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**Optimal Measures For Minimizing The Tax Audit Expectation Gap In  
Kenya**



**Master of Commerce**

**2016**

# **Optimal Measures For Minimizing The Tax Audit Expectation Gap In Kenya**

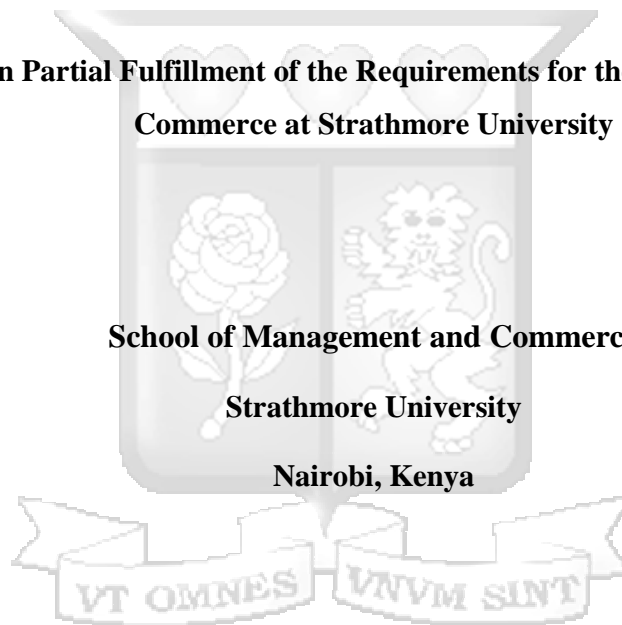
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**Submitted in Partial Fulfillment of the Requirements for the Degree of Master of  
Commerce at Strathmore University**

**School of Management and Commerce**

**Strathmore University**

**Nairobi, Kenya**



**June, 2016**

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Limisi, Ebby A. Mutaka

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## APPROVAL

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## ABSTRACT

The purpose of this study was to find out whether a tax audit expectation gap exists between the tax authority and corporate tax payers. Specifically, the study sought to: establish the existence of the tax audit expectation gap between the tax authority and corporate tax payers; establish whether the use of better tax compliance standards is a measure of reducing the tax audit expectation gap between tax authority and corporate tax payers; establish whether forensic accounting acts as a measure of reducing the tax audit expectation gap between the tax authority and corporate tax payers; find out whether I-tax implementation acts as a measure of reducing the tax audit expectation gap between tax authority and corporate tax payers.

The study used a descriptive research design and used primary data collected using questionnaires. This study used the stratified random sampling method. In order to assess whether unreasonable expectations exist in Kenyan tax audit engagements, the study analyzed responses from both tax managers and corporate tax payers using the Chi-square and the Fisher Exact test. In addition, a binary logistic regression model was used to test the significance of the influence of the independent variables on the dependent variable. The data was presented using tables, graphs and charts.

The study findings confirmed that, indeed, a tax audit expectation gap existed between corporate tax payers and the tax authority. In addition, better tax compliance standards, forensic accounting, I-tax implementation and user education were found to be important measures in narrowing this tax audit expectation gap. The study concluded that: a tax audit expectation gap exists between the tax authority and the corporate tax payers; unreasonable expectations contribute to the tax audit expectation gap between the tax authority and the corporate tax payers; the tax man's substandard performance contributes to the tax audit expectation gap between the tax authority and the corporate tax payers; introduction of better tax compliance standards, forensic accounting, I-tax implementation and user education can be useful measures in narrowing the tax audit expectation gap between the tax authority and the corporate tax payers. The study recommended that the Kenya Revenue Authority should maintain consistency in updating better tax compliance standards, use forensic accounting, implement I-tax and equip the corporate tax payers with taxation information so as to reduce the tax audit expectation gap.

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## **ABBREVIATIONS AND ACRONYMS**

<b>AICPA-</b>	American Institute of Certified Public Accountants
<b>CAATs-</b>	Computer Aided Auditing Techniques
<b>FRC-</b>	Financial Reporting Council
<b>GAAP-</b>	General Accepted Accounting Principals
<b>GAAS-</b>	Generally Accepted Auditing Standards
<b>IAS-</b>	International Accounting Standards
<b>ICPAK-</b>	Institute of Certified Public Accountants of Kenya
<b>ISA-</b>	International Standards on Auditing
<b>IT-</b>	Information Technology
<b>ITD-</b>	International Tax Dialogue
<b>SME-</b>	Small and Micro Enterprise



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Finally, to my children, my sons, Adriel and Anell- this is for you.

God bless you all.

## DEDICATION

This thesis is dedicated to my entire family, for always believing in me and always cheering me on, no matter how small an endeavor seems.



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The audit expectation gap is critical to the auditing profession because the greater the unfulfilled expectations from the public, the lower is the credibility, earnings potential and prestige associated with the work of auditors (Lee and Azham, 2009). The audit expectation gap is a crucial issue associated with the independent auditing function and has significant implications on the development of auditing standards and practices. An Audit expectation gap can be of any kind such as a tax audit expectation gap, an operational audit expectation gap or a finance audit expectation gap (Lin and Chen, 2004). The auditing profession believes that the increase in litigation and criticism against the auditors can be attributed to the audit expectation gap. The audit expectation gap is defined as the difference between what the public expects from an audit and what the audit profession accepts the audit objective to be (American Institute of Certified Public Accountants, AICPA, 1992). The essence of auditing and its expectation gap is facing the problem of relevance in the world today (Appah, 2010). The users of audited accounts are at most times not satisfied with the work an auditor does and each of the users have their different ways and purposes in which they use the report of an auditor (Atu and Atu, 2010).

The audit expectation gap is detrimental to the financial reporting and auditing process, as the public may perceive the work performed by external auditors as unsatisfactory (Appah, 2010). Therefore, the audit expectation gap is crucial to the audit profession as it determines the value of auditing and the reputation of auditors in modern society. Porter and Gowthorpe (2004), quoted in Lee and Ali (2008), argued that, for decades, the auditing profession has been troubled with high levels of litigation and accusations. Such a problem has reached an unprecedented level as a result of the spectacular fall of well publicized corporations like Enron and WorldCom which led to the consequent litigation and collapse of the auditing firm Arthur Anderson (Gowthorpe, 2004). The authors also argue that the recent increase in criticism of and litigations against auditors is due to the failure of auditors to meet society's expectations.

The academic discourse on the audit expectation gap is extensive. Numerous studies have been carried out on the audit expectation gap, such as Lee, Gloeck and Palaniappan (2007) who carried out a study on the expectation gap in Malaysia. In their study, a questionnaire was administered to 1,400 respondents, who comprised auditors (200), auditees (400) and audit beneficiaries (800). The audit beneficiaries were represented by bankers (200), investors (200), brokers (200) and the general public (200). The auditees were represented by company directors (200) and accountants (200). The results of the study show different expectations exist between auditors and the users of audit reports with respect to the duties that should be performed.

Salehi and Rostami (2009), in their literature-based study of the international evidences of the expectation gap, quoted several articles and journals that concluded that the audit expectation gap exists. For instance, the study by Dixon, Woodhead and Sohlman (2006) confirmed the existence of an expectation gap in the nature of the audit function, the perceived performance of auditors, their duties and role, their independence and non-audit services. The study analyzed three factors namely, responsibility, reliability, and usefulness. The results of the study indicate that different expectations exist between the auditors and the users of their report with respect to the duties that should be performed.

Ali, Heang, Mohamad and Ojo, (2008) carried out a study on “Internship and Audit Expectation gap Among Undergraduate Students in University Utara, Malaysia.” The study was meant to investigate whether academic internship programs could reduce the audit expectation gap in Malaysia. The results disclosed that there is a significant change in perceptions among students after the internship program. The study by Ali et al., (2008), was based on the findings of a more comprehensive study that was conducted by Fadzly and Ahmad (2004) to examine the audit expectation gap between auditors and major users of financial statements: bankers, investors, and stockbrokers. The study focused on the positive view of the expectation gap, which compared auditors’ and users’ perceptions on the duties of auditors. The study revealed that an audit expectation gap exists in Malaysia, particularly on issues concerning auditors’ responsibilities. A wide gap was found regarding auditors’ responsibilities in relation to fraud detection and prevention, to preparation of financial statements and accounting records, and to internal controls.

Prior literature shows a mismatch between taxpayers' objectives and risk preferences and tax professionals' objectives in preparing tax returns (Hite and Hasseldine, 2003). Tax professionals advocate auditing for purposes of tax minimization, whereas research shows that most tax payers seek accuracy as opposed to minimization (Collins, Milliron and Toy, 2010). Additionally, taxpayers view the tax audit as a failure on the part of the preparer; tax payers are more likely to change preparers when audited, yet tax preparers tend to get more aggressive with tax minimization measures as they gain more experience with audits and the Internal Revenue Service, IRS, (Schisler and Galbreath, 2011). Also, more expert tax practitioners have both the motivation and ability to be more tax aggressive (Jackson, Milliron, and Toy, 2008). Finally, some taxpayers may hire tax preparation services to shield themselves from direct interaction with the tax authorities in case of audit or to provide insurance against penalties and other sanctions (Nichols and Price, 2004).

In the case of Kenya, the scenario is similar whereby the tax authority has undertaken various measures to ensure tax compliance, such as acquisition of PIN numbers for tax payers for easier tracking and more seriousness in undertaking tax audits. However, the tax audit expectation gap still exists as the tax payers do not get satisfactory services from the tax authority in terms of tax refunds and accurate assessment of taxes. Similarly, the tax authorities do not experience ultimate tax compliance from the tax payers (Kenya Revenue Authority, Operations Report, 2007/2008).

It is evident from past studies that there exist measures that help to reduce audit expectation gap of whatever kind. For instance, Salehi, Rostami and Modagam, (2010) confirmed in their study that better standards in accounting help to reduce the audit expectation gap. Adrian, Lawrence and Cristal, (2009) assert that the forensic accounting process is a form of auditing with investigative skills with an in-depth knowledge and experience. Forensic accounting should be introduced into a company as a service which can be acquired when a fraud investigation is needed to be carried out (Bologna and Lindquist, 2007). Hamisi (2012) asserted that I-TAX provides a convenient and efficient way to improve revenue collection, transparency in fiscal administration and management of local and national tax authorities. Porter (1993) asserted that society must be educated on the duties which may reasonably be expected of auditors if the unreasonableness gap is to be eliminated. This study sought to address the tax audit expectation gap.

## **1.2 Statement of the Problem**

According to International Tax Dialogue (ITD), (2010) revenue patterns in most countries show that a small number of corporate enterprises account for 80-90% of total tax revenue. Apart from being complex, from the revenue body's perspective, corporate taxpayers present major tax compliance risks due to various factors including: significant offshore activities; policies and strategies to minimize tax liabilities; a large portion of tax assessments resulting from audit activity of corporate taxpayers; and growing/significant differences between financial accounting profits and the profits computed for tax purposes(OECD, 2009). On the other hand, corporate tax payers complain about the lack of fair tax audit from the tax man. In addition, report show that, while the tax man is quick to demand tax compliance, he does not reciprocate with quick tax refunds (Boyle, 2004).

This status quo points to a growing tax audit expectation gap as corporate tax payers feel that the tax man (the tax authority) does not do his duty of proper and fair tax audit and also its duty as far as tax refunds are concerned (Boyle, 2004). This situation begs for a paradigm shift in the conduct of tax matters, hence the need for identifying factors that can help in reducing the tax audit expectation gap between corporate taxpayers and the tax authority.

This study tested for the existence of the tax audit expectation gap in Kenya and specifically whether better tax compliance standards, forensic accounting, I-tax implementation and user education can be used as measures to reduce the tax audit expectation gap.

## **1.3 General Research Objectives**

The study assessed the measures for reducing the tax audit expectation gap between tax authority and corporate tax payers.

### **1.3.1 Specific Research Objectives**

- i) To establish the existence of a tax audit expectation gap between the tax authority and corporate tax payers.
- ii) To find out which measures can be used for reducing the tax audit expectation gap between the tax authority and corporate tax payers.

## **1.4 Research Questions**

The researcher sought to get lucid answers to the following research questions

- i) Is there existence of a tax audit expectation gap between the tax authority and corporate tax payers?
- iii) What measures can be used for reducing the tax audit expectation gap between the tax authority and corporate tax payers?

## **1.5 Scope of the Study**

The study concentrated on the corporate tax payers in Kenya. Corporate tax payers in Kenya consist of SDL, agriculture, horticulture, fisheries, mining, electricity generation, real estate and other business services, textile and footwear manufacturers; oil, transport, motor vehicles, rubber and plastics and home and business appliances; construction and allied industries; hospitality; banks, financial institutions and insurance; government Ministries and regulatory bodies; domestic excise and telecommunication (KRA, 2005).

The corporate tax payers are key stakeholders in the achievement of vision 2030 as it cuts across key sectors in the Kenyan economy (Vision 2030). Since the corporate tax payers play a key role in the contribution of revenue to the economy, existence of a tax audit expectation gap would imply that the tax payers do not pay tax enthusiastically to the tax authority and thus dampen the status of the economy (Schelluch, and Gay, 2006). This is a solid justification for conducting this study since elimination of the audit expectation gap would spur economic growth through enhanced revenue collection.

## **1.6 Significance of the Study to Stakeholders**

The study will be of significance to the following stakeholders: users of financial information including the corporate tax payers, the creditors, customers and suppliers. The study will provide information as to what is termed reasonable and unreasonable expectations.

The tax authority in Kenya and those in other countries will find this study useful as it will highlight the tax audit expectation gap and how it can be reduced by several measures notably better tax compliance standards, forensic accounting, I-tax implementation, educating members and enhanced compliance with International Accounting Standards (IAS) and International Standards of Auditing (ISA).

The Institute of Certified Accountants of Kenya is the body that is charged with the responsibility of promulgating standards. The study will highlight one component of tax audit expectation gap which is the lack of compliance with set standards or the lack of a clear compliance and regulatory framework. ICPAK would then use the findings of this study to make recommendations for the introduction of clear guidelines in the adoption and compliance with IAS and ISA.

The findings of this study will inform policy making with regard to corporate tax payers as pertains to duties and roles of auditors, the educative role of management, the introduction of stringent reporting and the government's role in supervising the affairs of corporate tax payers.

This study will be an invaluable addition to literature pertaining to corporate tax payers, and measures for reducing the tax audit expectation gap. Scholars who wish to further their education on the area of the expectation gap may use the findings of this study to do so.

### **1.7 Definition of Terms**

**Corporate taxpayers**– this is the combination of large tax payers and medium tax payers (OECD, 2010).

**Expectation gap**- this is the difference between client expectations and the professional's perceptions of those expectations and vice versa(Appah, 2010).

**Tax audit expectation gap**- this is an expectation gap which exists when tax payers feel that the tax man (tax authority) does not do his duty of proper and fair tax audit and also its duty as far as tax refunds are concerned (Boyle, 2004). In this study, the working definition for tax audit expectation gap has been limited to three aspects; unreasonable expectations, substandard performance and tax payers satisfaction.

**Tax authority**- it is the body responsible for administering the tax laws of a particular country, regional or local authority (OECD, 2010).

**Better tax compliance standards**- these are measures put in place to facilitate transparency in payment of tax by tax payers to the tax authority and also the measures put in place to ensure that the tax authority offers the required services to the tax payers (Salehi et al., 2010).

**Forensic accounting-** it is a concentrated audit of all the transactions of the entity to find the correctness of such transactions and to report whether or not any financial benefit has been attained by way of presenting an unreal picture(Adrian et al. 2009).

**I-tax-** this is an online mode of offering taxation services to the tax payers by the tax authority(Hamisi,2012).

**User education-** this is the acquisition of the right information about taxation by the tax payers and thus facilitating efficiency and transparency (Porter, 1993).



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter contains an elaborate explanation of what an audit expectation gap is, showing its components and evidencing its existence. In addition, this chapter contains general and empirical literature that informs the study.

#### 2.2 Audit Expectation Gap

The term “audit expectation gap” was first introduced to audit literature by Liggio (1974). He defined the audit expectation gap as the difference between the levels of expected performance as envisioned by both the user of a financial statement and the independent accountant.

The Cohen Commission (1978) in the United States of America extended Liggio’s (1974) definition by taking into account whether a gap may exist between what the public expects or needs and what auditors can and should reasonably expect to accomplish. Porter (1993) claimed that the definition of audit expectation gap provided by Liggio (1974) and the Cohen Commission (1978) is too narrow as they fail to recognize that auditors may not accomplish “expected performance” (Liggio, 1974) or what they “can and reasonably should” (Cohen Commission, 1978). These definitions do not allow for sub-standard performance.

Porter (1993) argues that the recent increase in criticism of and litigation against auditors is due to the failure of auditors to meet society’s expectations, whose failure in turn undermines confidence in the audit function. Limperg (1932, cited in Porter, Simon and Hatherly2005, p119) points out that the “audit function is rooted in the confidence that society places in the effectiveness of the audit and in the opinion of the accountant...if the confidence is betrayed, the function, too, is destroyed, since it becomes useless”.

Hence, to narrow the audit expectation gap, it is necessary to ascertain: i) the duties society expects auditors to perform; ii) the duties that are reasonable to expect auditors to performance and iii) the extent to which society’s reasonable expectations are satisfied (or, more pertinently, not satisfied) by auditors (Porter et al.2005). In this study, to narrow the tax audit expectation gap it is necessary to ascertain; i) the duties the corporate tax

payers expect the tax authority to perform; ii) the duties the tax authority expect the taxpayers to perform (tax compliance); and iii) the extent to which the taxpayers reasonable expectations are satisfied by the tax authority.

### **2.1.1 Components of the Audit Expectation Gap**

Porter (1993), analyses the total expectations gap into three separate components, namely: sub-standard performance (16%), deficient standards (50%) and unreasonable expectations (34%). Due to the fact that deficient standards can easily be revised and it is therefore relatively easier to reduce this component of the expectations gap, the deficient standards component can be considered the most objective component whilst unreasonable expectations and sub-standard performance are the more subjective components. Even though unreasonable expectations are subjective, it still constitutes a significant proportion of the expectations gap and cannot be ignored.

Sub-standard performance should also not be ignored even though it constitutes just 16% of the expectations gap. After all possible measures have been taken to reduce this component it could be ignored. The substandard performance element is a problem arising from individual auditors, deficient standards stemming from the audit profession whilst unreasonable expectations emanate from the public. An analysis of the individual components of the expectations gap this way helps to know and understand better how to deal with and reduce these problems creating the expectations gap. In particular, it provides knowledge as to where more efforts should be concentrated namely, the reforms of auditing standards (since this constitutes half the problem) (Porter, 1993).

As such, Porter (1993) proposes that the study of the audit expectation gap should be structured in a more extensive way which allows the different components of the audit expectation gap to be identified. In addition, she claims that it is more appropriate to name the expectation gap “the audit expectation-performance gap” as it represents the gap between society’s expectations of auditors and society’s perceptions of auditors’ performance.

Porter’s (1993) structure of the audit expectation-performance gap has two major components, namely: 1) Reasonable gap - the difference between "what the public expects auditors to achieve and what the auditors can reasonably be expected to accomplish" and

2) Performance gap - the difference between "what the public can reasonably expect auditors to accomplish and what auditors are perceived to achieve".

### 2.2.2 Reasonable Gap

Reasonable gap –this is the difference between "what the public expects tax men to achieve and what they can reasonably be expected to accomplish" (Porter and Gowthorpe, 2004). Empirical studies on the nature and structure of the expectation gap aim to elicit the actual as well as the perceived roles and responsibilities of auditors and attempt to uncover the factors contributing to the expectation gap (Zikmund, 2008).

Most of the studies ascertain the auditors' and the public's view of the roles and responsibilities of auditors through the use of questionnaire surveys. In the USA, Baron et al.(1977), found that auditors and users of accounting reports have significantly different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing irregularities and illegal acts. In particular, users held auditors to be more responsible for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be. The following table illustrates the auditors' duties in dispute, as found in studies by different researchers

**Table 2.1: Unreasonable expectations**

Porter (1993)	Porter and Gowthorpe (2004)	Lee, et al. (2007)
<ul style="list-style-type: none"> <li>- Guarantee financial statements are accurate.</li> <li>- Report breaches to tax laws to IRD</li> <li>- Guarantee auditee company is solvent.</li> <li>- Report to a regulatory authority theft of corporate assets by non-managerial employees.</li> <li>- Disclose in audit report theft of corporate assets by non-managerial employees.</li> <li>- Detect illegal acts by company officials which do not directly impact on company's accounts.</li> <li>- Disclose in audit report illegal acts which do not directly impact on company's accounts.</li> <li>- Examine &amp; report on fairness of non-financial information.</li> <li>- Examine &amp; report on efficiency &amp; effectiveness of company's management</li> <li>- Verify every transaction of auditee company</li> </ul>	<ul style="list-style-type: none"> <li>- Guarantee financial statements are accurate.</li> <li>- Guarantee auditee is financially sound.</li> <li>- Report breaches of tax law to Inland Revenue Department.</li> <li>- In the absence of regulated industry duty to do so, report to an appropriate authority, theft of auditee's assets by non-managerial employees.</li> <li>- Disclose in the audit report theft of auditee's assets by non-managerial employees.</li> <li>- Detect illegal acts by auditee's official which only indirectly impact on the auditee's financial statements.</li> <li>- Disclose in the audit report illegal acts by auditee's officials which only indirectly impact on the organization's financial statements.</li> <li>- Examine and report (in audit report) on reliability of financial information presented in auditee's annual report.</li> <li>- Examine and report (in the audit report) on the efficiency and effectiveness of auditee's management and administrations.</li> </ul>	<ul style="list-style-type: none"> <li>- To prepare the company's financial statements.</li> <li>- To guarantee the complete accuracy of audited financial statements</li> <li>- To verify every accounting transaction.</li> <li>- To prevent fraud and errors in the company.</li> <li>- To detect all fraud and errors in the company.</li> <li>To plan the accounting and internal control system</li> </ul>

Source: Lee and Azham (2008),

### 2.2.3 Performance Gap

The performance gap is further subdivided into: 1) Deficient standards - the gap between “what can reasonably be expected of auditors and auditors' existing duties as defined by the law and professional promulgation.” 2) Deficient performance – the gap between “the expected standard of performance of auditors' existing duties and auditors' perceived performance, as expected and perceived by the public” (Porter and Gowthorpe, 2004).

#### 2.2.3.1 Deficient/Substandard performance

Deficient performance – the gap between “the expected standard of performance of auditors' existing duties and auditors' perceived performance, as expected and perceived by the public” (Porter and Gowthorpe, 2004). Empirical findings reveal that auditors are perceived to have underperformed in their various duties. These duties include:

**Table 2.2: Deficient/Substandard Performance**

Porter (1993)	Porter and Gowthorpe (2004)	Lee, et al. (2007)
<ul style="list-style-type: none"> <li>- Detect theft of corporate assets by non-managerial employees.</li> <li>- Detect theft of corporate assets by company directors/senior management.</li> <li>- Disclose in the audit report deliberate distortion of financial information.</li> <li>- Disclose in the audit report misappropriation of company assets by company directors/senior management.</li> <li>- Detect illegal acts by company officials which directly affect the company's accounts.</li> <li>- Express doubts in the audit report about the company's continued existence.</li> <li>- Disclose in the audit report illegal acts which directly affect company's accounts</li> </ul>	<ul style="list-style-type: none"> <li>- Disclose in the audit report doubt about auditee's continued existence.</li> <li>- Detect theft of a material amount of the auditee's assets by its directors/ senior management</li> <li>- Detect theft of a material amount of the auditee's asset by non-managerial employees.</li> <li>- In the absence of regulated industry duty, report to an appropriate authority illegal acts by auditee officials.</li> <li>- Detect illegal act by auditee officials which directly impact on the auditee's financial statements.</li> <li>- Disclose in the audit report deliberate distortion of the auditee's financial statements.</li> <li>- In absence of a regulated industry duty, report to an appropriate authority, embezzlement of auditee's assets by directors/senior management.</li> </ul>	<ul style="list-style-type: none"> <li>- Detect deliberate distortion of the figures in the company's financial statements.</li> <li>- Report privately to a regulatory authority:               <ul style="list-style-type: none"> <li>• Theft has been committed by non-managerial employees.</li> <li>• Company directors/senior management has misappropriated company assets.</li> <li>• Information presented in the financial statements has been deliberately distorted.</li> <li>• Suspicious circumstances are encountered in the audit suggesting that theft or deliberate distortion of financial information may have occurred in the company</li> </ul> </li> <li>- Disclose in the published auditor's report:               <ul style="list-style-type: none"> <li>• Company director/senior management have misappropriated company assets.</li> <li>• Information presented in the financial statements has been deliberately distorted.</li> <li>• Illegal acts committed by the company's management which directly impact on the company's accounts.</li> </ul> </li> </ul>

Source: Lee and Azham (2008)

### **2.2.3.2 Deficient Standards**

Deficient standards - the gap between “what can reasonably be expected of auditors and auditors' existing duties as defined by the law and professional promulgation”. Humphrey, Mozier and Turley (1993) pointed out that an expectation gap may occur as a result of time lags between the accounting profession identifying and responding to continually changing and expanding public expectations.

Tricker (2010) argued that corporate crises lead to new expectations and requirements of accountability which in turn lead to new demands on the audit function and eventually to changes in auditing standards and practice. The study also noted that issuance of accounting standards is particularly evident during periods of major crises in the corporate sector.

According to Lee and Azham (2008), the complexity of auditing could be due to the fact that the objective of auditing and the role of auditors have always been a dynamic rather than a static one. This is because they are highly influenced by contextual factors such as the socio-economic environment of a particular period, the critical historical events that have taken place (e.g. the collapse of big corporations), the verdict of the courts, and technological developments (e.g. advancement of computing systems and Computer Aided Auditing Techniques, CAATs). Therefore, any major changes in these contextual factors are likely to cause a change in the auditing function as well as the role of auditors (Porter, 1997).

## **2.2 Evidence of Tax Audit Expectation Gap**

Christensen (2009) used preparers and clients from a large international accounting firm as survey participants. She sent surveys to 441 clients and the corresponding 31 tax preparers with a 54 and 100 percent response rate respectively. She found differences between client expectations and preparers' perceptions of those expectations had a direct impact on satisfaction. Overall, clients expect more tax planning advice and strategies, and they perceive the tax preparer as having a poor understanding of their desires. The two largest differences were in the clients' desire to avoid audit and in communication skills.

Schisler and Galbreath (2011) used attribution theory in an experimental setting to show how taxpayer-participants viewed an Internal Revenue Service (IRS) audit as failure on

the part of the tax preparer, even if the audit outcome was favorable. Furthermore, the taxpayer-participants were less likely to return to that preparer after audit than if they were not audited, regardless of whether the outcome was favorable or not. In their study, taking an ambiguous deduction was part of the instrument for all participants, but the researchers did initially ask if the participants would be likely to take the deduction. No significant difference existed between those who would have taken the deduction and those who would not have when blame was the dependent variable. This shows taxpayers rely heavily on the recommendations of their tax preparers, and will consequently hold them responsible for the decisions made (Rien, 2014).

### **2.3 Better standards as Measure of in reducing the expectation gap**

Ojo (2006) asserts that the International Standard on Auditing (ISA UK and Ireland) 320 establishes standards and provides guidance on the concept of materiality and how this relates to audit risk. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful - Materiality is based on professional judgment.

Further, Ojo (2006) argues that ambiguous wordings within accounting standards should be avoided and clearer definitions provided to give the auditor a better understanding about his duties. Post- Enron reforms which led to the Auditing Practices Board bearing the responsibility of setting standards on objectivity, integrity and independence should be responsible for setting standards on objectivity, integrity and independence. In addition, the board should improve the standard setting process and provide more consistency to the way standards are interpreted.

Ojo (2006) quotes Financial Reporting Council (FRC) annual report, 2005/2006 and argues that the year 2005 was a year of major change for many companies with the introduction of international accounting standards and new auditing standards. Public concerns about the continuing relevance of the “true and fair view” have been highlighted especially with the advent of the introduction of international standards on accounting and auditing in the UK. Responding to this, the FRC published a report in August 2005 in

which it concluded that the “true and fair view” continues to remain a cornerstone in the UK system of financial reporting (FRC annual report, 2005/2006).

### **2.3.1 Better Tax Compliance Standards as a Measure of Reducing the Tax Audit Expectation Gap**

Zeithaml and Bitner (2000) identified five factors affecting clients’ definition of adequate service. The first is transitory service intensifiers, that is, short-term factors increasing the desire for responsiveness and timeliness. For instance, in Kenya, the June 15, 2006 deadline for personal tax filing would be an example of this. Second, perceived service alternatives will affect client expectations of service quality. The expectation of good service increases when the taxpayer perceives many alternatives. This may include self-preparation. For clients with extremely complicated returns, there are fewer alternatives to having a particular provider, and they are likely to be more easily satisfied. Third is the customer’s self-perceived service role. A taxpayer who is more involved in the interview and decision process will take more personal responsibility for satisfaction and be less critical of the tax preparer. Fourth, situation factors can influence expectations; for example, taxpayers are more likely to demand high quality service on routine items, but be more forgiving of one-time or unusual transactions they present to their tax preparer. Finally, predicted service plays a role in client expectations. Recent experience with a tax preparer or expectations developed from advertising influence a client's perception of adequate service (Zeithaml & Bitner, 2000).

### **2.4 Forensic Accounting as a Tool in Reducing the Expectation Gap**

Forensic auditing aims at legal determination of whether fraud has actually occurred. In the process, it also aims at naming the person(s) involved (with a view to take legal action) (Crumbley and Apostolou, 2002). An auditor essentially intends to uncover significant deviations from Generally Accepted Accounting Principles (GAAP) and to verify that acceptable accounting and auditing practices have been used in the preparation of the financial statements. The forensic accountant takes a much more skeptical and proactive approach to uncovering fraud, not just verifying what is in the financial statements (Crumbley and Apostolou, 2002). Hence, the difference between the independent auditor and forensic accountant lies mainly in their objectives. The independent auditor generally assumes that the client has conformed to GAAP. The

independent auditor also follows the guidelines set forth by the Generally Accepted Auditing Standards (GAAS). After the audit, they can recommend adjustments to enhance the fairness of the financial reporting (Conway and Rouse, 2002).

On the other hand, forensic accountants make no assumptions. The forensic accountant critically assesses the legitimacy of the company's financial transactions and conformity to GAAP. When there is alleged fraud, it is important to engage independent forensic accountants because the current auditors may encounter potential inherent conflicts (Conway and Rouse, 2002).

Adrian et al., (2009) conducted a study on the public acceptance and awareness of the forensic accounting services with an aim to improve the understanding in detecting and reducing accounting fraud cases in Malaysian companies. In the course of the study Adrian et al., (2009) developed a model that demonstrated the significance of accounting fraud in businesses. In his model, he argues that two variables affect the public acceptance of the use of forensic accounting in detecting frauds. These variables are public understanding of the role of forensic accountants and the perception on the implementation of forensic accounting in the investigation.

According to Adrian et al., (2009), the main problem or issue is the constant misunderstanding on the role and responsibility of the auditor as the public expects auditors to detect financial asset misstatement or even fraudulent activities from the financial statements. In a nutshell, the study by Adrian et al. (2009) argues that forensic accounting is an important tool in ensuring accountability and transparency in firms and government institutions. This study concluded that forensic accounting reduces the audit expectation gap by arguing that auditors with a forensic accounting background should be assigned specifically to investigate the company's financial statement. Hence the reduction of audit expectation gap in the area of the duty of an ordinary auditor to detect fraud and material misstatements.

Owojori and Asaolu (2009) undertook a literature based study on the role of forensic audit in solving the expectation gap problem in the corporate world. The authors argue that the failure of statutory audit to prevent and reduce misappropriation of corporate fraud and an increase in corporate crime has put pressure on the professional accountant and legal practitioner to find a better way of exposing crime in the business world. The

study by Owojori and Asaolu (2009) intended to find out how the knowledge of forensic accounting can reduce corporate fraud and mismanagement. In conclusion, the authors argue that the services of a forensic accountant are critical and important in exposing and preventing fraud, corruption and mismanagement in both the private and public sector. Forensic accounting can therefore be looked at as a panacea to the problem of fraud bedeviling corporations (Chukwunedu & Okoye, 2011).

## **2.5 I-tax as a Measure of Reducing the Tax Audit Expectation Gap**

Existence of a tax audit expectation gap has resulted to a lot of complexity among large taxpayers. This has presented a major tax compliance risk to revenue bodies, so considering their critical role in Revenue collection; it is the responsibility of tax administration to be a head of large tax payers in technology in order to curb cheating (Suluo, 2013). Evidence from Philippines shows that, the use of ICT for tax administration results into increased tax collection as well as modernization of administrative processes. For example, the new IT system in 11 pilot districts/cities revealed a gap of non-assessed tax liabilities of 3.2 Million Euro. It also used to take up to four hours to inform a (waiting) taxpayer about his tax bill. But with the new IT system, this waiting period was reduced to 3 minutes, including issuing a proper tax or payment receipt (Seelmann, 2011).

A good number of studies show that, the use of ICT is extremely beneficial to the Large taxpayer Department. For instance, Victor-Nyambo (2009) sought to determine the role of information and communication technology (ICT) in Taxation within the Large Taxpayer Department of the Tanzania Revenue Authority. The study findings revealed that, ICT helps to maintain consistent record keeping, timely access of such records, fast processing of returns which together improved the performance of tax revenue. By reducing the time taken to communicate with taxpayers and providing access to similar institutions around the world where lessons learned can improve the tax regime and tax administration; ICT assist to cut down postal delays and costs as well as plugging revenue loss at the Large Taxpayer Department. Furthermore, the use of ICT facilitates taxpayers' information to be stored at the Large Taxpayer Department and quickly retrieve it from computer systems whenever needed as evidence of tax paid, return filed, or otherwise. This serves to improve taxpayer compliance knowing that the department has correct and up to date records of business/ tax liabilities, correspondences and payments. Also, the

use of ICT facilitates easy monitoring and evaluation, good planning and quick processing and accurate taxpayer return of income assessment. In this regard for example, instead of submitting tax return on income manually through hardcopy, one can submit it via ICT electronic filling followed by computer processing. This will not only speedup the process but will also economize the department's operational costs by sharing the costs with the taxpayer who will use their own resources to key in the information in the computer and send it via the internet while bearing the cost.

Ismail and King (2010) discovered a positive association between accounting management information system alignment and SME strategy and performance measures. In the Spanish case, Gil (2004) posits an indirect relationship between AIS and firms' performance via the varying strategies that may be adopted by companies. Despite of some authors who postulate that the direction of the cause-effect relationship is only that companies achieve a high performance when they can afford the implementation of certain technological developments (Damanpour and Gopalakrishnan, 2011).

## **2.6 User Education as a Measure of Reducing the Tax Audit Expectation Gap**

Sakurai and Braithwaite (2011) found that 85 percent of taxpayers surveyed thought all their deductions were legitimate, even though over one third did not feel confident about their knowledge of tax matters. Seven percent had no idea if their deductions were legitimate or not because they left it up to someone else to do.

Koh and Woo (2008) carried out a literature-based study on the expectation gap in auditing. The authors base their arguments on the fact that studies have found evidence to support the belief that knowledge of the users influences the size of the expectation gap. Out of this study, the researchers proposed that one way to narrow the expectation gap is through increased public awareness of the nature and limitations of an audit. And to increase users' knowledge and awareness it is important to communicate the merits and limitations of an audit at every available chance (e.g. shareholder meetings).

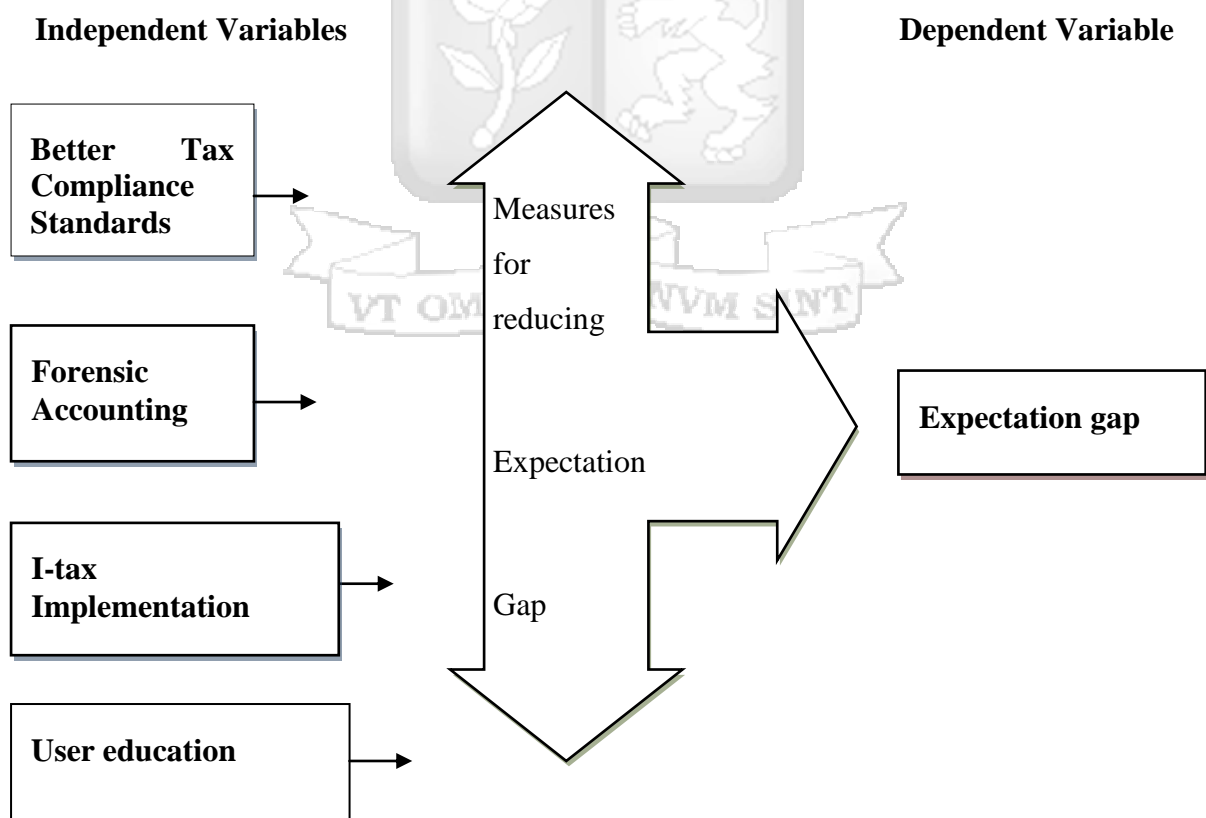
Fowzia (2008) examined the role of audit education in narrowing the role of auditors in Bangladesh. Primary data was obtained through a structured survey questionnaire and a total of ten questions under the head of three factors (auditor's responsibilities, reliability of information attested by an independent auditor and decision usefulness of that information) were included in the survey questionnaire. In the study by Fowzia (2008), it

was apparent that the expectation gap among the groups is becoming insignificant according to the role of audit education.

Lee et al., (2008) carried out a study on the practical training on the audit expectation gap taking into account a case study of the accounting undergraduates of the university Utara Malaysia. Their study investigates whether academic internship programs could reduce the audit expectation gap in Malaysia. The study showed that the internship programs could reduce the audit expectation gap. The possible reason for better evaluation of auditors' performance may be due to the fact that respondents could have gained a better insight into the performance of auditors during the internship period.

## 2.7 Conceptual Framework

In this study, the independent variables were the curative components of audit expectations gap, which are, better tax compliance standards, use of forensic accounting, I-tax implementation and user education arrangements. The dependent variable was the audit expectation gap measured and represented by stakeholder perception of the duties and responsibilities of the auditor.



**Figure 2.1: Relationship between variables, Source: Researcher (2014)**

In line with studies such as Fowzia(2008),Lee et al. (2008), Ojo (2006), Schisler and Galbreath (2011), Zeithaml and Bitner (2000), Suluo (2013),Seelmann, (2011), Owojori and Asaolu (2009), Adrian et al. (2009), Porter (1993) the above conceptual framework can be expressed in form of objectives. The conceptual framework is aimed at addressing objective 2, 3, 4 and 5 in chapter 1.

## **2.8 Research Gap**

A review of literature indicates that the tax audit expectations gap is a discourse that has attracted a lot of attention from scholars, practitioners and a large number of organizations. Studies by Christensen (2009), focused on defining the existence of the tax audit expectation gap. Porter (1993), attempted to define the components of the audit gap. In his study, Christensen (2009), made reference to preparers and clients from a large international accounting firm. He deduced that, clients expect more tax planning advice and strategies, and they perceive the tax preparer as having a poor understanding of their desires.

Studies quoted above as well as others such as those of Schisler and Galbreath (2011), Zeithaml and Bitner (2000), Adrian et al. (2009) were done abroad and the implication is that their findings may not be applicable to Kenya due to the difference in socio economic and political environments. The researcher therefore wishes to fill this academic gap and front recommendations that will inform policy making in the field of Kenyan firms and thereby reduce the tax audit expectation gap if found in Kenya.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter described the various methodologies that were used in gathering information, procedures adopted in conducting the research, the techniques used in analysis and the presentation of data collected. This chapter therefore, focuses on the research design, population, population sample, sample design and data collection and analysis applied during the study.

#### **3.2 Research Design**

An explanatory research design was appropriate for this study. Explanatory research is used for understanding phenomenon in terms of its likely causes. This type of research is used to measure what impact a specific change will have on existing norms and assumptions. Explanatory research implies that the research in question is intended to explain, rather than simply to describe, the phenomena studied (Maxwell and Mittapalli, 2008). In particular, the study investigated if better tax compliance standards, forensic audit, I-tax implementation and user education can be used to reduce the tax audit expectation gap. The current study focused on the corporate tax payers in Kenya.

#### **3.3 Target Population**

The study focused on the corporate tax payers in Kenya due to their contribution to the growth of the economy. There are 499 corporate tax payers in various sectors in Kenya as indicated in appendix III (KRA, 2008).

Corporate taxpayers have been identified as a key pillar in the achievement of the Kenya Vision 2030 whose theme on the economic front is ‘to have a vibrant and globally competitive financial sector driving high levels of savings and Kenya’s investment needs’ (Vision 2030).

#### **3.4 Sampling Technique**

Niles (2006) had developed a guide table for selection of sample sizes aimed at achieving different levels of confidence.

**Table3.1: Guide table for sample selection**

Accuracy (+/-) (Margin of error)	Confidence Level		
	90%	95%	99%
	Sample size	Sample size	Sample size
1	6765	9604	16576
2	1691	2401	4144
3	752	1067	1848
4	413	600	1036
5	271	384	663
10	68	96	166
20	17	24	41

Source: Niles (2006)

The selection of 96 respondents is justified based on the following formula advocated by Niles (2006).

$$samplesize = p(1 - p) \left( \frac{z}{e} \right)^2$$

According to Nile (2006) a when there is no known proportion of the population, a proportion of 0.5 is used. Given a probability (p) of 50% (meaning there is a 50% chance that the corporate tax payer could respond), confidence level of 95% (z=1.96), and margin of error of 10%, then the approximate sample size is 96 respondents. A 10% of the sample size was added for the sake of non-responses. This enhanced the response rate of the study. The total sample will therefore be 106.

This study used stratified random sampling design. According to Adejimi, Oyediran and Ogunsanmi (2010), stratified technique is advantageous as it samples each subpopulation (stratum) independently by grouping members of the population into relatively homogeneous subgroups before sampling. This improves the representativeness of the sample by reducing sampling error. The target population was stratified into the 47 sectors of the corporate taxpayers and the 4 departments dealing with tax issues. Random sampling technique was used to select 2respondents from each stratum (individual

sector) and 3 respondents from each of the KRA departments. Random sampling ensured that the study eliminated bias in its choice of respondents.

**Table 3.2: Sampling size**

Category	Population	Sample size	Sample Percentage
Corporate tax payers	499	94	=94/106*100=88.7%
Tax man	12	12	=12/106*100=11.3%
<b>TOTAL</b>	<b>511</b>	<b>106</b>	<b>100</b>

**Source: Researcher (2014)**

### 3.5 Data Collection Instruments and Methods

The SRQ (self-reporting questionnaire) is the preferred data collection instrument because of ease of administration. The questionnaire is attached at the appendix I. The enumerators handed the questionnaires to each corporate tax payer and tax manager in the sample. For practical purposes, the financial manager of the selected corporate tax payers and the tax manager from the KRA were the preferred respondents as they have more knowledge on the auditing process. The questionnaires were collected after the respondents fill it. That was on a drop and pick basis.

#### 3.5.1 Operational Framework

The data to validate the tax audit expectation gap was generated from the following statements and was measured using the Likert scale. The questions were informed by variables used in other related such as Fowzia(2008), Lee et al.(2008), Ojo (2006), Schisler and Galbreath (2011), Zeithaml and Bitner (2000), Suluo (2013), Seelmann (2011), Owojori and Asaolu (2009), Adrian et al.(2009) and Porter (1993). The questions relating to these statements are given in the appendix. See questionnaire in appendix I.

1. Existence of expectation gap.
  - a) Unreasonable expectations-6 statements
  - b) Substandard performance of auditors-2 statements

The data to establish ways of reducing the tax audit expectation gap was sourced from the following statements and was measured using the Likert scale.

## 2. Reducing the expectation gap

- a) Introduction of better tax compliance standards-5 statement
- b) Forensic accounting-4 statements
- c) I-tax Implementation-5 statement
- d) User education-4 statement

### 3.6 Data Analysis and Presentation Methods

In order to assess existence of a tax audit expectation gap exists in Kenyan, tax audit engagements, unreasonable expectations and substandard performance was examined. These were in line with studies by Fowzia(2008),Lee etal. (2008), Ojo (2006),Schisler and Galbreath (2011), Zeithaml and Bitner (2000), Suluo (2013), Seelmann, (2011), Owojori and Asaolu (2009), Adrian etal. (2009), Porter (1993).The study analyzed responses from both tax managers and corporate tax payers using Chi square and the Fisher Exact test. Specifically, the objective of the analysis of the categorical responses was to see whether there are any significant differences in the frequency of responses. Fisher Exact test was used to improve on the results of the chi-square test, that is, if some of the cells do contain a count (frequency) of less than 5. From literature review, a significant difference in the frequency of responses between tax managers and corporate tax payers indicates the existence of a tax audit expectation gap and vice versa. To complement the above test, a two sample independent T-test was carried out but only after converting all the categorical variables into a mean score.

A two independent samples t test was used to test whether there is any difference between the mean response (tax managers) and mean response (corporate taxpayers), for the statement that tax manager substandard performance contributes to the tax audit expectation gap between the tax authority and corporate taxpayers. Further, a multiple linear regression was used to establish the contribution of unreasonable expectations and substandard performance on the tax audit expectation gap. The multiple linear regression is as laid below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Tax Audit Expectation Gap

$\beta_1$  and  $\beta_2$  = Beta coefficients

$\beta_0$  = Constant Term

X<sub>1</sub> = Unreasonable Expectations

X<sub>2</sub> = Substandard Performance

$\varepsilon$  = Error term

In order to test for contribution of unreasonable expectations and substandard performance on the tax audit expectation gap, R<sup>2</sup> statistic, F statistic, regression/beta coefficients were evaluated for significance using p values. The critical p value was set at 0.05.

A binary logistic regression model was used to test the significance of the influence of the independent variables on the dependent variable. The rationale for using the odds ratio regression was that the data was categorical in nature and is generated from a likert scale questionnaire. Likert scale data violates the assumptions of classical linear regression and the distribution of errors/residuals of logistic models follows a logistic distribution with a

mean zero and variance of  $\frac{\pi^2}{3}$ . The binary logistic regression model was as laid below.

$$(Y=1/X_1, X_2, X_3, X_4) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Taxpayers Satisfaction (High Satisfaction=1, Low satisfaction=0)

X<sub>1</sub> = Better tax compliance standards

X<sub>2</sub> = Forensic accounting

X<sub>3</sub> = I-tax implementation

X<sub>4</sub> = User education

e is error term

$\beta_0$  represents the constant

$\beta_{1,2,3,4}$  are regression coefficients

The data was presented using tables, graphs and charts.





## CHAPTER FOUR

### DATA ANALYSIS

#### 4.1 Introduction

This chapter comprises of data analysis, findings and interpretation. Results are presented in tables and diagrams. The analyzed data was arranged under themes that reflect the research objectives.

#### 4.2 Response Rate

Findings in this study indicate that the successful responses in the corporate taxpayers category are 80 percent. The unsuccessful responses in the same category are 20 percent. The successful responses in the tax man category are 83 percent while the unsuccessful responses are 17 percent. In total, the successful responses are 80 percent while the unsuccessful responses are 20 percent. The findings are presented in table 4.1 below. According to Babbie (2004), return rates of 50% are acceptable to analyze and publish, 60% are good and 70% are very good. Based on these assertions, the response rate of 80 is adequate for the study.

**Table 4.1: Response rate**

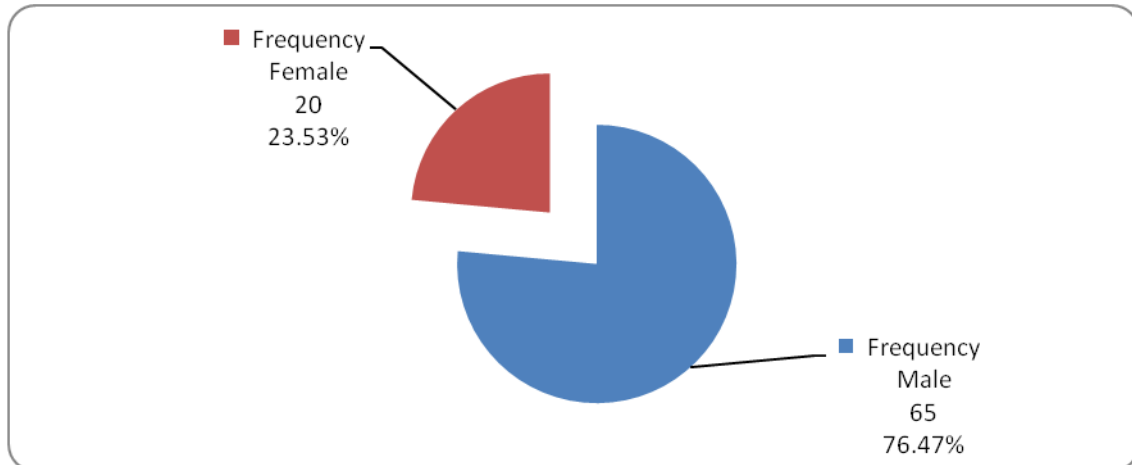
Response rate	Successful	% Successful	Unsuccessful	% Unsuccessful	Total
Corporate Taxpayers	75	80%	19	20%	94
Tax Man	10	83%	2	17%	12
Total	85	80%	23	20%	106

#### 4.3 Demographic Information

This section presents the descriptions of the respondents in terms of their gender, position, level of education, period of work in a given firm (in the KRA in the case of a tax man or a particular corporate company in the case of a corporate tax payer).

### 4.3.1 Gender

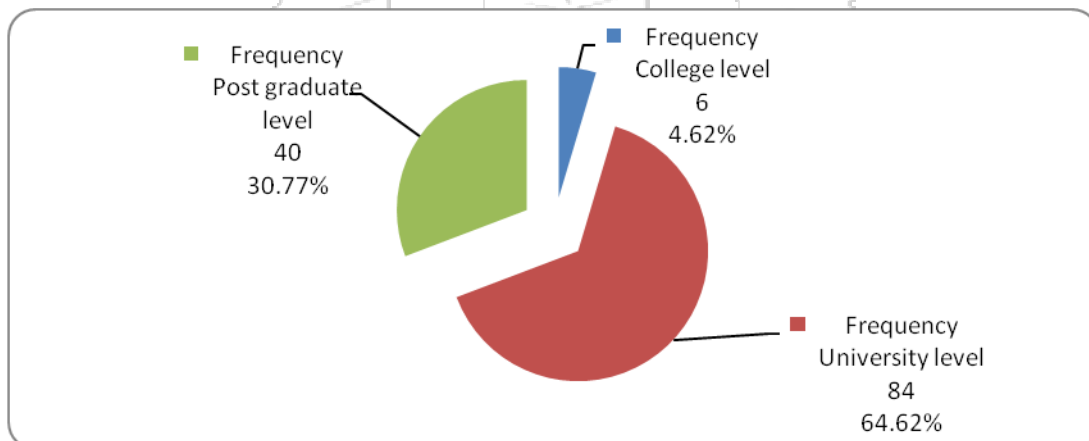
The majority of respondents in this study are male as supported by 76.47 percent while the female respondents are 23.53 percent. The findings are presented in figure 4.1 below. Gender could influence the responses on tax audit expectation gap. Future studies could confirm this.



**Figure 4.1: Gender**

### 4.3.2 Education Level

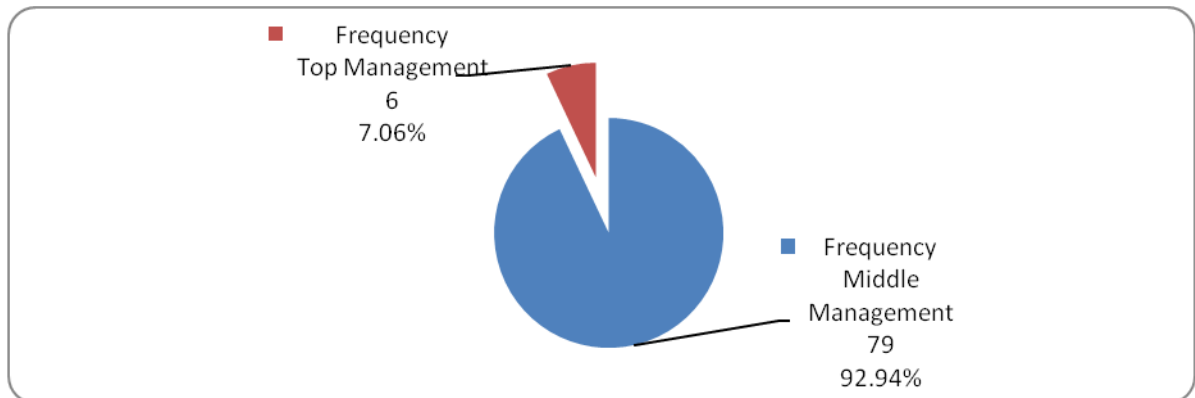
According to study findings, 64.62 percent of respondents are university graduates, Post graduates are 30.77 percent and college graduates are 4.62 percent. The finding implies that respondents are highly educated. The findings are presented in figure 4.2 below.



**Figure 4.2: Education Level**

**4.3.3 Position in Organization**

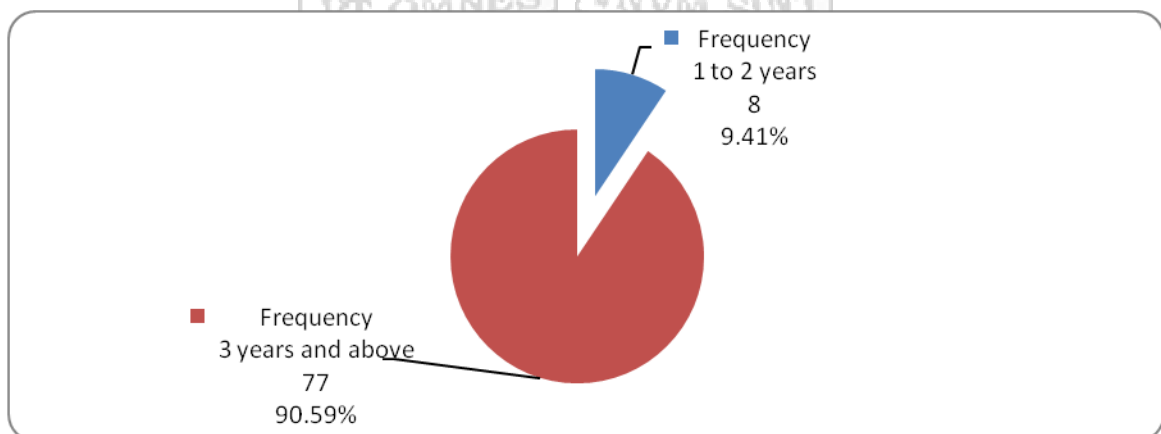
The majority of respondents are in the middle management at 92.94 percent, while the respondents in the top management were 7.06 percent, implying that the respondents are in a more informed position to reply accurately to the questions. The findings are presented in figure 4.3 below.



**Figure 4.3: Position in the Organization**

**4.3.4 Period of Work**

The majority of respondents at 90.59 percent had been in the firm for 3 years and above while 9.41 percent had been in the firm for 1 to 2 years. The finding implies that the respondents are experienced enough to answer the study questions. The findings are presented in figure 4.4 below.



#### Figure 4.4: Number of Years in firm

#### 4.4 General Information

Study findings indicate that all corporate tax payers in the study hold AGMs. This is supported by a 100 percent response from cooperate tax payers. The results also showed that all the corporate tax payers presented audited accounts in the AGM. The finding is supported by a 100 percent response from corporate tax payers. In addition, the results revealed that a majority of the corporate tax payers discussed the audited accounts. This finding is supported by a majority affirmative response of 92 percent.

However, the majority of corporate tax payers indicated that there are issues in the audited accounts that AGM participants sometimes disagree with. This finding is supported by a majority affirmative response of 83 percent. The finding implies that, to a large extent, the corporate tax payers are not satisfied with the audited accounts and reports. The findings are presented in table 4.2 below.

**Table 4.2: General Information on Tax Audit Expectation Gap**

Column1	Row Labels	Cooperate Taxpayer	Grand Total	% Response
AGM	Yes	75	75	100%
Audited Accounts	Yes	75	75	100%
Discussing Accounts	Yes	69	69	92%
	No	6	6	8%
Issues in Accounts	Yes	62	62	83%
	No	8	8	11%
	Not sure	5	5	6%

#### 4.5 Tax Audit Expectation Gap Analysis

The measures of central tendency for the study variables, unreasonable expectations, substandard performance, deficient standards, better tax compliance standards, forensic accounting, I-tax implementation and user education are given in table 4.3 below. The mean responses for unreasonable expectations is 3.91 indicating overall agreement to the statements that it is the duty of the tax auditor to prepare the company's accounting

statements, to guarantee the complete accuracy of audited financial statements, to verify every accounting transaction, to prevent tax frauds in the company, to detect tax frauds in the company, and to plan the accounting and internal control. The standard deviation was 1.04 meaning that the responses were clustered around the mean response. These findings agree with those of Baron et al., (1977) who found that auditors and users of accounting reports have significantly different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing irregularities and illegal acts. In particular, users held auditors to be more responsible for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be.

According to table 4.3, the mean responses for substandard performance is 4.12 indicating overall agreement to the statements that the tax auditor underperforms in the area of detecting deliberate distortion of the figures in the company's financial statements, and in the area of reporting privately to the tax authority on the theft that has been committed by top managerial employees and middle managerial employees. The standard deviation was 1.04 meaning that the responses were clustered around the mean response. These findings agree with those of Porter and Gowthorpe (2004) whose empirical findings revealed that auditors are perceived to have underperformed in their various duties.

Table 4.3 further shows that the mean response for better tax compliance standards was 4.51 indicating overall agreement to statements such as better tax compliance standard improve the objectivity, integrity and independence of accounting reports. Similarly, it indicates an overall agreement to the statement that better tax compliance standards improve the understandability of tax requirements and also narrow the tax audit expectation gap among corporate taxpayers. The standard deviation was 0.96 meaning that the responses were clustered around the mean response. These findings agree with those of Ojo (2006) who quoted Financial Reporting Council (FRC) annual report, 2005/2006 and argued that the year 2005 was a year of major change for many companies with the introduction of international accounting standards and new auditing standards.

Statistics in table 4.3 also show that the mean responses for forensic accounting was 4.51 indicating a general agreement to the statement that forensic accounting aids in detecting and preventing frauds among corporate taxpayers. Similarly, use of forensic accounting narrows the tax audit expectation gap between corporate taxpayers and the tax authority

and also critically assesses the legitimacy of a company's financial transactions and conformity to GAAP. The standard deviation was 0.96 meaning that the responses were clustered around the mean response. These findings agree with those of Owojori and Asaolu (2009) who argued that the services of a forensic accountant are critical and important in exposing and preventing fraud, corruption and mismanagement in both the private and public sector.

Statistics in table 4.3 also show that the mean for I-tax implementation was 4.51 indicating a general agreement to the statement that I-tax implementation enhances good planning and quick accurate processing of taxpayer return of income assessment, facilitates easy monitoring and evaluation, improves taxpayer compliance, lead to increased taxpayer satisfaction and narrows the tax audit expectation gap among corporate taxpayers. The standard deviation was 0.95 meaning that the responses were clustered around the mean response. These findings agree with those of Victor-Nyambo(2009) who sought to determine the role of information and communication technology (ICT) in Taxation among the Large Taxpayer Department Tanzania Revenue Authority. The study findings revealed that, ICT help to maintain consistent record keeping, timely access of such records, fast processing of returns which together improved the performance of tax revenue.

Statistic in table 4.3 also show that the mean for user education was 4.50 indicating a general agreement to the statement that user education facilitates easy communication of merits and limitations of a tax audit of the stakeholders, eliminates misunderstandings on the duties of the tax man by the corporate taxpayer, narrows the tax audit expectation gap among corporate tax payers and influences the satisfaction of corporate taxpayers regarding the performance of the tax man. The standard deviation was 0.96 meaning that the responses were clustered around the mean response.

The results in table 4.3 agree with the findings of Koh and Woo (2008) who carried out a literature based study on the expectation gap in auditing. The authors base their arguments on the fact that studies have found evidence to support the belief that knowledge of the users influences the size of the expectation gap. Out of this study the researchers proposed that one way to narrow the expectation gap is through increased public awareness of the nature and limitations of an audit. And to increase users'

knowledge and awareness it is important to communicate the merits and limitations of an audit at every available chance (e.g. shareholder meetings).

**Table 4. 3: Measures of Central Tendency (means and standard deviations)**

<b>Variable</b>	<b>Observatio n</b>	<b>Minimu m</b>	<b>Maximu m</b>	<b>Mea n</b>	<b>Std. Dev</b>
Average Unreasonable	85	1	5	3.91	1.04
Average Deficient Performance	85	1	5	4.12	1.04
Average Better Standards	85	1	5	4.51	0.96
Average Forensic Accounting	85	1	5	4.51	0.96
Average I-tax Implementation	85	1	5	4.51	0.95
Average User Education	85	1	5	4.50	0.96

#### **4.6 Existence of a tax Audit Expectation Gap**

In order to test for the existence of the audit expectation gap two aspects were analyzed, that is, unreasonable expectations and substandard performance.

##### **4.6.1 Unreasonable Expectations**

One of the objectives of the study is to test whether the tax audit expectation gap between the tax authority and the corporate tax payers exists. To achieve this objective, it was important to test whether unreasonable expectations exist between the tax authority and the corporate tax payers. This was done by checking whether there exists a significant difference in both frequency and scores of response between them.

##### **4.6.1.1 Chi Square and Fisher Test**

Table 4.4 presents the Chi square tests and Fisher exact tests on all the six statements (1.It is the duty of the tax man to prepare the company's accounting statements; 2. It is the duty of the tax man to guarantee the complete accuracy of audited financial statements; 3. It is the duty of the tax man to verify every accounting transaction; 4. It is the duty of the tax man to prevent tax frauds in the company; 5. It is the duty of the tax man to detect tax frauds in the company and 6. It is the duty of the tax man to plan the accounting and internal controls). Measuring the perception of tax man duties by the corporate tax payers and responsibilities for the two groups returned P values of zero (0). A P value of Zero is interpreted to mean that there is a very low probability that the difference in the frequency

of responses was due to chance. Considering the p value, a significant difference in frequency of responses between the two groups was found to exist. Consequently, unreasonable expectations existed between corporate tax payers and the tax authority. This implies that a tax audit expectation gap exists.

**Table 4.4: Chi Square and Fisher Exact Test for Measures for Reducing Expectation Gap**

Variable	Category	Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree	Total	Pearson Chi Square	P r	Fisher Exact
Unreasonable(1)	Tax man	5	3	2	0	0	10	20.91	0	0
	Corporate Taxpayer	7	10	5	14	39	75			
	Total	12	13	7	14	39	85			
Unreasonable(2)	Tax man	5	2	2	1	0	10	43.336	0	0
	Corporate Taxpayer	3	6	0	19	47	75			
	Total	8	8	2	20	47	85			
Unreasonable(3)	Tax man	6	3	1	0	0	10	27.827	0	0
	Corporate Taxpayer	5	10	9	17	34	75			
	Total	11	13	10	17	34	85			
Unreasonable(4)	Tax man	5	3	1	1	0	10	35.655	0	0
	Corporate Taxpayer	3	3	4	18	47	75			
	Total	8	6	5	19	47	85			
Unreasonable(5)	Tax man	5	3	1	1	0	10	40.09	0	0
	Corporate Taxpayer	2	3	5	9	56	75			
	Total	7	6	6	10	56	85			
Unreasonable(6)	Tax man	8	2	0	0	0	10	39.496	0	0
	Corporate Taxpayer	5	8	3	8	51	75			
	Total	13	10	3	8	51	85			

#### 4.6.1.2 Two Independent Sample Test

To complement the findings in table 4.4, a two independent sample test was carried out on the six statements and its findings presented in table 4.5. The difference in the frequency of responses between the corporate tax payers and the tax man assisted to establish whether unreasonable expectations exist between corporate tax payers and the tax authority. The test returned a P value of Zero (0) implying that there was a very low probability that the observed difference (-12.001) between the responses of corporate tax payers and the tax man was by chance. The study therefore found a significant difference in the mean responses between corporate tax payers and the tax man. This implied that unreasonable expectations exist between corporate tax payers and the tax authority. By extension, the finding implies the existence of a tax audit expectation gap.

**Table 4.5: Two Independent Sample Test on Unreasonable Expectations**

Category	N	Mean	Std. Dev	t	df	P value
Tax man	10	1.65	0.3282	-12.001	83	0.000
Corporate Taxpayer	75	4.2067	0.66035	-19.852	20.608	
Total	85	3.9059	1.04034			

#### 4.6.2 Substandard Performance

In order to verify the existence of a tax audit expectation gap, it was important to test whether substandard performance contributes to the tax audit expectation gap. The two independent samples test checked whether there were significant difference in the mean responses between corporate tax payers and the tax authority regarding the statements that the tax man underperforms in 1) detecting deliberate distortion of the figures in the company's financial statements and 2) reporting privately to the tax authority on the theft that has been committed by top managerial employees and middle managerial employees.

The findings of the t-test are presented in table 4.6. The P value from the t test was Zero (0) implying that there was a very low probability (zero probability) that the differences in the mean responses between corporate tax payers and the tax authority occurred by chance. Consequently, the study concluded that there is a significant difference in the mean responses between the two groups.

**Table 4.6: Two Independent Sample Test on Substandard Performance**

Category	N	Mean	Std. Dev	t	df	P value
Tax man	10	1.7	0.63246	-14.956	83	0.000
Corporate Taxpayer	75	4.44	0.53246	-13.095	10.77	
Total	85	4.1176	1.03982			

### 4.6.3 Contribution of Unreasonable Expectations and Substandard Performance to the Tax Audit Expectation Gap

The results presented in table 4.7 present the fitness of model used of the regression model in explaining the contribution of unreasonable expectations and substandard performance to tax audit expectation gap. Unreasonable expectations and substandard performance were found to be satisfactory variables contributing to the existence of a tax audit expectation gap. This is supported by coefficient of determination also known as the R square of 19.3%. This means that unreasonable expectations and substandard performance explain only 19.3% of the existence of a tax audit expectation gap. This implies that approximately 80.7% of the existence of a tax audit expectation gap is caused by other factors other than unreasonable expectations and substandard performance.

**Table 4.7: Model of Fitness**

Indicator	Coefficient
R	0.439
R Square	0.193

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.8 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that unreasonable expectations and substandard performance are good predictors of existence of a tax audit expectation gap. This was supported by an F statistic of 9.754 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

**Table 4.8: Analysis of Variance**

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.797	2	1.899	9.794	0.000
Residual	15.897	82	0.194		
Total	19.694	84			

Regression of coefficients results in table 4.9 shows that there is a positive and significant relationship between unreasonable expectations and substandard performance and existence of a tax audit expectation gap as supported by beta coefficients of 0.140, 0.000 and 0.081 respectively. This was also supported by p values of 0.000 for unreasonable expectations and 0.001 for substandard performance. This implies that a unit change of unreasonable expectations and substandard performance would result to an increase in tax audit expectation gap by 0.140 and 0.081 units respectively. This is a clear indication that unreasonable expectations contribute to the existence of a tax audit expectation gap in a greater magnitude than substandard performance.

**Table 4.9: Regression Coefficients**

Variable	B	Std. Error	t	Sig.
(Constant)	1.078	0.168	6.412	0.000
Average Unreasonable Expectation	0.140	0.008	17.5	0.000
Average Substandard Performance	0.081	0.0075	10.8	0.001

#### 4.7 Measures for Reducing the Tax Audit Expectation Gap

In order to find out which measures can be used for reducing the tax audit expectation gap between the tax authority and corporate tax payers, a binary logistic regression was used for analysis.

##### 4.7.1 Binary Logistic Regression

Results in table 4.7 reveal that better tax compliance standards were positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.025. This implies that better tax compliance standards can help to narrow down the tax audit expectation gap. These findings agree with those of Zeithaml and Bitner (2000) who argued that the expectation of good service increases when the

taxpayer perceives many alternatives which may include self-preparation. For clients with extremely complicated returns, there are fewer alternatives to having a particular provider, and they are likely to be more easily satisfied.

Results in table 4.7 also reveal that forensic accounting was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.002. This implies that forensic accounting measures can help to narrow down the tax audit expectation gap. These findings agree with those of Owojori and Asaolu (2009) who sought to find out how the knowledge of forensic accounting can reduce corporate fraud and mismanagement. The study concluded that the services of a forensic accountant are critical and important in exposing and preventing fraud, corruption and mismanagement in both the private and public sector.

In addition, results in table 4.7 reveal that I-tax implementation was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.038. This implies that I-tax implementation can help to narrow down the tax audit expectation gap. These findings agree with those of Victor-Nyambo, (2009) who found out that, ICT help to maintain consistent record keeping, timely access of such records and fast processing of returns which together improved the performance of tax revenue. The findings also agree with those of Suluo, (2013) who found evidence from Philippines that the use of ICT for tax administration results into increased tax collection as well as modernization of administrative processes.

Further, results in table 4.7 reveal that user education was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.026. This implies that user education as a tool can help to narrow down the tax audit expectation gap. These findings agree with those of Koh and Woo (2008) who carried out a literature based study on the expectation gap in auditing. The authors base their arguments on the fact that studies have found evidence to support the belief that audit knowledge of the users influences the size of the expectation gap. These findings also agree with those of Fowzia (2008) who examined the role of audit education in narrowing the audit expectation gap in Bangladesh. In the study, it was apparent that the expectation gap among the groups is becoming insignificant according to the role of audit education.

**Table 4.10: Binary Logistic Regression**

<b>Variable</b>	<b>B</b>	<b>S.E.</b>	<b>Wald</b>	<b>df</b>	<b>Sig.</b>	<b>Exp(B)</b>
Average Better Standards	1.455	0.648	5.038	1.000	0.025	4.285
Average Forensic Accounting	1.897	0.617	9.447	1.000	0.002	6.667
Average I-tax Implementation	0.61	0.699	0.76	1.000	0.038	0.544
Average User Education	1.109	0.498	4.963	1.000	0.026	3.032
Constant	-11.997	3.41	12.375	1.000	0.000	0.000

#### **4.8 Chapter Findings**

The chapter attempted to establish the existence of a tax audit expectation gap between corporate tax payers and the tax authority. It also attempted to find out if the introduction of measures such as better tax compliance standards, forensic accounting, I-tax implementation and user education are important in reducing the tax audit expectation gap.

The study confirmed that indeed, a tax audit expectation gap existed between corporate tax payers and the tax authority. The study also confirmed that unreasonable expectations contribute to the existence of a tax audit expectation gap to a greater magnitude than substandard performance. In addition, better tax compliance standards, forensic accounting, I-tax implementation and user education were found to be important measures in narrowing the tax audit expectation gap. These findings agree with those of Christensen (2009) who used preparers and clients from a large international accounting firm as survey participants. Results revealed that, overall, clients expect more tax planning advice and strategies, and they perceive the tax preparer as having a poor understanding of their desires. The two largest differences were in the clients' desire to avoid audit and in communication skills.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND FINDINGS

#### 5.1 Introduction

The chapter deals with the summary of the findings, the recommendations of the study, the conclusions, suggested areas of further research and the study limitations.

#### 5.2 Summary of Findings

##### 5.2.1 Existence of a Tax Audit Expectation Gap

The first objective of the study was to establish the existence of the tax audit expectation gap between tax authority and corporate tax payers in Kenya. Findings in this study indicate that indeed a tax audit expectation gap exists between corporate tax payers and the tax authority. The findings were supported by the results of a chi square and fisher exact, both of which returned zero P values. The two sample independent test also returned a zero p values revealing a significant difference in the mean response between corporate tax payers and the tax authority. Consequently, the study's proposition that unreasonable expectations exist between corporate tax payers and the tax authority was accepted. These findings agree with those of Baron et al. (1977) who found that auditors and users of accounting reports have significantly different beliefs and preferences on the extent of auditors' responsibilities for detecting and disclosing irregularities and illegal acts. In particular, users held auditors to be more responsible for detecting and disclosing irregularities and illegal acts than the auditors believed themselves to be.

The study also tested another component of the audit expectation gap namely 'substandard performance' using a two sample test. The two independent samples test whether there is any significant difference in the mean responses between corporate tax payers and the tax authority. The test returned a P value of Zero for substandard performance implying that a significant difference in the mean response between corporate tax payers and the tax authority for substandard performance existed. These findings are consistent with those of Porter and Gowthorpe (2004) whose empirical findings revealed that auditors are perceived to have underperformed in their various duties.

Further, the study tested the contribution of unreasonable expectations and substandard performance on the existence of a tax audit expectation gap. Results revealed that unreasonable expectations contribute to the existence of a tax audit expectation gap to a greater magnitude than substandard performance.

### **5.2.2 Measures Used to Reduce the Tax Audit Expectation Gap**

The second objective of the study was to assess measures that can be used for narrowing the tax audit expectation gap between the corporate tax payers and the tax authority.

Specifically, the study looked at:

#### **Better Tax Compliance Standards**

The binary logistic regression revealed that better tax compliance standards were positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.025. These findings agree with those of Ojo (2006), who quoted Financial Reporting Council (FRC) annual report, 2005/2006 and argued that the year 2005 was a year of major change for many companies with the introduction of international accounting standards and new auditing standards.

#### **Forensic Accounting**

The binary logistic regression revealed that forensic accounting was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.002. These findings agree with those of Owojori and Asaolu (2009), who argued that the services of a forensic accountant are critical and important in exposing and preventing fraud, corruption and mismanagement in both the private and public sector.

#### **I-tax Implementation**

The binary logistic regression revealed that I-tax Implementation was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.038. These findings agree with those of Victor-Nyambo (2009), who sought to determine the role of information and communication technology (ICT) in Taxation among the Large Taxpayer Department Tanzania Revenue Authority. The study findings revealed that, ICT help to maintain consistent record keeping, timely access of such

records, fast processing of returns which together improved the performance of tax revenue.

### **User Education**

The binary logistic regression revealed that user education was positive and statistically significant in influencing the services of the tax man. This was supported by a p value of 0.026. These findings agree with the findings of Koh and Woo (2008) who carried out a literature based study on the expectation gap in auditing. The authors base their arguments on the fact that studies have found evidence to support the belief that knowledge of the users influences the size of the expectation gap. Out of this study the researchers proposed that one way to narrow the expectation gap is through increased public awareness of the nature and limitations of an audit. And to increase users' knowledge and awareness it is important to communicate the merits and limitations of an audit at every available chance (e.g. shareholder meetings).

### **5.3 Recommendations**

The following recommendations are consistent with study findings and literature review.

#### **Introduction of better tax compliance standards**

The study recommends that better tax compliance standards should be promulgated by the Kenya Revenue Authority. This can be done in order to ensure that the corporate tax payers are satisfied with the authority's services. For instance, this can be done by engaging taxpayers in interview and decision making process which will in return make them take more personal responsibility on tax return preparations and be less critical of the tax man. Another way of improving the tax compliance standards can be through having predicted service. A recent experience with a tax preparer or expectations developed from advertising may be used to influence a client's perception of adequate service. Another way of improving the tax compliance standards can be use of deadlines.

#### **Use of forensic accounting**

The study recommends that forensic accounting should be introduced in Kenya Revenue Authority tax audit engagements and specifically in corporate companies. This will stem fraud in corporate companies and narrow the tax audit expectation gap. In addition, use of forensic accounting will improve the goodwill and the earning power of the tax authority.

## I-tax Implementation

The study recommends that I-tax should be implemented by the Kenya Revenue Authority in its tax audit engagements and specifically in corporate companies. This will stem fraud in corporate companies and narrow the tax audit expectation gap. In addition, use of I-tax make the process of remitting taxes easier as well as improve the goodwill and the earning power of the tax authority.

## User education

The study recommends that the corporate tax payers should be educated about the duties and the responsibilities of the tax man so that the unreasonable component of the tax audit expectation gap can be addressed. In addition, user education can help to increase public awareness of the nature and limitations of a tax audit. Such education should be carried out during the company's AGM. Similarly, this will reduce the number of unsuccessful litigations against tax men as these litigations are not only costly to these corporate companies, but also damage the goodwill of the tax man.

## 5.4 Conclusions

From this study it was possible to infer that:

- i. A tax audit expectation gap exists between the tax authority and the corporate tax payers. This was inferred from the findings that:
  - Unreasonable expectations contribute to the tax audit expectation gap between the tax authority and the corporate tax payers and
  - The tax authority's substandard performance contributes to the tax audit expectation gap between the tax authority and the corporate tax payers.
  - Unreasonable expectations contribute to the existence of a tax audit expectation gap to a greater magnitude than substandard performance.
- ii. The introduction of better tax compliance standards can be a useful tool in narrowing the tax audit expectation gap between the tax authority and the corporate tax payers.
- iii. The use of forensic accounting can be a useful tool in narrowing the tax audit expectation gap between the tax authority and the corporate tax payers.
- iv. The introduction of I-tax implementation can be a useful tool in narrowing the tax audit expectation gap between the tax authority and the corporate tax payers.

- v. The introduction of user education can be a useful tool in narrowing the tax audit expectation gap between the tax authority and the corporate tax payers.

### **5.5 Limitation of Research**

The accuracy of the study findings was limited to the extent that the respondents were honest about their responses. Referring to this study it is expected that the tax authority is not very honest with information about their ability to deliver the required services. They may therefore rate themselves highly as far as delivering tax services is concerned. With regard to the tax payers, it is expected that they have a negative view about how the tax authority conducts its duties and whether they deliver on their mandate. Their responses on whether they meet their obligations fully and in good time could be biased.

The small sample size may have limited the representativeness of the findings. A census would have yielded the most representative results. However, conducting a census would imply incurring high costs and having increased percentages of non-response cases.

Furthermore, corporate companies are governed by the Company Act and thus, the generalization of the findings to other sectors might be limited to the extent that the acts that govern them are different. For instance the rules that govern tax exemption, tax refunds and tax incentives are different in different sectors.

### **5.6 Areas of Further Research**

Future studies may attempt to establish the factors, perception and attitudes affecting the widespread tax compliance. Such perceptions could include the joy riding attitude, the perceived usefulness of tax compliance, the cost of compliance, the ease of compliance and whether penalty threat play any role.

Other studies would focus on the determinants of forensic accounting as a measure of reducing the tax audit expectation gap. Other studies would seek to determine why tax payers have not registered I-tax. Further, other studies would seek to review the user education and evaluate the applicability of the curriculum content.

## **APPENDICES**

### **APPENDIX I: REFERENCES**

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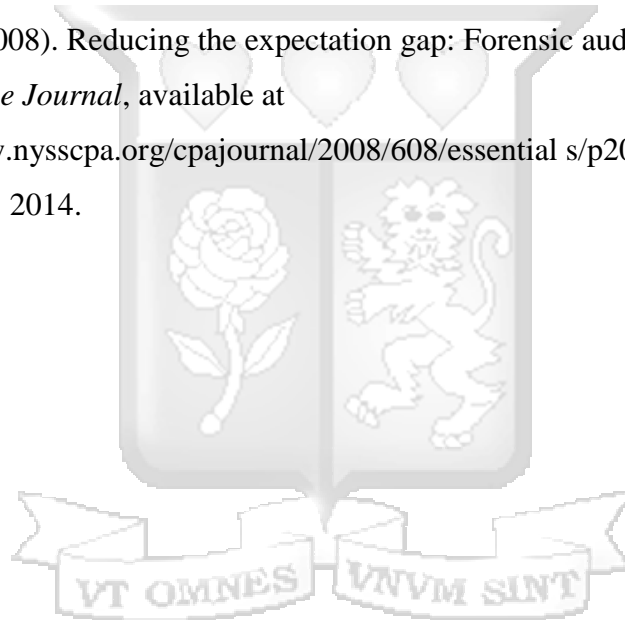
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## APPENDIX II: QUESTIONNAIRE

### Demographic Information

**1. Gender** Male ( ) Female ( )

**2. Educational level**

- a) Secondary level
- b) College level
- 50

- c) University level
- d) Post graduate level

**3. Position in organization**

- a) Top Management
- b) Middle Management

**4. Number of Years at your firm**

- a) less than one year
- b) 1 to 2 years
- c) 3 years and above

**GENERAL QUESTIONS (For Tax Payers Only)**

**5. Does your organization hold an AGM?**

- a) Yes
- b) No

**6. Does your organization present audited accounts?**

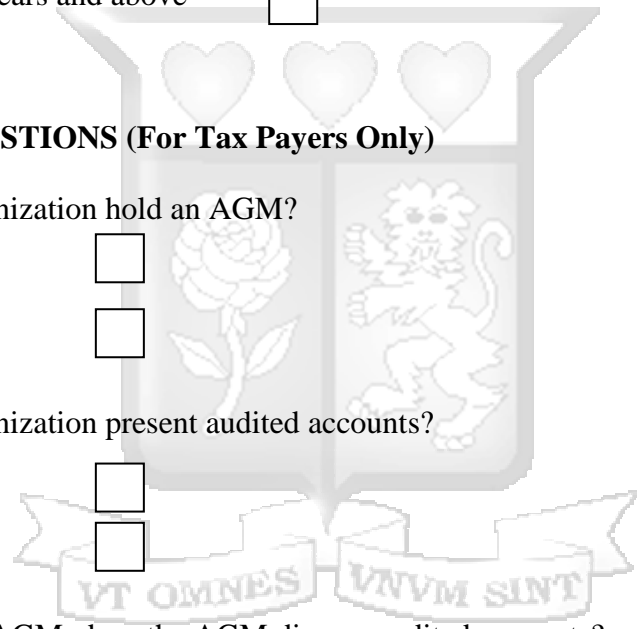
- a) Yes
- b) No

**7. If you have an AGM, does the AGM discuss audited accounts?**

- a) Yes
- b) No

**8. Are there issues in the audited accounts that the firms stakeholders sometimes disagree with?**

- a) Yes
- b) No
- c) Not sure



**1. Existence of tax audit expectation gap**

How do you rate the ability of the tax man to perform his duties?

Highly satisfactory  Lowly satisfactory

The following statements test for existence of component of the tax audit expectation gap.

Rate your agreement with the following statements using the likert scale below:

1-strongly disagree	2- disagree	3-moderate ly agree	4-agree	5-strongly agree
<b>It is the duty of the tax man</b>				<b>Response</b>
1. To prepare the company's accounting statements.				
2. To guarantee the complete accuracy of audited accounting statements				
3. To verify every accounting transaction.				
4. To prevent tax fraud in the company.				
5. To detect tax fraud in the company.				
6. To plan the accounting and internal control system				
<b>The tax man underperforms in the following areas:</b>				<b>Response</b>
7. Detecting deliberate distortion of the figures in the company's accounting statements.				
8. Reporting privately to the tax authority on the theft that has been committed by top managerial employees and middle managerial employees.				

## 2. Better Tax Compliance Standards

The following statement tests on whether better tax compliance standards can be used to reduce the tax audit expectation gap. Rate your agreement with the following statements using the likert scale below:

1-strongly disagree	2- disagree	3-moderately agree	4-agree	5-strongly agree	
					<b>Response</b>
1. Better tax compliance standard improve the objectivity of accounting reports.					
2. Better tax compliance standard improve the integrity of accounting reports.					
3. Better tax compliance standard improve the independence of accounting reports.					
4. Better tax compliance standards improve the understandability of tax requirements.					
5. Better tax compliance standard can narrow the audit expectation gap among corporate tax payers					

## 3. Forensic Accounting

The following statement tests on whether forensic accounting can be used to reduce the tax audit expectation gap. Rate your agreement with the following statements using the likert scale below:

1-strongly disagree	2- disagree	3- moderately agree	4-agree	5-strongly agree	
					<b>Response</b>

1. Forensic accounting measures aid in detecting tax frauds among corporate tax payers.	
2. Forensic accounting measures aid in preventing tax frauds among corporate tax payers.	
3. Use of Forensic accounting narrows the tax audit expectation gap between corporate taxpayers and the tax authority.	
4. Forensic accounting critically assesses the legitimacy of a company's financial transactions and conformity to GAAP.	

#### 4. I-tax Implementation

The following statement tests on whether I-tax implementation can be used to reduce the tax audit expectation gap. Rate your agreement with the following statements using the likert scale below:

1-strongly disagree	2- disagree	3-moderately agree	4-agree	5-strongly agree	
					Response
1. Use of I-tax implementation enhances good planning and quick accurate processing of taxpayer return of income assessment.					
2. Use of I-tax implementation facilitates easy monitoring and evaluation.					
3. Use of I-tax implementation improves taxpayer compliance.					
4. I-tax implementation can lead to increased taxpayer satisfaction.					
5. I-tax implementation can narrow the tax audit expectation gap among corporate taxpayers					

#### 4. User Education

The following statement tests on whether user education can be used to reduce the tax audit expectation gap. Rate your agreement with the following statements using the likert scale below:

1-strongly disagree	2- disagree	3-moderately agree	4-agree	5-strongly agree	
					<b>Response</b>
1. User education facilitates easy communication of merits and limitations of a tax audit to the stakeholders.					
2. User education may eliminate misunderstandings on the duties of the tax man and the corporate taxpayer.					
3. User education can narrow the tax audit expectation gap among corporate tax payers.					
4. User education influences the satisfaction of corporate taxpayers regarding the performance of the tax man.					

**Thank you.**



### **APPENDIX III: LIST OF CORPORATE TAX PAYERS**

<b>Sector</b>	<b>Corporate Taxpayer</b>	<b>Sector</b>	<b>Corporate Taxpayer</b>
Agriculture, Livestock Production and Fishing	Gicheha Holdings Limited	Hospitality	G 4 S Security Services Kenya Limited
Agriculture, Livestock Production and	Gicheha Investments Limited	Hospitality	African Safari Club Limited

Fishing			
Agriculture, Livestock Production and Fishing	Ss Mehta Epz Limited	Manufacture Of Food Products and Beverages	M J Clarke Limited
Agriculture, Livestock Production and Fishing	Gicheha Farms Ltd	Manufacture Of Food Products and Beverages	Pwani Oil Products Ltd
Agriculture, Livestock Production and Fishing	Eastern Produce Kenya Limited	Manufacture Of Food Products and Beverages	Farmers Choice Ltd
Agriculture, Livestock Production and Fishing	Homegrown Kenya Ltd	Manufacture Of Food Products and Beverages	Brookside Dairy Ltd
Agriculture, Livestock Production and Fishing	Kaimosi Tea Estates Ltd	Manufacture Of Food Products and Beverages	Spin Knit Dairy Limited
Agriculture, Livestock Production and Fishing	Kapchorua Tea Company Limited	Manufacture Of Food Products and Beverages	Del Monte Kenya Limited
Agriculture, Livestock Production and Fishing	Limuru Tea Co Ltd	Manufacture Of Food Products and Beverages	East African Sea Food Limited
Agriculture, Livestock Production and Fishing	Mumias Outgrowers Company Ltd	Manufacture Of Food Products and Beverages	Bidco Oil Refineries Ltd
Agriculture, Livestock Production and Fishing	Nandi Tea Estates Ltd	Manufacture Of Food Products and Beverages	Giloil Company Limited
Agriculture, Livestock Production and Fishing	Oserian Development Co Ltd	Manufacture Of Food Products and Beverages	Kapa Oil Refineries Ltd
Agriculture, Livestock Production and Fishing	Sasini Tea and Coffee Ltd	Manufacture Of Food Products and Beverages	Atta (Kenya) Limited
Agriculture, Livestock Production and Fishing	Sher Agencies Ltd	Manufacture Of Food Products and Beverages	Bakex Millers Ltd
Agriculture, Livestock Production and Fishing	Sotik Highlands Tea Estates Ltd	Manufacture Of Food Products and Beverages	Capwell Industries Ltd

Agriculture, Livestock Production and Fishing	Valentine Growers Limited	Manufacture Of Food Products and Beverages	Kabansora Millers Limited
Agriculture, Livestock Production and Fishing	Vegpro Kenya Limited	Manufacture Of Food Products and Beverages	Kitui Flour Mills Ltd
Agriculture, Livestock Production and Fishing	Wilham Kenya Ltd	Manufacture Of Food Products and Beverages	Mcneel Millers Ltd
Agriculture, Livestock Production and Fishing	Williamson Tea Kenya Limited	Manufacture Of Food Products and Beverages	Pan African Paper Mills (E A) Limited
Agriculture, Livestock Production and Fishing	East African Growers Limited	Manufacture Of Food Products and Beverages	Premier Flour Mills Ltd
Agriculture, Livestock Production and Fishing	Wananchi Marine Products Kenya Ltd	Manufacture Of Food Products and Beverages	Rafiki Millers Ltd
Agriculture, Livestock Production and Fishing	Capital Fish (K) Limited	Manufacture Of Food Products and Beverages	Supaflo Flour Mills Limited
Agriculture, Livestock Production and Fishing	Eldoret Grains Ltd	Manufacture Of Food Products and Beverages	Swan Millers Limited
Agriculture, Livestock Production and Fishing	Kenya Nut Co Ltd	Manufacture Of Food Products and Beverages	United Millers Ltd
Mining	Athi River Mining Ltd	Manufacture Of Food Products and Beverages	Broadway Bakers Ltd
Mining	Magadi Soda Co Ltd	Manufacture Of Food Products and Beverages	Kenblest Limited
Sdl	Mumias Sugar Company Ltd	Manufacture Of Food Products and Beverages	Mibisco Ltd
Sdl	Nzoia Sugar Company Limited	Manufacture Of Food Products and Beverages	Mini Bakeries (Nbi) Limited
Sdl	South Nyanza Sugar Co Ltd	Manufacture Of Food Products and Beverages	Cadbury Kenya Ltd
Sdl	West Kenya Sugar	Manufacture Of	Mzuri Sweet Limited

	Company Limited	Food Products and Beverages	
Sdl	Chemelil Sugar Company	Manufacture Of Food Products and Beverages	Bestfoods Kenya Limited
Textiles and Footwear Manufacture	Spinners and Spinners Ltd	Manufacture Of Food Products and Beverages	Excel Chemicals Ltd
Textiles and Footwear Manufacture	Uzuri Manufacturers Limited	Manufacture Of Food Products and Beverages	James Finlay Kenya Limited
Textiles and Footwear Manufacture	Metal Crowns Ltd	Manufacture Of Food Products and Beverages	Kapkoros Tea Factory Company Ltd
Textiles and Footwear Manufacture	Spin Knit Limited	Manufacture Of Food Products and Beverages	Kenya Tea Packers Ltd
Textiles and Footwear Manufacture	United Aryan (Epz) Limited	Manufacture Of Food Products and Beverages	Kipkebe Ltd
Textiles and Footwear Manufacture	Bata Shoe Company (Kenya) Limited	Manufacture Of Food Products and Beverages	Mogogosiek Tea Factory Co Ltd
Electricity Generation	Tsavo Power Company Limited	Manufacture Of Food Products and Beverages	Nestle Foods (K) Limited
Electricity Generation	Wartsila Eastern Africa Limited	Manufacture Of Food Products and Beverages	Premier Food Industries Ltd
Electricity Generation	Westmont Power (Kenya) Limited	Manufacture Of Food Products and Beverages	Unilever Tea Kenya Limited
Electricity Generation	Geopower Project Company Limited	Manufacture Of Food Products and Beverages	Boc Kenya Limited
Electricity Generation	Iberafrica Power (E A) Limited	Manufacture Of Food Products and Beverages	Buyline Industries Ltd
Electricity Generation	Kenya Electricity Generating Company Limited	Manufacture Of Food Products and Beverages	Proctor and Allan (Ea) Limited
Electricity Generation	Kenya Power and Lighting Company Ltd	Manufacture Of Food Products and Beverages	Lipton Limited
Electricity Generation	Orporwer 4 Inc	Manufacture Of Food Products and Beverages	Cosmos Limited
Manufactures	Kenya Seed Company Limited	Manufacture Of Food Products and Beverages	Procter and Gamble (Ea) Ltd
Manufactures	Unga Ltd	Manufacture Of Food Products and Beverages	United Chemical Industries Ltd

		Beverages	
Manufactures	Kenya Horticultural Exporters (1977) Ltd	Manufacture Of Food Products and Beverages	Alan Dick and Company (East Africa) Limited
Manufactures	Van Rees B V	Manufacture Of Food Products and Beverages	Beiersdorf East Africa Limited
Manufactures	Cetco Limited	Manufacture Of Food Products and Beverages	Colgate Palmolive (Ea) Ltd
Manufactures	Global Tea And Commodities (Kenya) Limited	Manufacture Of Food Products and Beverages	Pz Cussons East Africa Limited
Manufactures	Kakuzi Limited	Manufacture Of Food Products and Beverages	Sara Lee Household And Body Care (Kenya) Limited
Manufactures	Mantrac Kenya Limited	Manufacture Of Food Products and Beverages	Unilever Kenya Limited
Real Estate and Other Business Services	Sunripe (1976) Ltd	Manufacture Of Food Products and Beverages	C Czarnikow Sugar East Africa Limited
Real Estate and Other Business Services	International House Ltd	Manufacture Of Food Products and Beverages	Krish Commodities Limited
Real Estate and Other Business Services	Kabansora Limited	Manufacture Of Food Products and Beverages	Phillips Pharmaceuticals Limited
Real Estate and Other Business Services	Kenya Aluminium And Industrial Works Limited	Manufacture Of Food Products and Beverages	Surgipharm Limited
Real Estate and Other Business Services	Pioneer Holdings (Africa) Limited	Banks	Aar Health Services
Real Estate and Other Business Services	Sterling Developers Limited	Banks	Acacia Fund Limited(Pays PayeOccasionally On Directors Fees)
Real Estate and Other Business Services	Tps Holdings Limited	Banks	African Banking Corporation Limited
Real Estate and Other Business Services	Ukay Estate Limited	Banks	Agricultural Finance Corporation
Real Estate and Other Business Services	Hammond Holdings Limited	Banks	Aig Global Investment Company (East Africa) Limited
Real Estate and Other Business Services	International House Ltd	Banks	Alexander Forbes Financial Services
Real Estate and Other	Sameer Investments Ltd	Banks	Apex Africa Investment Bank Ltd

Business Services			
Real Estate and Other Business Services	Comcraft Kenya Limited	Banks	Ashbhu Securities Limited
Real Estate and Other Business Services	DevchandKeshavji Kenya Ltd	Banks	Bank Of Africa Kenya Limited
Real Estate and Other Business Services	International Controls Ltd	Banks	Bank Of Baroda (Kenya) Ltd
Real Estate and Other Business Services	Knight Frank Kenya Limited	Banks	Bank Of India
Real Estate and Other Business Services	Mat International Limited	Banks	Barclays (K) Nominees Ltd(Company Is Dormant)
Real Estate and Other Business Services	Multi Packaging Limited (Printpak)	Banks	Barclays Advisory and Registrars Services Ltd
Real Estate and Other Business Services	Yara East Africa Limited	Banks	Barclays Bank Of Kenya Limited Staff Pension Fund
Oil	Chevron Kenya Limited	Banks	Central Bank Of Kenya
Oil	Kenya Petroleum Refineries Limited	Banks	Cfc Bank Limited Staff Retirement Benefit
Oil	Metro Petroleum Limited	Banks	Cfc Properties Ltd
Oil	Bp Kenya Ltd	Banks	Charterhouse Bank Limited
Oil	Dalbit Petroleum Ltd	Banks	Chase Bank (Kenya) Limited
Oil	Kenya Oil Company Ltd	Banks	Citi Bank N A
Oil	Kenya Shell Limited	Banks	Citibank Na Regional Office(Company Is Dormant)
Oil	Kobil Petroleum Limited	Banks	City Finance Bank Limited
Oil	Mobil Oil Kenya Limited	Banks	Co Op Trust Investment Services Limited
Oil	National Oil Corporation Of Kenya Ltd	Banks	Commercial Bank Of Africa Limited
Oil	Petro Oil Kenya Limited	Banks	Commercial Bank Of Africa Limited Pension Fund
Oil	Somken Petroleum Company Limited	Banks	Consolidated Bank Of Kenya Ltd
Oil	Total (K) Ltd	Banks	Credit Bank Limited
Oil	Nyanza Petroleum Dealers Ltd	Banks	Credit Finance Corp Financial Services Limited(Paye Under Cfc

			Bank Ltd)
Oil	Galana Oil Kenya Limited	Banks	Daima Bank Limited
Oil	Gapco Kenya Limited	Banks	Deposit Protection Fund
Oil	Hass Petroleum Kenya Ltd	Banks	Development Bank Of Kenya
Oil	Alba Petroleum Limited	Banks	Diamond Trust Bank Kenya Limited
Oil	Delmas Kenya Limited	Banks	Dubai Bank Kenya Limited
Oil	Prestige Packaging Limited	Banks	Dyer And Blair Investment Bank Ltd
Transport	Air Kenya Aviation Limited Staff Pension Scheme	Banks	Eabs Bank Ltd (Akiba)
Transport	Kenya Railways	Banks	Equatorial Commercial Bank Limited
Transport	Akamba Public Road Services Ltd	Banks	Family Bank Ltd.
Transport	Bustrack Limited	Banks	Fidelity Commercial Bank Limited
Transport	Kenya Bus Services Ltd	Banks	Fina Bank Limited
Transport	Abercrombie And Kent Kenya Limited	Banks	First Chartered Securities Ltd(Holding Co. For Icea)
Transport	Anwarali And Brothers Limited	Banks	First Securities Limited
Transport	Exel Contract Logistics (Kenya) Limited	Banks	Giro Commercial Bank Limited
Transport	Express Kenya Ltd	Banks	Guardian Bank Limited
Transport	Grain Hauliers Limited	Banks	Gulf African Bank Limited
Transport	Highway Carriers Limited	Banks	Habib Bank Ag Zurich
Transport	Husseini Dairy Ltd	Banks	Habib Bank Limited
Transport	Kara Roadways Limited	Banks	Housing Finance Co Of Kenya
Transport	Multiple Hauliers (E A) Ltd	Banks	Housing Finance Staff Retirement Benefit Scheme
Transport	P N Mashru Limited	Banks	Icea Asset Management (Now IceaInvesment Services Ltd.)
Transport	Kenya Pipeline Co Ltd	Banks	Icea Individual Retirement Benefit Scheme (Under Icea Investment Services Ltd)
Transport	African Marine and Gen Engineering Company Limited	Banks	Icea Trustee Services Ltd

Transport	East African Commercial And Shipping Company Ltd	Banks	Idb Capital Ltd
Transport	Kenya Ports Authority	Banks	Imperial Bank Limited
Transport	Air Kenya Aviation Ltd	Banks	Industrial And Commercial Development Corporation (Icdc)
Transport	East African Safari Air Express Limited	Banks	Investments and Mortgages Bank Limited
Transport	Kenya Airways Ltd	Banks	K Rep Bank Limited
Transport	Freight Forwarders Kenya Limited	Banks	Kcb Staff Pension Fund
Transport	Air Connections Limited	Banks	Kenya Post Office Savings Bank
Transport	Kuehne+Nagel Limited	Banks	Kenya Women Finance Trust
Transport	SdvTransami Kenya Limited	Banks	Middle East Bank Kenya Ltd
Transport	SpedagSpedition Kenya Limited	Banks	National Bank Of Kenya Ltd
Transport	Total Touch Cargo Limited	Banks	National Bank Of Kenya Staff Retirement
Transport	Express Travel Group Limited	Banks	National Industrial Credit Bank Ltd
Transport	Schenker Limited	Banks	Old Mutual Investment Services Kenya) Limited
Motor Vehicles	Associated Vehicle Assemblers Limited	Banks	Oriental Commercial Bank Ltd
Motor Vehicles	Bhachu Industries Ltd	Banks	Paramount Universal Bank Limited
Motor Vehicles	Cooper Motor Corp (K) Limited	Banks	Prime Bank Ltd
Motor Vehicles	D T Dobie and Company (K) Ltd	Banks	Prime Capital and Credit Limited
Motor Vehicles	General Motors East Africa Limited	Banks	Savings and Loan Kenya Ltd( Under Kenya Commercial Bank)
Motor Vehicles	Kenya Grange Vehicle Industries Limited	Banks	Southern Credit Banking Corporation Limited
Motor Vehicles	Marshalls (Ea) Ltd	Banks	Stanbic Bank Kenya Limited
Motor Vehicles	Ryce East Africa Limited	Banks	Trans National Bank Limited
Motor Vehicles	Toyota East Africa Limited	Banks	Victoria Commercial Bank Limited

Motor Vehicles	Simba Colt Motors Ltd	Other Financial Institutions and Financial Services	East African Building Society Limited
Rubber and Plastic Product Manufacturers	Sameer Africa Limited	Other Financial Institutions and Financial Services	Idb Capital Limited
Rubber and Plastic Product Manufacturers	TreadsettersTyres Ltd	Other Financial Institutions and Financial Services	Investments and Mortgages Bank Limited
Rubber and Plastic Product Manufacturers	Bobmil Industries Ltd	Other Financial Institutions and Financial Services	Phoenix Of E A Assurance Company Ltd Staff Pension Scheme
Rubber and Plastic Product Manufacturers	Umoja Rubber Products Limited	Other Financial Institutions and Financial Services	Prime Capital and Credit Limited
Rubber and Plastic Product Manufacturers	Haco Industries Kenya Ltd	Other Financial Institutions and Financial Services	Savings and Loan Kenya Ltd
Rubber and Plastic Product Manufacturers	Kenpoly Manufacturers Limited	Other Financial Institutions and Financial Services	Tibbetand Britten (K) Ltd Staff Pension Scheme
Rubber and Plastic Product Manufacturers	Metro Plastics (K) Ltd.	Other Financial Institutions and Financial Services	Acacia Fund Limited
Rubber and Plastic Product Manufacturers	Packaging Industries Ltd	Other Financial Institutions and Financial Services	Credit Finance Corp Financial Services Limited
Rubber and Plastic Product Manufacturers	Super Foam Ltd	Insurance	Directline Assurance Company Limited
Home And Business Appliances	Mfi Office Solutions Limited	Insurance	A P A Insurance Limited
Home And Business Appliances	SparnoonDynatech Kenya Limited	Insurance	Africa Merchant Assurance Company Ltd
Home And Business Appliances	Hot Point Appliances Ltd	Insurance	Alexander Forbes Insurance Brokers Limited
Home And Business Appliances	Copy Cat Limited	Insurance	Aon Minet Insurance Brokers Limited
Home And Business Appliances	Imaging Solutions (Kenya) Limited	Insurance	Apollo Insurance Company Limited
Construction and Allied Industries	Central Glass Industries Limited	Insurance	Blue Shield Insurance Co. Ltd
Construction and Allied Industries	Kenya Clay Products Ltd	Insurance	British American Insurance Co (Kenya) Ltd
Construction and Allied Industries	Bamburi Special Products Limited	Insurance	Cannon Assurance (K) Limited
Construction and	East African	Insurance	Cfc Life Assurance Limited

Allied Industries	Portland Cement Company Limited		
Construction and Allied Industries	Corrugated Sheets Limited	Insurance	Cirio Del Monte (K) Ltd Staff Retirement Benefits Scheme
Construction and Allied Industries	Doshi Ironmongers Limited	Insurance	Concord Insurance Company Limited
Construction and Allied Industries	Galsheet Kenya Limited	Insurance	Corporate Insurance Co Ltd
Construction and Allied Industries	Mabati Rolling Mills Limited	Insurance	East Africa Reinsurance Company Limited
Construction and Allied Industries	Steel Africa Limited	Insurance	Fidelity Shield Insurance Co Ltd
Construction and Allied Industries	Kalu Works Limited	Insurance	First Assurance Company Limited
Construction and Allied Industries	Cook N Lite	Insurance	Gateway Insurance Co Ltd
Construction and Allied Industries	Nampak Kenya Limited	Insurance	Geminia Insurance Co. Ltd
Construction and Allied Industries	Asl Limited	Insurance	General Accident Insurance Co. (K)Ltd
Construction and Allied Industries	Greif Kenya Limited	Insurance	Insurance Company Of East Africa Limited
Construction and Allied Industries	Insteel Limited	Insurance	Intra Africa Assurance Co Ltd
Construction and Allied Industries	Kenya General Industries Ltd	Insurance	Invesco Assurance Company Limited
Construction and Allied Industries	Civicon Limited	Insurance	Jubilee Insurance Co Ltd
Construction and Allied Industries	EpcO Builders Ltd	Insurance	Kenindia Assurance Co. Ltd
Construction and Allied Industries	H Young and CO (E A ) Ltd	Insurance	Kenya Orient Insurance Co. Ltd
Construction and Allied Industries	LaljiMeghji Patel and Co Ltd	Insurance	Kenya Reinsurance Corporation
Construction and Allied Industries	Laxmanbhai Construction Limited	Insurance	Kenyan Alliance Insurance Co Ltd
Construction and Allied Industries	MistryJadva Parbat and Co Ltd	Insurance	Lion Of Kenya Insurance Co Ltd
Construction and Allied Industries	Mugoya Construction and Engineering Ltd	Insurance	Madison Insurance Co (K) Ltd
Construction and Allied Industries	N K Brothers Limited	Insurance	Mercantile Insurance Company Ltd
Construction and Allied Industries	S.S. Mehta and Sons Ltd	Insurance	Old Mutual Life Assurance Company Limited
Construction and Allied Industries	Pelican Engineering and Construction Company Limited	Insurance	Pan Africa Life Assurance Limited

Construction and Allied Industries	Strabag International Gmbh	Insurance	Phoenix Of E A Assurance Company Limited
Construction and Allied Industries	Firoze Construction Ltd	Insurance	Pioneer Assurance Company Limited
Construction and Allied Industries	Intex Construction Ltd	Insurance	Private Safaris (E A) Ltd
Construction and Allied Industries	Kirinyaga Construction Company Limited	Insurance	Royal Insurance Co. Of E.A. Ltd
Construction and Allied Industries	HayerBishan Singh And Sons Limited	Insurance	Standard Assurance Kenya Limited
Construction and Allied Industries	China Road and Bridge Engineering Company	Insurance	Tausi Assurance Co Limited
Construction and Allied Industries	Dayliff Holdings Ltd	Insurance	The Heritage A I I Insurance Company Limited
Construction and Allied Industries	Tononoka Hardware Ltd	Insurance	The Monarch Insurance Co Ltd
Construction and Allied Industries	Mjengo Ltd	Insurance	Trident Insurance Co Ltd
Construction and Allied Industries	Tile And Carpet Centre Limited	Insurance	Triple A Capital Limited
Construction and Allied Industries	Doshiand Co Hardware Ltd	Insurance	Uap Provincial Insurance Co Limited
Construction and Allied Industries	Hebatullah Brothers Limited	Insurance	United Insurance Co. Ltd
Construction and Allied Industries	Gilfilian Air Conditioning Limited	Insurance	Kabage And Mwirigi Insurance Brokers Ltd
Construction and Allied Industries	Dominion Engineering Works Ltd	Insurance	Ernst and Young
Construction and Allied Industries	G Issaias And Company (K) Limited	Insurance	Alexander Forbes Financial Services (East Africa) Limited
Wood, Paper Manufacture, Printing and Publishing	Timsales Ltd	Insurance	Co Optrust Investment Services Limited
Wood, Paper Manufacture, Printing and Publishing	Rai Plywood (K) Ltd	Insurance	First Chartered Securities Ltd
Wood, Paper Manufacture, Printing and Publishing	Kempaper Ltd	Govt. Ministries and Regulatory Bodies	Kenya Bureau Of Standards
Wood, Paper Manufacture, Printing and	All Pack Industries Ltd	Govt. Ministries and Regulatory Bodies	Kenya National Assurance Company (2001) Limited

Publishing			
Wood, Paper Manufacture, Printing and Publishing	Dodhia Packaging Ltd	Govt. Ministries and Regulatory Bodies	Kenya Roads Board
Wood, Paper Manufacture, Printing and Publishing	East Africa Packaging Industries Ltd	Govt. Ministries and Regulatory Bodies	Kenya Wildlife Service
Wood, Paper Manufacture, Printing and Publishing	Paperbags Limited	Govt. Ministries and Regulatory Bodies	Nas Holdings Ltd
Wood, Paper Manufacture, Printing and Publishing	Carton Manufacturers Limited	Govt. Ministries and Regulatory Bodies	Air Kenya Aviation Ltd
Wood, Paper Manufacture, Printing and Publishing	Business Forms and Systems Ltd	Govt. Ministries and Regulatory Bodies	East African Safari Air Express Limited
Wood, Paper Manufacture, Printing and Publishing	Kenya Stationers Limited	Govt. Ministries and Regulatory Bodies	Kenya Airports Authority
Wood, Paper Manufacture, Printing and Publishing	Nation Media Group Limited	Govt. Ministries and Regulatory Bodies	Nas Airport Services Ltd
Wood, Paper Manufacture, Printing and Publishing	Oxford University Press E A Limited	Govt. Ministries and Regulatory Bodies	Dhl Worldwide Express Kenya Limited
Wood, Paper Manufacture, Printing and Publishing	The Standard Ltd	Govt. Ministries and Regulatory Bodies	Document Handling (East Africa) Limited
Wood, Paper Manufacture, Printing and Publishing	Twiga Stationers and Printers Ltd	Govt. Ministries and Regulatory Bodies	Louis Dreyfus Kenya Limited
Paints	Agro Chemical and Food Company Ltd	Govt. Ministries and Regulatory Bodies	Mombasa Container Terminal Ltd
Paints	Galaxy Paints and Coatings Ltd	Govt. Ministries and Regulatory Bodies	Pollmans Tours And Safaris Ltd
Paints	Sadolins Paints (Ea) Ltd	Govt. Ministries and Regulatory Bodies	Rickshaw Travels (K) Limited
Paints	Twiga Chemical Industries Ltd	Govt. Ministries and Regulatory	Grain Bulk Handlers Limited

		Bodies	
Electrical Equipment	Booth Extrusions Limited	Govt. Ministries and Regulatory Bodies	Nairobi City Council
Electrical Equipment	Chloride Exide Kenya Ltd	Govt. Ministries and Regulatory Bodies	Communications Commission Of Kenya
Electrical Equipment	East African Cables Ltd	Govt. Ministries and Regulatory Bodies	Kenya Revenue Authority
Electrical Equipment	Eveready East Africa Limited	Govt. Ministries and Regulatory Bodies	Kenya Sugar Authority
Electrical Equipment	Largo Investments Limited	Govt. Ministries and Regulatory Bodies	Kenya Tourist Development Corporation Ltd
W/Sale Of Wood and Chemical Products	Aristocrat Concrete Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Agriculture
W/Sale Of Wood and Chemical Products	Amiran Kenya Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Co Operative Development
W/Sale Of Wood and Chemical Products	Decase Chemicals Ltd	Govt. Ministries and Regulatory Bodies	Ministry Of Education
W/Sale Of Wood and Chemical Products	DevjiMeghjiand Bros Ltd	Govt. Ministries and Regulatory Bodies	Ministry Of Environment And Natural Resources
W/Sale Of Wood and Chemical Products	Elgon Chemicals Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Finance And Planning
W/Sale Of Wood and Chemical Products	Shell Chemicals East Africa Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Foreign Affairs And Internal Co Operation
Hospitality	Kingston Trading Company Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Labourand Manpower Development
Hospitality	Raisons Trading Company Limited	Govt. Ministries and Regulatory Bodies	Ministry Of Public Works And Housing
Hospitality	Hydery (P) Limited	Govt. Ministries and Regulatory Bodies	National Cereals and Produce Board
Hospitality	Gilanis Supermarket Limited	Govt. Ministries and Regulatory Bodies	National Hospital Insurance Fund
Hospitality	Stansand (Africa) Ltd	Govt. Ministries and Regulatory Bodies	National Housing Corporation
Hospitality	Sunmatt Limited	Govt. Ministries and Regulatory	Office Of The President

		Bodies	
Hospitality	Uchumi Supermarket Ltd	Govt. Ministries and Regulatory Bodies	Provincial Administration (Op)
Hospitality	Ukwala Supermarket Limited	Govt. Ministries and Regulatory Bodies	Kingsholme Ltd
Hospitality	Hasbah Kenya Limited	Govt. Ministries and Regulatory Bodies	Maseno University College
Hospitality	Alpha Fine Foods Limited	Govt. Ministries and Regulatory Bodies	School Operators Limited
Hospitality	HowseandMcgeorgeLaborex Limited	Govt. Ministries and Regulatory Bodies	University Of Nairobi
Hospitality	Syngenta East Africa Limited	Govt. Ministries and Regulatory Bodies	Kenya Institute For Public Policy Research And Analysis
Hospitality	Mohamed Salehand Company Limited	Govt. Ministries and Regulatory Bodies	Kenyatta National Hospital
Hospitality	Text Book Centre Ltd	Govt. Ministries and Regulatory Bodies	Aar Health Services Limited
Hospitality	Towfiq Distributors and Wholesales	Govt. Ministries and Regulatory Bodies	National Aids Control Council
Hospitality	Hotel Sapphire Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Udv (Kenya) Limited
Hospitality	Intercontinental Hotels Corp Ltd	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Kenya Maltings Limited
Hospitality	Resort Kenya Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Coastal Bottlers Ltd
Hospitality	S S Hotels Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Coca Cola East and Central Africa Limited
Hospitality	Sarova Hotels Ltd	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Crown Foods Limited
Hospitality	The Ark Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Equator Bottlers Ltd

Hospitality	Kenya Hotels Ltd	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Kisii Bottlers Ltd
Hospitality	Lonrho Hotels Kenya Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Mt Kenya Bottlers Ltd
Hospitality	Henkam Limited	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Rift Valley Bottlers Ltd
Hospitality	Marble Arch Hotel	Mineral Water, Beverages (Non Alcoholic, Alcoholic)	Erdemann Company (Kenya) Limited
Hospitality	Mount Kenya Safari Club Limited	Cigarettes And Distributors	Kenya Wine Agencies Limited
Hospitality	Norfolk Towers Ltd	Cigarettes And Distributors	Rwathia Distributors Limited
Hospitality	Kenchic Limited	Cigarettes And Distributors	Spectre International Limited
Hospitality	Uzuri Foods Limited	Communication	Amiran Communications Limited
Hospitality	Hilton Nairobi Limited	Communication	Multichoice Kenya Limited
Hospitality	Kenchic Limited	Communication	Siemens Limited
Hospitality	Uzuri Foods Limited	Communication	Postal Corporation Of Kenya
Hospitality	Nas Holdings Ltd	Communication	Shazmeer Enterprises Limited
Hospitality	Block Management Limited	Communication	Kenya Data Networks Limited
Hospitality	Tecaflex Ltd		

#### **APPENDIX IV: LIST OF TAX DEPARTMENTS**

1. Custom Services
2. Domestic Services- MST
3. Domestic Services- LTO
4. Investigations and Enforcement