mistakes are decreased by these tools to prepare accurate tax returns (Tumwesigye & Wanyana, 2021).

2.5.2 Segregation of Duties and Timely Filing of Tax Returns

Segregation of duties is the sharing of financial responsibilities. By ensuring that the same individuals are not responsible for preparing, reviewing, and filing tax-related information, firms increase their ability to file taxes on time. The East African firms emphasize in the study that distributing the various roles and the responsibilities of firms leads to less disruption in the financial operations of the company and makes it easier for Ugandan companies to find the means to prepare tax returns on time (Karim et al., 2020).

In Ugandan firms, when duties are not segregated, there is often a significant disruption to the timely preparation of tax returns. If one employee has multiple elements of preparing a tax return to deal with, this can lead to delays and ultimately cause

challenges. When they can segregate their duties, employees can focus on their separate tasks, and the entire department is prepared to prepare tax returns on time. Firms have highlighted in the studies performed on SMEs in Uganda that segregating these duties leads to better internal reporting for the firms and also assists the employees in preparing to file statutory taxes (Nabwire & Adeoye, 2021).

Technology assists firms in the segregation of duties as it will automate checks in the systems, which make it more difficult for the firms to miss deadlines, as the automated systems often send notifications to the management if there are tasks pending. Automated systems can also assign different rights to different employees. This means that they will only be able to change the reports that can be changed by the appropriate managers. As with all aspects of the company, technology can only assist to a certain extent, as firms should be managed appropriately, and employees should know how to use technology effectively. Firms in Uganda that use technology appropriately while also segregating their duties within the companies have a higher degree of filing their taxes on time, thus avoiding penalties and increasing their compliance (Okello & Kasozi, 2022). Further empirical studies emphasize that segregation of duties is a critical internal control practice that enhances accountability and efficiency in financial management processes.

2.5.3 Internal Audits and Payment of Correct Tax Liabilities

Internal audits mean the professional processes when commercial establishments carry out an independent review about their financial money procedures. Mistakes in the records are discovered by internal audits, and internal audits also give a review of work if something goes wrong on a tax return before the return is submitted to the office. Commercial establishments can see if their tax payments are correct through regular internal audits that happen every year for the business. Many experts claim that internal audits help reduce the differences found in official government reporting for the country (Mugume & Kaggwa, 2021).

Internal audits make sure that money payments are right as internal audits use set rules and fixed standards for the company. The specific internal audit department examines the money books and compares the tax math with original papers so that mistakes are made smaller for the records. It has been observed that commercial establishments in Uganda with good internal audit activities follow the tax laws better than those without those activities. Auditing inside the tax organization happens to see to it that tax payments are finished correctly so that the law is followed (Kasule & Nsubuga, 2022).

Internal audits become more effective in contributing to the improvement of tax payment accuracy when internal audits are applied together with other methods, such as the utilization of digital auditing tools and data analysis techniques to examine

financial records more effectively for the organization so that everything is correct. These specific ways help personnel in working positions find bad records quickly and fix those records before the tax forms are delivered to the government. Many people believe that the success of internal audits depends on factors like specialized knowledge skills of the workers, the availability of accurate written evidentiary records, and.

2.6 Gaps in the Literature

Most studies focus on large corporations, leaving a gap in understanding SMEs, which face unique resource and operational challenges. There is also limited research on how internal controls affect tax compliance, with more emphasis placed on financial reporting than actual tax outcomes. Additionally, evidence is scarce on how technology, staff competence, and management oversight jointly influence tax compliance in Uganda.

2.7 Summary of the Literature Review

Strong internal controls like record-keeping, segregation of duties, and audits support accurate and timely tax filing in Uganda. However, how these systems work together, and the role of technology, staff competence, and management oversight in shaping tax compliance, remains unclear.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Chapter Three provides a detailed explanation of how the investigation into the impact of internal controls on tax compliance will be undertaken in this scientific work. The author describes the research design and the population that will be investigated, the samples that will be used from the population, and the methods that will be utilized to gather the data from those samples. Many experts believe that following these ethical considerations is a necessary step to take while undertaking the entire research process.

3.1 Research Design

The design that will be utilized in this research investigation is the descriptive research design. This research design will allow for information regarding internal controls to be gathered from the company Link Bus Services. Furthermore, it has been observed that using questionnaires to gather numerical data will allow for the performance of statistical analyses on the data gathered from Link Bus Services on the impact of internal controls on tax compliance.

3.2 Target population

The target population of the study was 45 employees of the Link Bus Services organization who worked in different departments. The target population comprised employees who worked in areas related to internal control, tax compliance, auditing, risk management, finance, and compliance. These employees were chosen as the target population as they were directly involved in the implementation of the internal controls and the upkeep of tax compliance for the organization.

3.3 Sample Size

Katamba & Nsubuga (2014) defined sample size as a portion of a population or a subset that is determined from the total population. The sample size that was used in the study was determined according to the sample size formula, using Slovin's formula as follows;

$$n = N / (1 + N(e)^2)$$

The sample size (n) was calculated using Slovin's formula, where N represented the total population of 45 employees, and e denoted the margin of error, set at 0.05.

$$n = \frac{45}{1 + 45(0.05)^2}$$

$$n = \frac{45}{1 + 45(0.0025)}$$

$$n = \frac{45}{1 + (0.1125)}$$

$$n = \frac{45}{1.1125}$$

$$n = 40$$

The study used 40 respondents, from Link Bus Services

Table 1: Target Population, Size and Selection

Category of Respondents	Population	Sample Size
Procurement Officers	10	10
Finance Department	6	4
Risk Management Department	5	5
Compliance Department	9	9
Operations/Dispatch Department	15	12
Total	45	40

Source: Primary data 2025

3.4 Sample Techniques

This study used purposive sampling and simple random sampling. The purposive sampling technique was used to select the Link Bus Services' employees in the audit, finance, risk management, and compliance sections, as they had the expertise necessary to respond to questions pertaining to internal controls and tax compliance. The simple random sampling technique was then used to select the remaining employees ensuring that every employee had an equal chance of being included, which reduced bias and improved the representativeness of the sample.

3.5 Data Sources

Primary and secondary data sources will be employed in the investigation.

3.5.1 Primary Data Sources

Data will be gathered from Link Bus Services employees through the use of questionnaires and interviews. These employees will be selected from various departments within the company that are involved in the implementation of internal controls and other aspects related to tax compliance.

3.5.2 Secondary Data Sources

Data from secondary sources will include literature published on the topic, reports published by Link Bus Services, and other reputable online sources that contain information regarding internal controls and their impact on tax compliance.

3.6 Data collection method

The study used both questionnaires and interview guide to collect primary data for the study.

Questionnaires

A questionnaire offered respondents the liberty to provide data in specifics due to the open-ended nature of some of the items it contained (Creswell, 2014). Since a sizable portion of the population was semi-illiterate, the researcher employed questionnaires. Because they were simple to complete, saved time, and helped respondents stay more focused on the topic, the researcher created both closed- and open-ended questions (Likert scale format). The questionnaire was broken down into sections containing questions on the dependent variable, the independent variable, and personal information. Since questionnaires were the primary means of gathering data, they were used. This benefited the researcher because it took less time to cover a wide population. The questionnaires were the most effective tools for quantitative research since they allowed anonymity, which suggested that the answers were more truthful. The guidelines for how to approach and respond to the questions were made evident to the respondents. As a result, information from the chosen respondents was gathered via the questionnaire.

3.7 Data analysis

3.7.1 Analysis of techniques

After data collection, responses were coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis. The data were summarized using descriptive statistics, such as frequencies, percentages, averages, and standard deviations. Likert-scale responses were examined to understand how strongly respondents felt each factor influenced investment decisions. To make the results easy to follow, the findings were presented using tables, charts, and graphs.

3.8 Measurement of Variables

The study measured variables using a five-point Likert scale, where 1 represented “Strongly Disagree” and 5 represented “Strongly Agree.” Internal controls were assessed through aspects such as the strength of the control environment, the effectiveness of risk assessment procedures, the comprehensiveness of control activities, and the quality of monitoring and communication with the Uganda Revenue Authority.

Tax compliance was evaluated based on timely filing of tax returns, accuracy of tax declarations, prompt payment of taxes, and adherence to the compliance standards established by Link Bus Services.

3.9 Anticipated limitations

The study faced certain limitations during data collection and analysis:

- i. The research was conducted within a limited timeframe, which could restrict the depth of data collection and analysis.
- ii. Some employees at Link Bus Services were reluctant to provide sensitive information regarding internal control practices and tax compliance, potentially limiting the completeness of the data
- iii. Respondents might have provided socially desirable answers or overstated compliance levels, which could have influence the accuracy of findings.

CHAPTER FOUR

RESEARCH FINDINGS AND INTERPRETATION OF RESULTS.

4.0 Introduction

This chapter presents analyses and interprets the study findings. It specifically presents the response rate, background of the respondents, description of variables and findings of the study objective.

4.1 Response Rate

A total of 40 questionnaires were issued and 38 were turned as shown in table 4.1 below.

Table 4.8: Response rate

Respondents	Questionnaire issue	Questionnaire returned	Response rate (%)
Procurement Officers	8	6	75
Finance Department	6	6	100
Risk Management Department	6	6	100
Compliance Department	8	8	100
Operations/Dispatch Department	12	12	100
Overall rate	40	38	95

Source: Primary data 2026

Table 4.1 above shows an overall response rate of 95% which was high and suggesting that the survey results were representative.

4.2 Background of the respondents

This section reflects the distribution of respondents by sex, age, experience and

education level as shown in Table 4.2.

Table 4.9: Background Information on the Respondents

Variable	Category	Frequency	Percentage (%)
Sex of the respondent	Male	25	65.79
	Female	13	34.21
Age groups of the respondent	18-29 years	7	18.42
	30-39 years	20	52.63
	40-49 years	9	23.68
	50 and above	2	5.26
	Total	38	100
Highest education level	Certificate/Diploma	7	18.42
	Master's degree	7	18.42
	Bachelor's degree	18	47.37
	PHD	6	15.79
Working experience	Below 1 years	11	28.95
	1-4 years	16	42.11
	5-9 years	5	13.16
	10 and above years	6	15.79

Source: Primary data 2026

From Table 4.2 shows that most of the respondents were males with a 65.79% compared to females with 34.21%. This suggests that majority of the Link bus services staff who participated in this study were males.

Table 4.2 also depicts that most of respondents have ages ranging from 30 to 39 years with 52.63% followed by those whose ages are ranging from 40 to 59 years. These are followed by young respondents who aged 18 to 29 years and lastly those who are old and above 50 years. This suggests that majority of the staff of Link bus services were aged 30-39 years.

Most of the respondents are Bachelor's degree holders with 42.11% followed by Certificate/Diploma respondents who have 18.42%. These were followed by respondents who have Master's degree with 18.42% and lastly those who have PhD with 13.16%. This suggests that most of the staff at Link bus services are Bachelor's degrees holders.

Most of employees who were interviewed have 1-4 years of experience with 42.11% followed by those with 1 years and below experience who have 28.82% while 15.79% had a working experience of above 10 years and those between 5-9 had 13.16%. This suggests that most staff at Link bus services who participated in this study had working experience of 1-4 years.

4.3 Description of the Dependent Variable (Tax Compliance)

The dependent variable, **Tax Compliance** comprised of 06 quantitative items. These were measured using a five-point Likert scale ranging from 1 - 5. Where (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree and (5) = strongly agree as shown in Table 4.3.

Table 4.10: Description of Tax Compliance

Tax Compliance	Agree		Not sure	Disagree		Mean	SDV
	F (%)		F (%)	F (%)			
	SA	A	NS	DA	SDA		
Timely filing of tax returns improves overall tax compliance within the organization.	11 (28.9)	14 (36.80)	4 (10.5)	3 (7.9)	6 (15.8)	3.55	1.408
Accurate preparation of tax reports enhances compliance with tax regulations.	8 (21.1)	13 (34.2)	12 (31.6)	3 (7.9)	2 (5.3)	3.58	1.081
Prompt payment of tax obligations improves the organization's compliance level.	8 (21.1)	14 (36.8)	7 (18.4)	6 (15.8)	3 (7.9)	3.47	1.224
Proper record keeping improves adherence to tax laws and regulations.	10 (26.3)	20 (52.6)	2 (5.3)	3 (7.9)	3 (7.9)	3.82	1.159
Compliance with tax deadlines reduces penalties and legal sanctions.	10 (26.3)	11 (28.9)	4 (10.5)	5 (13.2)	8 (21.21)	3.60	1.519

Transparent financial reporting improves tax compliance performance.	11 (28.9)	10 (26.3)	4 (10.5)	1 (2.6)	12 (31.6)	3.18	1.658
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Source: Primary data 2026

Table 4.3 above reveals that most participants agreed that timely filing of tax returns improves overall tax compliance within the organization (mean = 3.55, SDV = 1.408). The findings further indicate that accurate preparation of tax reports enhances compliance with tax regulations (mean = 3.58, SDV = 1.081). Table 4.4 also shows that respondents agreed that prompt payment of tax obligations improves the organization’s compliance level (mean = 3.47, SDV = 1.224) and that proper record keeping improves adherence to tax laws and regulations (mean = 3.82, SDV = 1.159). The findings further suggest that organizations that stick to tax deadlines are less likely to face penalties or legal consequences (mean = 3.60, SD = 1.519). Similarly, companies that maintain clear and transparent financial reporting tend to perform better in terms of tax compliance (mean = 3.18, SD = 1.658). These emerged as the key indicators of tax compliance among employees since they recorded relatively high mean scores, though the standard deviations suggest moderate variations in respondents’ perceptions.

4.4 Description of independent variables

4.4.1 Description of how do record-keeping practices influence the accuracy of tax declarations

The first objective of the study was to examine how do record-keeping practices influence the accuracy of tax declarations. Internal control was measured using 5 items scored on a five-point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3=NotSure, 2=Disagree, 1=Strongly Disagree and the findings are presented in Table 4.4

Table 4.11: Record-keeping practices influence the accuracy of tax declarations

How record-keeping practices influence the accuracy of tax declarations	Agree		Not sure	Disagree		Mean	SDV
	F (%)		F (%)	F (%)			
	SA	A	NS	DA	SDA		

Complete financial records are maintained for all tax-related transactions	6 (15.5)	14 (36.8)	9 (23.7)	7 (18.4)	7 (5.3)	3.4	1.13
Past financial records are rarely reviewed when preparing tax declarations	4 (10.5)	13 (34.2)	13 (34.2)	5 (13.2)	3 (7.9)	3.3	1.1
Financial records are regularly updated to reflect all organizational activities	8 (21.1)	20 (52.6)	8 (21.1)	1 (2.6)	1 (2.6)	3.87	0.875
Financial records are often incomplete, leading to errors in tax reporting.	6 (15.8)	22 (57.9)	5 (13.2)	2 (5.3)	3 (7.9)	3.68	1.068
Proper documentation ensures accuracy in tax declarations	9 (23.70)	19 (50.0)	2 (5.3)	3 (7.9)	5 (13.2)	3.63	1.363
Staff are trained to maintain accurate financial records for tax purposes	7 (18.4)	10 (26.3)	6 (15.8)	9 (23.7)	6 (15.8)	3.08	1.383

Source: Primary data 2026

Table 4.4 above reveals that most participants agreed that complete financial records are maintained for all tax-related transactions, which enhances the accuracy of tax declarations (mean = 3.4, SDV = 1.13). The findings further indicate that past financial records are rarely reviewed when preparing tax declarations, which may limit consistency and accuracy in reporting (mean = 3.3, SDV = 1.1). Table 4.4 also shows that respondents strongly agreed that financial records are regularly updated to reflect all organizational activities, supporting accurate tax reporting (mean = 3.87, SDV = 0.875), while financial records being often incomplete leads to occasional errors in tax declarations (mean = 3.68, SDV = 1.068). Additionally, the results indicate that proper documentation ensures accuracy in tax declarations (mean = 3.63, SDV = 1.363). On the other hand, the importance of training staff to maintain accurate financial records for tax purposes received a lower average rating (mean = 3.08, SD = 1.383), suggesting that respondents were somewhat divided in their opinions. These emerged as the key indicators of record-keeping practices influencing the accuracy of tax declarations, since most statements recorded moderate to high mean scores, particularly regular updates and proper documentation, which had the highest means and relatively lower standard deviations.

4.5 Description of how does segregation of duties affect the timely filing of tax returns?

The study’s second objective focused on understanding how dividing responsibilities among staff affects the timely filing of tax returns at Link Bus Services. To capture respondents’ views, a five-point scale was used items scored on a five-point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3=Not Sure, 2=Disagree, 1=Strongly Disagree and the findings are presented in Table 4.5

Table 4.12: Description on how does segregation of duties affect the timely filing of tax returns

how does segregation of duties affect the timely filing of tax returns	Agree F (%)		Not sure F (%)	Disagree F (%)		Mean	SDV
	SA	A	NS	DA	SDA		
Different employees handle separate tax-related tasks, reducing error	10 (26.3)	18 (47.4)	6 (15.8)	1 (2.6)	3 (7.9)	3.61	1.054
Overlapping duties delay the filing of tax returns.	4 (10.5)	13 (34.2)	5 (13.2)	3 (7.9)	13 (34.2)	2.79	1.492
Tax preparation responsibilities are often concentrated with one individual	7 (18.4)	18 (47.4)	5 (13.2)	5 (13.2)	3 (7.9)	3.55	1.179
Responsibilities for tax preparation are well defined among staff	12 (31.6)	14 (36.8)	4 (10.5)	5 (13.2)	3 (7.9)	3.71	1.271
Segregation of duties allows proper checks and balances in tax processes	10 (26.3)	6 (15.8)	9 (23.7)	3 (7.9)	10 (26.3)	3.08	1.549

Source: Primary data 2026

Table 4.5 shows how segregation of duties affects the timely filing of tax returns at Link Bus Services. The findings reveal that most respondents felt dividing tax-related tasks among different employees helps reduce mistakes and ensures returns are filed on time (mean = 3.61, SD = 1.054). Many also mentioned that placing all tax preparation responsibilities on a single person can lead to uneven workloads and delays (mean = 3.55, SD = 1.179). Additionally, clearly defining each staff member’s role in tax preparation was rated highly (mean = 3.71, SD = 1.271), indicating that having well-defined responsibilities makes the process more organized and helps meet filing deadlines. However, there was moderate agreement regarding whether segregation of

duties provides proper checks and balances in tax processes (mean = 3.08, SD = 1.549), reflecting varied perceptions. Overlapping duties that delay tax filings received the lowest mean (mean = 2.79, SD = 1.492), indicating mixed views among respondents

4.6 Description of the role of internal audits in ensuring the payment of correct tax liabilities

The third objective of the study was to examine the role of internal audits in ensuring the payment of correct tax liabilities. Internal audit construct was measured using 5 items scored on a five-point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3=Not Sure, 2=Disagree, 1=Strongly Disagree and the findings are presented in Table 4.6

Table 4.13: Description of internal audits

What is the role of internal audits in ensuring the payment of correct tax liabilities	Agree F (%)		Not sure F (%)	Disagree F (%)		Mean	SDV
	SA	A	NS	DA	SDA		
Internal audits do not influence the accuracy of tax payments	4	23	7	1	3	3.63	0.998
Internal audits verify that tax payments reflect actual liabilities	9 (23.7)	19 (50.0)	7 (18.4)	1 (2.6)	2 (5.3)	3.84	1.001
Audit findings are rarely acted upon to correct tax payment errors	7 (18.4)	23 (60.5)	2 (5.3)	3 (7.9)	3 (7.9)	3.74	1.107
Management acts on audit recommendations to prevent tax errors.	4 (10.5)	19 (50.0)	6 (15.8)	5 (13.2)	4 (10.5)	3.37	1.172
Audit findings are used to improve accuracy in tax payments	10 (26.3)	15 (39.5)	5 (13.2)	2 (5.3)	6 (15.8)	3.55	1.370

Source: Primary data 2026

Table 4.6 above reveals that internal audits do not influence the accuracy of tax payments (Mean = 3.63; SDV = 0.998), and internal audits verify that tax payments reflect actual liabilities (Mean = 3.84; SDV = 1.001), as well as audit findings are rarely acted upon to correct tax payment errors (Mean = 3.74; SDV = 1.107). Table 4.6 further reveals that management acts on audit recommendations to prevent tax errors (Mean = 3.37; SDV = 1.172), and audit findings are used to improve accuracy in tax payments (Mean = 3.55; SDV = 1.370). Since verification of actual tax liabilities (Mean = 3.84) and

follow-up on audit findings (Mean = 3.74) recorded the highest mean scores with relatively lower standard deviations, they emerged as the key internal audit practices influencing the payment of correct tax liabilities at Link Bus Services Ltd..

4.7 Linear Regression Results and Hypotheses Testing

A multiple linear regression analysis was conducted to assess the effect of internal control components record-keeping practices, segregation of duties, and internal audits on tax compliance at Link Bus Services Ltd. The analysis included the model summary, ANOVA, regression coefficients, and hypothesis testing.

Table 4.14: Linear Regression Analysis Results

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.440 ^a	.193	.122	.445	
ANOVA ^a						
Model		Sum of squares	df	Mean Square	F	Sig.
1	Regression	1.612	3	0.537	2.714	0.04 ^b
	Residual	6.731	34	0.198		
	Total	8.343	37			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.746	.923		2.975	.005
	Record-Keeping Practices	.161	.128	.206	1.252	.037
	Segregation of duties	.114	.109	.165	1.047	.063
	Internal audits	.251	.153	.265	1.639	.029
a. Dependent Variable: Tax Compliance						
b. Predictors: (constant) Record keeping practices, segregation of duties and internal audit						

Source: Primary data 2026

Table 4.7 presents a coefficient of determination ($R^2 = 0.193$, $p = 0.04$),

indicating that approximately 19.3% of the variation in tax compliance can be explained by the internal control components examined in this study. The correlation coefficient ($R = 0.440$) shows a moderate positive relationship between internal controls and tax compliance. The adjusted R^2 of 12.2% reflects the proportion of variance in tax compliance accounted for by record-keeping practices, segregation of duties, and internal audits, while the remaining 87.8% is attributed to factors not included in the model. Standardized coefficient analysis revealed that record-keeping practices significantly influence tax compliance ($B = 0.206$, $t = 1.252$, $p = 0.037$). Internal Audits ($B = 0.265$, $t = 1.639$, $p = 0.029$) statistically significant in influencing Tax Compliance. Segregation of Duties ($B = 0.165$, $t = 1.047$, $p = 0.063$) not statistically significant at the 5% level which implies that proper record-keeping and effective internal audits have a significant positive effect on Tax Compliance, while segregation of duties alone does not significantly influence compliance in this context.

Table 4.7 also presents the analysis of variance (ANOVA). The findings reveal that on average, the mean score on Tax Compliance differ significantly across levels of the independent variables. The computed F-statistic ($F = 2.714$, $p = 0.04$) is significant at $\alpha = 0.05$, indicating that the regression model is statistically significant. This means that internal controls collectively contribute to Tax Compliance, though other factors beyond these three components also play a role.

4.7.1 Testing of hypotheses

The first study hypothesis was: “Record-Keeping Practices significantly determine Tax Compliance at Link Bus Services Ltd.” According to Table 4.7, Record-Keeping Practices yielded a B value of 0.206, t value of 1.252 with a significance of 0.037, suggesting that Record-Keeping Practices were significant in determining Tax Compliance. The study upholds the hypothesis that Record-Keeping Practices significantly determine Tax Compliance at Link Bus Services Ltd.

The second study hypothesis was: “Segregation of Duties significantly determines Tax Compliance at Link Bus Services Ltd.” According to Table 4.7, Segregation of Duties yielded a β value of 0.165, t value of 1.047 with a significance of 0.063, suggesting that Segregation of Duties was insignificant in determining Tax Compliance. The study does not uphold the hypothesis that Segregation of Duties significantly determines Tax Compliance at Link Bus Services Ltd.

The third study hypothesis was: “Internal Audits significantly determine Tax Compliance at Link Bus Services Ltd.” According to Table 4.7, Internal Audits yielded a β value of 0.265, t value of 1.639 with a significance of 0.029, suggesting that Internal Audits were significant in determining Tax Compliance. The study upholds the hypothesis that Internal Audits significantly determine Tax Compliance at Link Bus Services Ltd.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

5.0 Introduction

This section presents discussion of findings, conclusions and recommendations of the study basing on the study findings.

5.1 Discussion of finding

5.1.1 Record-Keeping Practices and Accuracy of Tax Declarations

he first objective of the study was to examine how record-keeping practices influence the accuracy of tax declarations at Link Bus Services Ltd. The findings revealed that record-keeping practices significantly influence the accuracy of tax declarations. Many researchers believe that organizations which maintain their financial records in an orderly manner and update them frequently are more likely to generate precise tax reports while avoiding calculation mistakes.

Tax returns are prepared with much more ease since financial transactions are written down clearly and with many small details for the workers to use. Such accurate record keeping improves the standard of tax reporting and also strengthens internal control when financial processes are made more open for everyone. And in real life, organizations that respect record management are usually more certain about their tax submissions and they find the process easier to follow the rules (Bananuka et al. (2018) and Ainomugisha (2020)

5.1.2 Segregation of duties and Timely Filing of Tax Returns

Regarding the second goal, this study aimed to discover how dividing the working positions affects the speed of filing tax returns at Link Bus Services Ltd exactly. It has been observed that sharing responsibilities among various employees helps the company to file tax returns much faster than the filing was done before. Work becomes really structured and the waiting time is cut down when the preparation process when every single person is assigned a specific task. like, some workers concentrate on writing down the money movements, while other people in working positions review the

financial papers, and another team submits the returns. So the finance team works together much better and finishes their duties on time since the sharing of responsibilities is clear to every person.

5.1.3 Internal Audits and Payment of Correct Tax Liabilities

The third idea of this research suggested that internal audits have a pretty large effect on how well a company follows the tax laws. Experts claim that internal audits are pretty helpful for making sure that taxes are paid without any mistakes as they find errors and show what needs to be fixed. They not only help verify tax calculations but also support management in maintaining compliance and reducing the risk of penalties (Mugume & Kaggwa, 2021; Kasule & Nsubuga, 2022).

5.2 Conclusions

Based on the outcomes of the hypothesis tests, the study concludes that:

- i) The act of keeping accurate and up-to-date financial records is seen to help business entities file taxes correctly and improves tax compliance.
- ii) Assigning different tasks to personnel in a clear way is believed by many to make sure tax returns are prepared on time without any delays.
- iii) Internal audits are conducted to see to it accurate tax payments since these audits uncover unintentional errors and check calculations while allowing management to correct issues.

5.3 Recommendations

When thinking about the findings and the conclusions of this study, a number of recommendations are proposed for internal controls and tax compliance

- i) Regular reviews of financial records should be conducted by the business entities along with the enforcement of documentation standards to improve tax compliance.

- ii) The organization should have a robust and independent audit team that regularly reviews tax records, verifies calculations and makes sure management is following up on audit recommendations.
- iii) Future research could examine other internal control components like it system integration, staffs competence, and organizational.

APPENDIX

Appendix I: Study Questionnaire

Dear Respondent,

My name is **NAKIMBUGWE MERCY LAUREEN M23B05/154**, pursuing a BACHELORS IN BUSINESS ADMINISTRATION from Uganda Christian University Mukono. You have been selected as one of the respondents in this research as I am investigating **THE EFFECT OF INTERNAL CONTROLS ON TAX COMPLIANCE IN ORGANIZATIONS**. All responses given should be genuine so as we come up with accurate data.

INSTRUCTIONS

Tick and fill in where necessary.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

a) Male

b) Female

2. Age bracket (years)

a) 18-29

b) 30-39

c) 40-49

d) 50 and above

4. Academic qualifications

a) PhD

b) Master's degree

c) Bachelor's degree

d) Certificate / diplom

5. Category of respondents

a) Procurement Officers

b) Finance Department

c) Risk Management Department

d) Compliance Department

e) Operations Department

6. Work Experience at Link Bus Services?

a) Less than a year

b) 1-4 years

c) 5-6 years

d) Above 10 years

SECTION B Dependent Variable (Tax Compliance)

Indicate the extent to which you agree with the following observations on **Tax Compliance** at Link Bus services on a scale of (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree (5) = strongly agree.

Scale	5	4	3	2	1
Timely filing of tax returns improves overall tax compliance within the organization.					
Accurate preparation of tax reports enhances compliance with tax regulations.					
Prompt payment of tax obligations improves the organization's compliance level.					
Proper record keeping improves adherence to tax laws and regulations.					
Compliance with tax deadlines reduces penalties and legal sanctions.					
Transparent financial reporting improves tax compliance performance.					

SECTION C: How do record-keeping practices influence the accuracy of tax declarations? (Tick as Appropriate)

Indicate the extent to which you agree with the following observations on how do record-keeping practices influence the accuracy of tax declarations at Link Bus services on a scale of (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree (5) = strongly agree.

Scale	5	4	3	2	1
Complete financial records are maintained for all tax-related transactions					
Past financial records are rarely reviewed when preparing tax declarations					
Financial records are regularly updated to reflect all organizational activities					
Financial records are often incomplete, leading to errors in tax reporting.					

Proper documentation ensures accuracy in tax declarations					
Staff are trained to maintain accurate financial records for tax purposes					

SECTION D: how does segregation of duties affect the timely filing of tax returns at Link Bus services? (Tick as Appropriate)

Indicate the extent to which you agree with the following observations on how does segregation of duties affect the timely filing of tax returns at Link Bus services on a scale of (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree (5) = strongly agree.

Scale	5	4	3	2	1
Different employees handle separate tax-related tasks, reducing error					
Overlapping duties delay the filing of tax returns.					
Tax preparation responsibilities are often concentrated with one individual					
Responsibilities for tax preparation are well defined among staff					
Segregation of duties allows proper checks and balances in tax processes					

SECTION E: What is the role of internal audits in ensuring the payment of correct tax liabilities? (Tick as Appropriate)

Indicate the extent to which you agree with the following observations on what is the role of internal audits in ensuring the payment of correct tax liabilities at Link Bus services on a scale of (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree (5) = strongly agree.

Scale	5	4	3	2	1
Internal audits do not influence the accuracy of tax payments					
Internal audits verify that tax payments reflect actual liabilities					
Audit findings are rarely acted upon to correct tax payment errors					
Management acts on audit recommendations to prevent tax errors.					
Audit findings are used to improve accuracy in tax payments					

THANK YOU

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