

**Tax Audit, Tax Investigation and Revenue Generation in Oyo State**

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## Certification

This is to certify that Kamil Abiodun Moradeyo with matriculation number LCU/PG/001743 carried out this research work titled "Tax Audit, Tax Investigation and Revenue Generation in Oyo State" in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State, for the award of Master Degree (M.Sc.) in Accounting.

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## **Dedication**

This research work is dedicated to God Almighty.

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## Acknowledgement

I want to express my sincere gratitude to the management of the Lead City University, Ibadan for providing me with the opportunity and requisite training to carry out this research.

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Even though the above-mentioned institutions and persons have assisted in the process of this research work, I alone stand responsible for the errors, if any, found in the work.

## Abstract

In recent years, tax audits and investigations have been a prevalent topic of discussion in Nigeria. The increase in government operating costs, coupled with the government's desire to address the infrastructure deficit and the social needs of its citizens, has left various governments with little choice but to develop measures to boost their revenue base. The Theory of Reasoned Action (TRA) and Benefits Theory of Taxation serves as the theoretical backbone. The descriptive survey design method was used in this research work. The population consist of 9800 staffs at the Federal Inland Revenue Service. Taro Yamane formula was adopted to arrive at 384 sample size. The simple random sampling technique was use to distribute a well-structured questionnaire to the respondents. The data was analysed using descriptive and influential statistics. The findings revealed that tax auditors' proficiency, integrity and competence, desk tax audit, field tax audit and back duty tax correlates with revenue generation in Nigeria at 0.375, 0.261, 0.331 and 0.202 which are positive all correlations. This means that tax auditors' proficiency, integrity, desk tax audit, field tax audit and back duty tax influences revenue generation in Nigeria and the relationships was statistically significant at the  $p = .001$  level ( $F=10.738$ ,  $P<0.05$ ). The study concludes that Tax is an important source of government revenue. As such, the government must adopt strategies that will promote a sustainable level of tax revenue and avoid leakages that will defer government developmental projects. It is therefore recommended that the Tax audit should be carried out on a routine basis to serve as a check and a preventive tool for tax evasion and revenue generation

**Keywords:** Auditors, Integrity, Tax Audit, Tax Investigation, Revenue Generation

**Word Count:** 269

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## List of Acronyms

<b>Abbreviation</b>	<b>Meaning</b>
ARDL	Autoregressive Distributed Lag
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CGT	Capital Gains Tax
CITA	Companies Income Tax Act
CITN	Chartered Institute of Taxation of Nigeria
CPA	Certified Public Accountants
FIRS	Federal Inland Revenue Service
FMOLS	Fully Modified Least Square
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
MPTPs	Mandatory Professional Training Programmes
NBS	National Bureau of Statistics
NCS	Nigeria Custom Service
OECD	Organization for Economic Cooperation and Development

OLS	Ordinary Least Square Regression
PITA	Personal Income Tax Act
SD	Stamp Duties
SEM	Structural Equation Modeling
SIRSs	State Inland Revenue Services
SMEs	Small and Medium-sized Enterprises
SPSS	Special Package for Social Sciences
TAXREV	Tax Revenue
VAT	Value Added Tax
WHT	Withholding Tax

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## **Chapter One**

### **Introduction**

#### **1.1 Background to the Study**

Governments in today global environment incur enormous public expenditures to provide basic utilities and other social services for their citizens, which are the primary responsibilities of an elected public official. To accomplish these responsibilities, governments require enormous resources. Taxes are the most reliable and vital source of government revenue, providing significantly more than any other source<sup>1</sup>. Consequently, tax is a mandatory levy imposed by the government on the income, profit, or wealth of an individual, family, community, corporation, or unincorporated body, etc., for the aim of supporting public expenditures centered on providing social amenities for her residents. It is a technique used by the government to produce the revenue necessary to provide the state's fundamental services and infrastructures.

Tax revenue can also be defined as a potent tool in the hands of governments in both developed and developing nations for generating funds/revenues to finance public expenditure and to stabilize the national economy, as well as for influencing expenditure patterns, redistributing income and wealth among citizens, and reflecting other social and political objectives<sup>2</sup>. Similar to many other countries, the Nigerian Government (Federal, State, and municipal) is responsible for tax administration, revenue collection, and allocation for the country's development program across all levels of government<sup>3</sup>. Consequently, it is the responsibility of the government at all levels to impose a tax on the salary, income, profit, or wealth of an individual, family, community, partnership, corporate or non-corporate body, etc., in order to generate sufficient revenue for financing public expenditures. As defined in the literature, taxation is the inherent capacity of the government, exerted through legislation, to impose financial burdens (tax and

levy) on its subjects within its jurisdiction in order to generate income for the performance of government functions<sup>4</sup>.

The history of taxation in Nigeria may be traced to the northern half of the country, where a somewhat systematic type of taxation existed in the early years due to the Emirs' more organized style of administration, in contrast to the rest of the country<sup>5</sup>. Governments pay their expenditures through taxation by levying fees on individuals and corporations<sup>1</sup>. Governments employ taxation to encourage or prohibit particular economic choices<sup>6</sup>. For instance, reducing taxable personal (or household) income by the amount of interest paid on home mortgage loans increases construction activity and creates additional jobs. The government's Revenue Policy is predicated on discouraging tax evasion and maximizing tax law compliance, as taxes is the primary source of government revenue<sup>7</sup>.

Taxation provides governments with the financial resources necessary to invest in growth, alleviate poverty, and provide public services<sup>5</sup>. It offers an antidote to aid dependence in developing nations and provides the budgetary independence and sustainability required to achieve economic progress. Numerous developing nations have made significant progress, but insufficient capacity, corruption, and the absence of a reciprocal link between taxation and public and social expenditures remain obstacles<sup>8</sup>. In terms of economic analysis, government taxation is a withdrawal from the economy, whereas government spending is an injection. Consequently, the government's net position in terms of taxation and expenditures, as well as its public sector borrowing policies, impact the level of economic activity within the Nigerian private and public sectors<sup>9</sup>. Therefore, in order for the Nigerian government to achieve the desired level of economic growth and development, it must shift its focus from crude oil revenue to improved methods of generating revenue through taxes<sup>10</sup>.

Therefore, the predetermined purpose of tax audits is to limit tax evasion on the one hand and maximize the government's revenue base as a result of tax payer compliance with tax law provisions on the other<sup>11</sup>. In this way, compliance with the results of tax audits would not only contribute to the Internally Generated Revenue (IGR) of the Federal Republic of Nigeria, but will also enable the government to provide tax payers with the necessary basic amenities<sup>12</sup>.

The purpose of tax audits is to check that taxpayers have computed their tax liability in compliance with the applicable tax rules and regulations. The audit program of a revenue body serves a variety of crucial functions that, when carried out correctly, can significantly improve the management of the tax system. A tax audit is an investigation into the history of tax returns made to a tax agency by an individual or business<sup>14</sup>. Even among individuals who believe their tax paperwork are in perfect order, the prospect of a tax audit typically induces apprehension. It is true that a tax audit may be prompted by the suspicion of an error in one or more returns, but it is also true that an audit may be conducted as part of a random sampling. Most governments in the globe have an organization tasked with supervising the tax collecting process from persons and businesses residing within their jurisdiction<sup>5</sup>.

Similarly, tax audit is a process or series of processes carried out by a tax auditor to determine a taxpayer's correct tax liabilities for a specific accounting or tax period, by examining a taxpayer's organization procedures and financial records to assess compliance with tax laws and verifying the true, fair, reliable, and accuracy of tax returns, and financial statements<sup>15</sup>. A tax audit is a financial audit that entails the collection and analysis of taxpayer information to determine their level of compliance with local tax laws<sup>16</sup>. A tax audit is an assessment of an individual's or organization's tax return by the relevant tax authorities to determine conformity with state tax rules and regulations. The Internal Revenue Service conducts a tax audit to certify that the

taxpayer's tax returns are appropriate, adequate, and accurate. The formulation of an efficient tax audit policy can impact the production/revenue-generation decisions of enterprises and the government, respectively<sup>15</sup>.

In Nigeria, tax investigation is carried out by the Federal Inland Revenue Service (FIRS) to ensure compliance with tax regulations and to uncover tax evasion or fraud. This process involves scrutinizing the financial records and transactions of individuals or businesses to verify the accuracy of tax returns and payments. The FIRS can initiate an investigation if there are discrepancies or underreporting in tax filings, or based on tips about potential evasion. These investigations are not public and are conducted with a high level of confidentiality. They can range from simple queries about a tax return to comprehensive audits of financial records. If irregularities are found, the taxpayer may need to pay the due taxes with interest and penalties. In cases of significant evasion or fraud, legal action can be pursued. Taxpayers in Nigeria undergoing investigation often seek the assistance of tax professionals for guidance and to ensure proper representation during the process.

## **1.2 Statement of the Problem**

Taxes are viewed as a revenue source for economic growth and expansion. Revenues derived from taxes and other sources are crucial to the present economic growth agenda<sup>18</sup>. One of the objectives of a tax audit and investigation is to have the taxpayer comply with the findings of the tax audit investigation and also to encourage future compliance with tax law provisions. Government's Revenue Policy focuses on deterring evasion and maximising tax law compliance. Therefore, the terms have become synonymous with government initiatives to raise Revenue. In recent years, tax audits and investigations have been a prevalent topic of discussion in Nigeria.

Clearly, a properly designed and administered taxation system is very important in generating revenue and increasing the tax base to the government of developed, developing, and transitional economies<sup>19</sup>. The national economy suffered substantial setbacks as a result of its over reliance on oil revenues, which led to a precipitous decrease in crude oil prices on the global market. As a result of a decline in the distributable revenues accrued to the federation accounts, taxation is now viewed as a crucial and best alternative source of income to supplement whatever each state receives from the central government purse to finance their project.

State governments must generate appropriate and more revenue from internal sources in order to fulfil their constitutional responsibilities; this has become a matter of urgency and vital necessity. This requirement demonstrates the eagerness of state governments and even the federal government official to seek out both old and new revenue sources, or to become more aggressive and inventive in the collection of revenue from existing sources. Upon reaching this objective, the government will be able to expand the scope of tax coverage and ensure the continued compliance of taxpayers through effective laws, such as tax audits and investigations. To the best of the researchers' knowledge, the extent of the impact of the tax audit and investigations and tax revenue generation is not well understood and has likely not been felt across the state of the federation due to the lack of literature addressing the impact on the state government, most notably Oyo State. This study therefore tend to examine the effect of tax audit and investigation on the tax revenue generation in Oyo State.

### **1.3 Aim and Objectives of the Study**

The main objective of this study is to assess the effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. Hence, the specific objectives of the study are to:

- i. analyze the effect of desk tax audit and investigations on tax revenue generation in Nigeria
- ii. access the effect of field tax audit and investigations on tax revenue generation in Nigeria
- iii. evaluate the effect of back duty tax audit and investigations on tax revenue generation in Nigeria

#### **1.4 Research Questions**

The study will be guided by the following research questions

- i. How does desk tax and investigations have effect on tax revenue generation in Oyo State?
- ii. What is the effect of field tax and investigations on tax revenue generation in Oyo State?
- iii. To what extent is the effect of Back Duty tax audit and investigations on tax revenue generation in Nigeria?

#### **1.5 Hypotheses**

**H<sub>01</sub>:** There is no significant relationship between Desk tax audit and investigations on tax revenue generation in Oyo State.

**H<sub>02</sub>:** There is no significant relationship between Field tax audit and investigations on tax revenue generation in Oyo State.

**H<sub>03</sub>:** There is no significant relationship between Back Duty tax audit and investigations on tax revenue generation in Oyo State

## 1.6 Significance of the Study

The study presents evidence on the contributions of the tax audit and investigation unit in promoting voluntary tax compliance and emphasises the significance of timely audits to taxpayers for the quick collection of government revenues. The findings of this study will be used to enhance the tax audit unit and investigations in order to raise tax revenue collection, promote voluntary tax compliance, reduce tax evasion, and consequently lower the expenses associated with tax revenue collection.

In addition, the study's findings are significant for policymaking and the design of regulations that administer earlier audits; this will help the government collect taxes on time and reduce penalties and interest on taxes that will be uncollectible. In addition, the study will be used by other students to develop their understanding and study of tax audit and inquiry assessment concerns, particularly while pursuing further studies.

The purpose of this study was to determine the distinctions between tax audit and tax investigation. Describe the parallels between tax audit and tax investigation. Serve as a point of reference for tax professionals (tax practitioners and tax administrators), accountants, auditors, forensic accounting practitioners, and lecturers of higher education institutions; and suggest improved methods for conducting tax audits and tax investigations in order to increase revenue.

Due to its broad relevance, the topic will be of tremendous interest to the government, tax administrators, taxpaying public, and students alike. The study will contribute to knowledge and act as a point of reference for future investigations.

### **1.7 Scope of the Study**

The scope of this study focused on the effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. The study was coordinated in Ibadan, Oyo State, and three hundred and eighty four (384) participants was selected at random from the 9800 staff of the Federal Inland Revenue Service, the respondents include top, middle, and lower-level public sector management personnel.

### **1.8 Limitation of the Study**

There are caveats to this study that need to be recognized in order to open opportunities for additional research. This study is focused on Tax Audit, Tax Investigation and Revenue Generation in Oyo State. Therefore, findings of this study are paramount to the location specified and therefore inappropriate for regional assessment. The data sourcing also has some limitation, the research ensured that data gathered were appropriate to variables examined in this study and were sourced from Federal Inland Revenue Service, while there are other government agencies that relate with revenue generation in Oyo state posing a limitation on the research.

### **1.9 Operational Definition of Terms**

**Audit:** Due to its independence and objectivity, auditing can be characterised as an activity that gives shareholders and other stakeholders of a company confidence in the financial statements.

**Back Duty Audit:** It is an exercise by the relevant tax authority to ensure that the amount due to the government is duly collected.

**Desk or Office Audit:** This type of audit is conducted on the premises of the tax authorities. The tax authority makes requests for pertinent documents, and the auditor does all reviews in his or her office.

**Field Audit:** When further documents are required to complete the tax payer's examination, desk audits frequently escalate to field audits. This means that field audit is more complex and extensive than office audit because it extends beyond the auditor's office.

**Forensic Audit:** A forensic audit is a review and analysis of a company's or individual's financial records to extract admissible evidence for use in court. Forensic audits encompass a broad range of investigative procedures.

**Registration Audit:** This kind of examination is utilized to trap people and businesses in the tax net. It requires obtaining business information from the Nigeria Custom Service and the Corporate Affairs Commission (CAC) as well as proof of the taxpayers' identities (NCS).

**Revenue Generation:** Revenue generating is one of the most important activities a firm can undertake. It is the process through which a business determines how to market and sell its products or services to earn revenue. Government revenue is money received by the government. It is the amount of money an organisation really receives within a certain period. The government's income comes from sources such as fees assessed on the earnings and flourishing development of individuals and organisations, as well as on their properties and offices, fares and imports, non-assessable sources such as government-claimed organisations' benefits, national bank salary, and capital receipts as outside credits and obligations from international monetary foundations.

**Tax Audit:** The major purpose of a tax audit is to preserve confidence in the self-assessment system as a method for assuring conformity with tax rules. It improves voluntary compliance by identifying and prosecuting those who do not pay the exact tax amount.

**Tax Avoidance:** Tax avoidance is generally considered as a way of identifying the loopholes in the law and then taking advantage of such loopholes to reduce tax.

**Tax Evasion:** Tax evasion is a deliberate act on the part of a tax payer to reduce tax liability or not to pay tax due.

**Tax Investigation:** A tax investigation is a more severe enforcement measure employed by tax authorities to guarantee taxpayer compliance with tax laws. Tax Investigation is an intensive investigation conducted by a tax body to recover tax underpayments from prior years of assessment.

**Tax:** In its most basic form, it is a tax imposed by the government for the public good. This study, however, defines tax as an obligatory levy imposed by the government on qualifying persons, products, or activities for specific goals that may be specified or implied in the national interest.

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## **Chapter Two**

### **Literature Review**

Different authors, analysts, researchers, and academics presented literature relevant to the study in this chapter. It examined how each of these elements contributed, positively or negatively, to the collection of tax revenues in Nigeria. Presented were abstracts of the studied literature about tax audits and investigations and their effects. The literature review included a theoretical review that discussed the theories generated for the study, an empirical literature review that provides an overview of the literature from previous studies, findings and recommendations, and a research gap to be filled in the literature review.

#### **2.1 Conceptual Review**

##### **2.1.1 Tax Revenue**

Public agencies (Federal, State, and Local) gather revenue from individuals and organisations in order to pay expenditure<sup>1</sup>. It is a revenue that the government needs to support its rising expenditures. The government imposes a tax on the income and profits of people and businesses, respectively, to generate tax revenue<sup>2</sup>. For modern governments, taxes are the main source of income, making up 90% or more of their overall income on average<sup>3</sup>. This indicates that taxes are an obligatory levy placed by the government, through its agents, on its subjects' income, consumption, and capital<sup>4</sup>. These taxes are imposed on personal income, such as wages, corporate profits, dividends, interest, and discounts. It is also imposed on corporate profits, petroleum profits, capital gains, and capital transfers<sup>4</sup>. The government imposes a tax on its subjects or their property in order to ensure security<sup>2</sup>.

### 2.1.2 Concept of Auditing

An audit is "an examination, typically by an independent person, of the accounting books, records, documents, etc., from which a financial statement has been prepared and/or an examination and verification of a company's financial and accounting records and supporting documents by an independent party, following which an opinion is rendered on the state of affairs of such books and records<sup>5,6</sup>. An audit must adhere to generally recognised accounting standards defined by regulating accounting organizations<sup>7</sup>. These standards provide assurance to third parties or external users that they can depend on the auditor's opinion regarding the fairness of financial statements or other matters on which the auditor provides an opinion. The audit merely offers a reasonable level of assurance that there are no significant flaws in the financial statements<sup>6</sup>.

Management has control over their organization's accounting system and thus the authority to determine how information is displayed in the financial reports. This ranges from increased returns to increased benefits, resulting in a confidence crisis. Therefore, investors and creditors require assurance that financial accounts are presented accurately. In order to instill confidence in the financial accounts, the audit process provides independent and professional assurance through the auditor's opinion<sup>8</sup> regarding the true and fair view of the reports.

By conducting an audit, the auditor raises the utility and value of the financial statements and the credibility of other non-audited information given by management<sup>9</sup>. Auditing, on the other hand, is the independent study of financial information of any entity, whether for profit or not, regardless of its size or legal form, with the intent of providing an opinion thereon<sup>10</sup>.

### 2.1.3 Tax Audit

Taxes are viewed as a revenue source for economic growth and expansion. Revenues derived from taxes and other sources are crucial to the present economic growth agenda<sup>11</sup>. They provide a reliable revenue stream to finance development priorities, such as improving physical infrastructure, and are intertwined with various other policy areas, ranging from good governance and formalising the economy to stimulating growth<sup>12</sup>. The Nigerian tax system has failed in the administration of taxes. Administration of personal and corporate income taxes in Nigeria does not meet the necessary standard<sup>13</sup>.

A tax audit is an assessment of a person's or organization's tax return by the relevant tax authorities to determine conformity with state's applicable tax laws and regulations<sup>14</sup>. In a tax audit, the Internal Revenue Service also attempts to authenticate the figures you reported on your tax return<sup>14</sup>. In other terms, a tax audit is an examination of a taxpayer's company records and financial affairs to ensure the amount of tax declared and paid complies with tax laws and regulations<sup>14</sup>. Tax audit in Nigeria encompasses a variety of industries. It simply refers to the component of advanced auditing practise that entails examining the tax payer's books of account to see if the assessable profit reported is accurate<sup>14</sup>. Similar to a financial audit, a tax audit entails the collection and analysis of data to determine a company's level of compliance with local tax regulations. The auditor must structure his work so that the assignment is accomplished completely and effectively for an audit to be successful<sup>15</sup>. Moreover, a competent tax auditor or investigator must possess solid accounting and taxation knowledge, be adept at reading tax laws, be tactical and demonstrate high intelligence in implementing tax laws, and have a thorough understanding of investigation techniques<sup>15</sup>. In addition to technical talents, he must be observant, have an open mind, and have excellent communication skills. These are personal requirements

for any tax auditor or investigator to successfully complete tax audit assignments<sup>12</sup>. As is common knowledge, a tax is a fee imposed by the government on property, individuals, or organisations in order to raise funds for public purposes<sup>16</sup>. An audit, on the other hand, is the examination of the records underlying a financial statement that enables the auditors to report authoritatively on whether, in their judgement, the statement provides a true and fair representation<sup>17</sup>.

In addition, audit is the inspection of accounting papers and supporting documentation in order to form a judgement regarding their accuracy<sup>14</sup>. It is an examination designed to provide a basis for expressing a judgement on the fairness, consistency, and conformity with generally accepted accounting standards of a statement prepared by a business or other entity for submission to the public or other interested parties<sup>14</sup>. Therefore, tax audits serve to ensure compliance with tax rules. The major objective of tax audits is to preserve public confidence in the self-assessment system<sup>18</sup>. It improves voluntary compliance by identifying and prosecuting those who do not pay the exact tax amount. A fundamental tenet of the tax audit programme is that each line of trade or business should receive at least a minimal degree of audit attention<sup>14</sup>. The selection of auditing periods is a managerial choice based on varying criteria.

Lagos state popularised the concept of tax audits by appointing monitoring agents to conduct tax audits on the government's behalf<sup>12</sup>. These monitoring agents are primarily Certified Public Accountants tasked with conducting tax audits on PAYE<sup>14</sup>. The duty of these monitoring agents, however, was assumed by tax consultants in 1996, who operate differently than monitoring agents<sup>15</sup>. It has become common for state governments to conduct tax audits to ensure that the exact taxes owed to the government have been deducted and deposited into the government account. This exercise has been credited with positive outcomes, including: making taxpayers

familiar with applicable tax rules; increasing the rate at which taxpayers comply with tax laws; enhancing Nigeria's tax practise; and increasing government revenue<sup>14</sup>. According to some scholars, the following are reasons for tax audits: To assist the government in collecting the appropriate tax revenue necessary for budgeting, maintaining economic and financial order and stability, to ensure that tax payers submit satisfactory tax returns, to minimise tax avoidance and tax evasion, to increase the level of voluntary compliance by tax payers, to ensure strict compliance with tax laws by tax payers, and to ensure that tax payers pay their fair share of taxes. It will allow the government to monitor and enforce taxpayer compliance with tax regulations, hence increasing tax money collected from taxpayers<sup>14</sup>.

As one of the functions of auditing is to uncover errors and frauds, the RRA's tax audit and investigation aims to prevent the financial loss caused by tax evasion, fraud, and corruption<sup>13</sup>. If taxpayers commit fraud, auditing techniques will enable the RRA to identify those who evaded paying tax and pay the revenue owed plus penalties and fines<sup>13</sup>. The objective of auditing is to identify, examine, verify, and regulate various areas of a company. Consequently, one of the primary characteristics of an audit is its diagnostic nature<sup>13</sup>. A scholar identified a priority list of tax audit mission objectives, which includes the following: to establish a viable and effective tax administration to deal with a constantly changing economy; to put strategies in place to resolve tax disputes between the liable tax payers and tax authority; to keep a powerful system in place to deal with tax avoidance methods that are available to various organisations, but susceptible to tax abuse; and to bring delinquent tax payers into compliance. Due to tax evasion and other forms of non-compliance known as the "tax gap", tax agencies often lose a certain proportion of overall revenues today<sup>12</sup>.

The major objective of a revenue body's compliance activity is to increase overall compliance with its tax rules and, in doing so, to inspire community trust in the tax system and its administration<sup>14</sup>. Instances of noncompliance with the law are unavoidable, whether owing to ignorance, carelessness, irresponsibility, or willful evasion on the part of taxpayers or administration flaws<sup>19</sup>. Insofar as such failures occur, governments and, by extension, the communities they serve, are deprived of the tax funds necessary to deliver services to citizens<sup>19</sup>. At a time when tax evasion strategies have become more sophisticated, tax agencies have been confronted with a cascade of funding and staffing constraints, constantly changing tax regulations, and stricter privacy requirements<sup>12</sup>. As a result of these pressures, many tax agencies continue to rely on audits of taxpayers' business records and financial affairs to ensure taxpayers have computed their tax liability in accordance with current tax laws and regulations, and this implies a growth in tax revenues; otherwise, tax agencies risk losing significant revenue opportunities<sup>12</sup>. When tax audits are properly conducted and taxpayers are aware that their tax returns will be evaluated quickly and thoroughly, voluntary compliance rates may increase, allowing tax agencies to save money and increase revenue collection by 20 percent. According to some academics, a tax audit and compliance system is a comprehensive, integrated solution meant to boost tax auditor productivity and tax revenues<sup>21</sup>. In addition to the statutory audit, tax officials from the relevant tax authorities conduct this audit.

It should also be highlighted that the criteria for selecting cases for tax audit include recurrent losses, nil tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud, or evasion, transfer mispricing, and thin capitalization, among others<sup>12</sup>. According to the literature, tax audits are always prompted by suspicions of fraud, evasion, and similar offences. The objective of a tax audit is to assess the level of fraud, willful default, or

carelessness perpetrated by a tax payer and to gather proof in case the offender is prosecuted<sup>14</sup>. This suggests that the focus of a tax audit is on identifying undisclosed sources of income, indicating gross noncompliance, or it may be evidence of underpayment and fraud<sup>14</sup>. A tax audit and investigation is a review of a taxpayer's company records to ensure compliance with law and regulation in the amount of tax reported<sup>14</sup>. This demonstrates that the objective of tax audits is to ensure that taxpayers comply with tax laws and regulations in order to increase the government's revenue pool<sup>14</sup>.

It has been noticed that tax audits are an essential compliance tool in the majority of tax jurisdictions worldwide, as they maximise the expected tax income to the government in both developed and developing nations<sup>14,22</sup>. A tax audit is an assessment of a person's or organization's tax return by the relevant tax authorities to determine compliance with state tax rules and regulations<sup>14</sup>. Auditing taxes is crucial because it assists the government in collecting taxes, which are essential for budget funding and sustaining economic and financial order and stability. Tax audits make sure that taxpayers file accurate tax returns, track the amount of tax avoidance and evasion, make sure that taxpayers rigorously follow the tax laws, boost the level of voluntary compliance by taxpayers, and ensure that the government is paid what it is owed<sup>14</sup>.

A tax audit is a review of a taxpayer's financial records and business documents to determine whether tax rules and regulations are being followed<sup>13</sup>. In addition to the statutory audit, tax officials from the relevant tax authorities conduct this audit. This is different from the statutory audit required by the Companies and Allied Matters Act (CAMA) of 2020. It should also be highlighted that the criteria for selecting cases for tax audit include recurring losses, nil tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud, or evasion, transfer mispricing, and thin capitalization, among others<sup>12</sup>. In the majority of tax

jurisdictions throughout the world, tax audits are a crucial compliance tool<sup>24</sup>. It has made a significant contribution to promoting awareness among stakeholders, bringing more taxpayers into the tax net, strengthening the self-assessment tax system, increasing tax revenue generation, and preventing various tax system abuses<sup>24</sup>. The objective of a tax audit is to determine a true and accurate representation of the business's tax records. The tax audit officer is responsible for verifying the accuracy of the reported amount and the tax paid in line with tax laws and regulations<sup>25</sup>. Obtaining voluntary conformity with tax laws and regulations and ensuring that the Self-Assessment System achieves a higher tax compliance rate are the other objectives of tax audits<sup>26</sup>.

The purposes of a tax audit are to give tax auditors the ability to confirm the following: The taxpayer's tax computations submitted to the authority are consistent with the underlying records, and all applicable tax laws have been followed. Adequate accounting books and records are present for the purpose of determining the taxpayer's taxable profits or losses and, consequently, the tax payable. the provision of a vehicle for educating taxpayers about various tax law responsibilities; Discourage tax evasion; find and fix accounting and/or math problems in tax filings; give (tax administrators) input on different legal requirements and suggest potential adjustments; prohibit a taxable person from neglecting to file tax returns, and prevent a taxable person from filing incomplete or inaccurate tax returns in support of the self-assessment scheme. Identify cases of tax fraud and propose their investigation<sup>12</sup>.The extent and nature of auditing procedures would depend on the sort of audit to be conducted, the underlying trigger, and the desired outcomes. The Federal Inland Revenue Service (FIRS) conducts the following audits: Audits of Registration, Advisory Audits, and Record-Keeping<sup>27</sup>.

### 2.1.3.1 Registration Audit

Taxes are seen as a source of revenue for economic expansion and growth. Taxes and other revenue sources are vital to the current economic growth agenda<sup>11</sup>. They provide a solid revenue source to finance development priorities, such as developing physical infrastructure, and are interwoven with a number of other policy areas, including good governance, formalising the economy, and promoting growth<sup>12</sup>. Administration of taxes has failed under the Nigerian tax system. Nigeria's administration of individual and corporate income taxes does not match the required standard<sup>13</sup>. Examining a person's or organization's tax return by the appropriate tax authorities to determine conformity with the state's tax rules and regulations is known as a tax audit.. During an audit, the Internal Revenue Service also attempts to confirm the accuracy of the statistics you filed on your tax return.

In order to ensure that the amount of tax declared and paid conforms with applicable rules and regulations, a tax audit examines a taxpayer's company records and financial affairs<sup>14</sup>. In Nigeria, tax audits encompass a variety of businesses. It simply refers to the portion of advanced auditing practise that involves analysing the tax payer's books of account to determine whether the reported assessable profit is accurate<sup>14</sup>. A tax audit, like a financial audit, involves the collecting and analysis of data to evaluate a company's level of compliance with local tax legislation. For an audit to be successful, the auditor must meticulously and efficiently arrange his work<sup>15</sup>. In addition, a professional tax auditor or investigator must have excellent accounting and taxation knowledge, be skilled at interpreting tax laws, be tactical and display high intelligence in executing tax laws, and have a comprehensive understanding of investigation techniques<sup>15</sup>. In addition to technical skills, he must be observant, have an open mind, and possess outstanding communication abilities. These are personal needs for each tax auditor or investigator to

accomplish tax audit duties successfully<sup>12</sup>. As is generally understood, a tax is a levy imposed by the government on property, individuals, or organisations in order to generate cash for public purposes<sup>16</sup>. In contrast, an audit is the review of the records underlying a financial statement that enables the auditors to make an authoritative report on whether, in their opinion, the statement represents a true and fair representation<sup>17</sup>.

In addition, audit is the examination of accounting documents and supporting paperwork in order to evaluate their accuracy<sup>14</sup>. It is an assessment aimed to give a basis for evaluating the fairness, consistency, and conformity with generally accepted accounting standards of a financial statement issued by a corporation or other entity for submission to the public or other interested parties<sup>14</sup>. Consequently, tax audits assure compliance with tax regulations. The primary purpose of tax audits is to maintain public faith in the self-assessment system<sup>18</sup>. It enhances voluntary compliance by discovering and prosecuting tax evaders. A core premise of the tax audit programme is that each line of grade or business must receive a minimum level of audit attention<sup>14</sup>. The choice of auditing periods is a managerial decision based on a variety of parameters. Lagos state popularised tax audits by hiring monitoring agents to undertake tax audits on behalf of the government<sup>12</sup>.

The majority of these monitoring agents are Certified Public Accountants charged with conducting tax audits on PAYE<sup>14</sup>. In 1996, however, the function of these monitoring agents was assumed by tax consultants, who act differently from monitoring agents<sup>15</sup>. It is now commonplace for state governments to undertake tax audits to guarantee that the exact taxes owed to the government have been deducted and remitted. This initiative has been attributed with fourteen good outcomes, including familiarising taxpayers with applicable tax rules, raising the proportion of taxpayers who comply with tax laws, boosting Nigeria's tax practise, and

increasing government revenue. According to past researches, the following are the causes of tax audits: To ensure that taxpayers submit accurate tax returns, to reduce tax evasion and avoidance, to ensure that taxpayers strictly adhere to tax rules, to raise the degree of voluntary compliance among taxpayers, and to ensure that taxpayers pay their fair share of taxes. The government will be able to monitor and enforce taxpayer adherence to tax laws, resulting in increased tax collection<sup>14</sup>.

As one of the functions of auditing is to expose errors and frauds, the RRA's tax audit and investigation attempts to prevent monetary loss resulting from tax evasion, fraud, and corruption<sup>13</sup>. If taxpayers commit fraud, auditing procedures will allow the RRA to identify people who evaded paying taxes and collect the unpaid money plus penalties and fines<sup>13</sup>. Auditing's purpose is to identify, evaluate, verify, and regulate many aspects of a business. Consequently, the diagnostic aspect of an audit is one of its key characteristics<sup>13</sup>.

According to a researcher, the following tax audit mission objectives are in order of importance: to set up a workable and efficient tax administration to handle a constantly shifting economy; to put strategies in place to resolve tax disputes between the tax authority and liable tax payers; to keep a robust system in place to address tax avoidance strategies that are available to various organisations, but vulnerable to tax abuse; and to bring delinquent tax payers into compliance<sup>12</sup>. Due to tax evasion and other forms of noncompliance referred to as the "tax gap", tax agencies frequently lose a portion of their total income in the present day. The primary goal of a revenue body's compliance activity is to enhance overall compliance with its tax regulations and, in doing so, to inspire community confidence in the tax system and its administration<sup>14</sup>. Noncompliance with the law is inevitable, whether due to ignorance, carelessness, irresponsibility, or deliberate avoidance by taxpayers or administration flaws<sup>19</sup>. In the event of such failures, governments and,

by extension, the communities they serve, are deprived of the essential tax funds to provide services to citizens<sup>19</sup>.

At a period when tax evasion methods have gotten increasingly complex, tax agencies have faced a cascade of funding and staffing limits, continually changing tax legislation, and tougher privacy requirements<sup>12</sup>. As a result of these pressures, many tax agencies continue to rely on audits of taxpayers' business records and financial affairs to ensure that taxpayers have calculated their tax liability in accordance with current tax laws and regulations, which implies an increase in tax revenues; otherwise, tax agencies risk losing significant revenue opportunities<sup>12</sup>. When tax audits are handled effectively and taxpayers are aware that their tax returns will be assessed swiftly and completely, voluntary compliance rates may rise, allowing tax agency to save money and boost revenue collection by 20%.

Some scholars assert that a tax audit and compliance system is a comprehensive, integrated solution designed to increase tax auditor efficiency and tax revenues<sup>21</sup>. In addition to the statutory audit, this audit is carried out by tax officers from the relevant tax authorities. It should be emphasized that among other things, repeated losses, nil tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud, or evasion, transfer mispricing, and thin capitalization are among the selection criteria for tax audits<sup>12</sup>. According to the available literature, tax audits are always initiated by accusations of fraud, tax evasion, and other comparable offences. A tax audit is conducted to establish the level of fraud, deliberate default, or negligence committed by a tax payer and to collect evidence for potential prosecution of the perpetrator<sup>14</sup>. This argues that the primary objective of a tax audit is to identify unreported sources of income, which indicates gross noncompliance or may be proof of underpayment and fraud<sup>14</sup>.

A tax audit and investigation is a study of a taxpayer's company's records to ensure compliance with law and regulation regarding the declared amount of tax<sup>14</sup>. This illustrates that the purpose of tax audits is to ensure taxpayer compliance with tax rules and regulations so as to generate government revenue<sup>14</sup>. It has been observed that tax audits are an essential compliance tool in the majority of tax jurisdictions globally, as they maximise the government's anticipated tax revenue in both developed and developing countries<sup>14,22</sup>.

An examination of a person's or organization's tax return by the relevant tax authorities to determine conformity with state tax laws is known as a tax audit<sup>14</sup>. Auditing taxes is essential because it helps the government collect taxes, which are necessary for budget funding and maintaining economic and financial order and stability. Tax audits ensure that taxpayers file proper tax returns, organise the degree of tax avoidance and tax evasion, ensure strict compliance with tax laws by taxpayers, enhance the level of voluntary compliance by taxpayers, and ensure that the amount owing to the government is paid in full<sup>14</sup>. A tax audit is a review of the business records and financial affairs of a taxpayer to ensure compliance with tax laws and regulations<sup>13</sup>. This audit is conducted by tax officers from the relevant tax authorities in addition to the statutory audit. This differs from the audit required by the Company and Allied Matters Act of 1990 (amended)<sup>23</sup>. It should also be noted that the selection criteria for tax audits include, among others, repeated losses, zero tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud, or evasion, transfer mispricing, and thin capitalization<sup>12</sup>. In the majority of tax jurisdictions across the globe<sup>24</sup>.

Tax audits are an essential compliance tool. It has contributed significantly to creating awareness among stakeholders, enhancing the self-assessment tax system, increasing the number of taxpayers subject to taxation, enhancing tax revenue generation, and avoiding various tax system

abuses<sup>24</sup>. The purpose of a tax audit is to verify whether a company's tax records are a truthful and accurate reflection of its financial situation. The duty of the tax audit officer is to verify the accuracy of the reported amount and the tax paid in accordance with tax laws and regulations<sup>25</sup>. In order to ensure that the Self-Assessment System achieves a higher tax compliance rate, tax audits also serve the secondary goal of obtaining voluntary conformity with tax laws and regulations<sup>26</sup>. The purpose of a tax audit is to allow tax auditors to confirm the following: There are enough accounting books and records to determine the taxable profit or loss of the taxpayer and, accordingly, the tax due; the tax computations provided to the authority by the taxpayer are consistent with the underlying records; and all applicable tax regulations have been followed. a means of educating taxpayers on diverse tax law requirements; discourage tax evasion; Detect and repair accounting and/or mathematical problems in tax returns; provide input to (tax administrators) on various legal requirements and recommend adjustments; discover tax fraud incidents and suggest their inquiry; In support of the self-assessment scheme, prevent taxable persons from neglecting to file tax returns and from filing incomplete or erroneous tax returns<sup>12</sup>. The scope and character of auditing methods would depend on the audit type, the underlying trigger, and the targeted objectives. The Federal Internal Revenue Service (FIRS) conducts Audits of Registration, Advisory Audits, and Record-Keeping Audits..

#### **2.1.3.2 Advisory Audits**

A visit to newly established businesses to explain their obligations about tax types, declaration filing, payment of amounts due, record keeping, and the likelihood of audit if it is thought to be a danger, as well as the potential penalties for noncompliance. Obtaining information from CAC about newly registered companies and visiting their offices to notify them of their legal requirements<sup>28</sup>.

*Do Not Copy, Lead City University, Nigeria*

### **2.1.3.3 Record Keeping Audits**

A check on businesses with a reputation for not maintaining proper records. The visit would emphasize the record keeping requirements outlined in Section 63 of the CITA. The computation of penalties must adhere to CITA section 92<sup>28</sup>.

### **2.1.3.4 Desk or Office Audit**

This type of audit is conducted on the premises of the tax authorities. The tax authority makes requests for pertinent papers, and the auditor conducts the entire audit in his or her office<sup>15</sup>. Noting that no previous notification is provided to the tax payer and that he is only notified when he receives letters asking specific documents or explanations. Literature affirmed that office audits are cost-effective, allowing auditors to independently establish tax payers' accurate tax liability<sup>15</sup>.

### **2.1.3.5 Field Audit**

When extra papers are required to complete the examination of a tax payer<sup>15</sup>, a desk audit often leads to a field audit. This means that field audit is more complex and extensive than office audit because it extends beyond the auditor's office. Field audits require the taxpayers to be well-informed prior to the start of the audit. This sort of audit allows for the physical verification of tax payer claims in order to ensure their accuracy. Literature indicated that field audits would increase the amount of tax payer compliance<sup>15</sup>.

### **2.1.3.6 Back Duty Audit**

According to the literature, a back duty audit is carried out when there is a questionable capital allowance claim for the prior or current year, when less tax is charged due to the falsification of documents submitted by tax payers, when there is a reduction of profit in the returns filed at the tax office, or when a return filed with the tax office fails to disclose or include in full any income or earnings<sup>15</sup>. It is an effort by the competent tax body to guarantee that the government receives the money it is owed. This establishes the relevant tax authority as a vital participant in guaranteeing the total and accurate collection of government revenues<sup>15</sup>.

#### **2.1.3.7 Registration Audit**

The purpose of this type of audit is to trap individuals and businesses into the tax net. It requires documentation of the tax payers' identity and other business information collected from the Nigeria Customs Service and the Corporate Affairs Commission (CAC) (NCS). This initiative will allow the tax authority to identify organisations and other taxable entities operating outside the tax laws in order to register and assess them<sup>15</sup>.

For the tax inspector to conduct an effective audit, the following conditions must be met. The tax auditor must be familiar with his working environment. The tax inspector must be thoroughly educated in the political, economic, social, cultural, and religious milieu of the taxpayer; this is a crucial requirement<sup>29</sup>. A thorough understanding of his surroundings will influence the decisions he makes. The tax officers must be motivated to conduct tax audits, as well as trained and experienced in their field. The tax inspector shall not be influenced by unscrupulous actions that render the audit's purpose<sup>30</sup>. The tax audit should be appropriately supervised by professionals, and when new tax inspectors are dispatched to conduct the audit, they should be supervised by more experienced tax inspectors to ensure that the proper procedures are followed<sup>14</sup>. This will

allow the tax audit employees to become field specialists<sup>14</sup>. Changes should be made to the auditing process. The use of a computer should replace the manual procedure because it will greatly facilitate the task and aid in the preservation of information over time. This will increase the exercise's effectiveness.

#### **2.1.4 Tax Investigation**

Investigation is the act, procedure, or state of investigating or being investigated. It is a thorough inquiry into facts; a detailed or meticulous examination. Investigation is a crucial component of forensic accounting and auditing, although it is only utilised when the event or transaction is unclear<sup>31</sup>. When lapse has been proven, an investigation is conducted to determine who is accountable, the purpose for the action, and the amount of the damage. It might be described as a comprehensive verification and clarification of uncertainty around a transaction or event<sup>31</sup>. It is the search and investigation of an event's particulars to determine the hidden, unusual, or intricate facts surrounding the occurrence. A deliberate search and examination of documents in line with the established and agreed-upon policies to determine whether and why the keeping of the data resulted in a gap, as well as the responsible party. Investigation is the systematic collection of documentary evidence and testimony to resolve allegations of unlawful conduct<sup>31</sup>.

A tax inquiry is a thorough and meticulous study of the taxpayer's documents. It is typically prompted by suspicions of fraud, tax evasion, and other associated offenses<sup>12,31</sup>. It entails a thorough study of the financial statements and other books of accounts of taxpayers to evaluate if they have complied with the terms of the applicable tax laws as well as the applicable accounting principles and standards. An investigation into tax fraud seeks to identify whether tax fraud has occurred and to detect evidence of fraud that has occurred<sup>25</sup>. Tax fraud is regarded to entail

intentional deception. If a firm makes specific claims regarding a product in order to sell it, they may be committing fraud if they are aware that the product does not perform as advertised<sup>31</sup>.

Similarly, tax fraud is quite real and expensive. The tax inquiry process is initiated when tax officials have concrete evidence that a taxpayer has committed tax fraud. To "establish the extent of fraud, deliberate default, or negligence committed by the taxpayer and to gather evidence for potential prosecution," a tax investigation is conducted<sup>31</sup>. Tax investigators have more clout and authority than tax auditors since they have the right to secretly visit and take relevant financial records<sup>32</sup>. In addition, they may lock the taxpayer's premises and conduct a thorough examination as they see fit<sup>32</sup>.

Moreover, a tax investigation is the inquiry conducted on a firm to determine any unpaid taxes by the taxpayer, resulting from any action of the taxpayer that led to the taxpayer being underassessed<sup>32</sup>. The objective is to collect delinquent taxes from the taxpayer. An efficient tax inquiry involves the auditor's impartial observations and judgement based on the corporate entity's accurate audited financial statement<sup>33</sup>. Consequently, a functional and exhaustive investigative approach should generate a high-quality report that is useful and timely for many stakeholders. Prior studies had argued that the essence of initiating a tax investigation is where there has been alleged fraud, willful default, or neglect by the taxpayer, where there are reported failures to file tax returns by a potential tax payer, a situation where there is alleged action of reduction in income not in line with the nature of the taxpayer's trade, where there are reported errors or omissions in the assessment, and where there is a reported mismanagement<sup>33</sup>.

In Nigeria, the Federal Inland Revenue Services (FIRS), as authorised by the enabling legislation, has the authority to engage special purpose tax officers to conduct or investigate, or cause an

investigation to be undertaken, to determine whether a breach of tax laws has been reported to the FIRS<sup>35</sup>. For instance, the FIRS may initiate an investigation into the properties of any taxable person if it appears that the individual's lifestyle and the size of his or her holdings are not justified by his or her claimed source of income<sup>35</sup>. If the inquiry exposes the commission of a crime or an attempt to commit a crime, the FIRS is responsible for prosecuting the crime.

### **2.1.5 Legal Basis of Tax Audit and Investigation**

In contrast to the statutory audit, which derives its authority from CAMA 2020 (as amended), the legal basis for tax audit and inquiry is obtained from several tax laws<sup>14</sup>. The tax laws grant the tax authorities the authority to conduct tax audits and investigations where certain provisions may be inferred. Prior to the implementation of the self-assessment method, the Companies Income Tax Act (CITA) makes no specific provisions for tax audits. However, subsection 4 of section 43 was added to enable FIRS to conduct tax audits. Nothing in the aforementioned provisions of this section or in any other clauses of the Act shall be interpreted as preventing the Internal Revenue Service from conducting a tax audit to verify any matter relating to entries in any books, documents, accounts, or returns, as the Service may occasionally specify in any guidelines<sup>35</sup>. The self-assessment method is inherently required to frequently audit taxpayers' tax returns in order to ensure their accuracy<sup>14</sup>. The objective of the tax audit is to provide the revenue authority more confidence that the audited financial statements and associated tax calculations given by the taxpayer are accurate and consistent with the supporting records. The objective of the tax audit is to provide the revenue authority more confidence that the audited financial statements and associated tax calculations given by the taxpayer are accurate and consistent with the supporting records<sup>12</sup>.

Examples of specific legal provisions includes: (i) FIRS (Establishment) Act, 2007- S.8, S. 23, S 29 & S.35; (ii) Companies Income Tax Act Cap. C21, LFN 2004-S.60, S.66, S. 58 (Section 17, of the Companies Income Tax (Amendment) Act 2007; (iii) Personal Income Tax Act- S.46, S.47, S. 55, S.103; (iv) Petroleum Profit Tax Act Cap. P13, LFN 2004 S3(1), S.36; (v) Value Added Tax Cap. VI LFN 2004. S. 39; (vi) Stamp Duties Act Cap. S8, 2004 S 24; and (vii) Education Tax Act Cap E4, LFN 2004 S. 2(1)(b)<sup>36</sup>.

### **2.1.6 Tax Audit and Tax Investigation**

From the foregoing, it is clear that a tax investigation is a comprehensive inquiry conducted by a tax authority to recover tax undercharged in prior years of assessment<sup>37</sup>. It is conducted when a taxpayer is suspected of tax evasion, or randomly (HMRC Codes of Practice). An investigation cannot commence without a suspicion of wrongdoing. Tax investigation and Tax Audit must be clearly distinct<sup>31</sup>. Tax Investigation is a review of the business or individual tax payer's books, records, and documents to ensure that the tax payer reported the exact amount of revenue and tax that must be paid in line with tax laws and provisions<sup>31</sup>.

The tax investigation will be conducted unexpectedly, commonly known as a back duty case<sup>39</sup>. Audit is the inspection of a company's books, financial statements, and other documentation with the purpose of forming an opinion. On the other hand, forensic accounting, inquiry, and tax investigation may have both civil and criminal implications<sup>40</sup>. To be more exact, tax investigation could be either civil or criminal. Civil tax inquiry is the process of discovering tax evasion<sup>38</sup>. This will result in the tax payers being responsible for recovering the tax loss, along with hefty fines.

Criminal tax investigations concentrate on amassing sufficient evidence to prosecute tax evaders and establish their guilt<sup>42</sup>. The objective of Tax investigations varies from company to company. It guarantees that the exact tax amounts are collected, identifies the perpetrator of the offence, and follows through with criminal prosecution<sup>15</sup>. Tax investigation has with it heavier fines and monetary repercussions than tax audit<sup>25</sup>. Tax officials examine a taxpayer's affairs, papers, and records as part of a tax investigation to determine if the correct amount of taxable income was reported and the correct amount of tax was paid in line with the law<sup>25</sup>. The primary distinction between a tax audit and a tax investigation is that a tax investigation will only be conducted if there is precise and conclusive evidence that the taxpayer has intentionally attempted to avoid paying tax or has committed an act of willful evasion in violation of the applicable Tax Laws<sup>42</sup>.

It is also crucial to remember that, unlike conventional auditors and investigators, there is no specialized qualification required of would-be tax auditors or tax investigators. However, it is assumed that anyone assumes the roles of tax auditor and tax investigator must first be a tax administrator or consultant with the necessary taxation training<sup>43</sup>. In Nigeria, the Chartered Institute of Taxation of Nigeria (CITN) is the most recognised and acknowledged taxation professional certification<sup>44</sup>. The Institute, which was founded in 1982 and chartered by Act No. 76 of 1992, is charged with regulating tax administration and practise in the country<sup>45</sup>. The Institute bestows Associates and Fellowship to its deserving members and provides MPTPs (Mandatory Professional Training Programmes) on occasion.

### **2.1.7 Back Duty Audit and Investigation**

Back duty is a slang term that is unknown to statute. It includes the tax audit process and statutory penalties<sup>13,25</sup>. The standard approach is to demand the taxpayer to provide the tax

inspectors with all the required information and explanations<sup>13</sup>. It is crucial for a taxpayer to cooperate with tax inspectors, as rejection can sometimes be seen as a violation of the law<sup>25</sup>. The back duty assessment may be conducted for a maximum of six years prior to the year in which the tax audit is conducted. Experience has revealed that at the conclusion of the audit, before the taxpayers leave the premises, no preliminary reconciliation is conducted<sup>25</sup>. Consequently, the report of the tax audit is frequently riddled with inaccuracies, omissions, double-counting, etc., causing a number of complications.

When the following conditions are met, a back-duty audit may be initiated: (i) Failure to disclose or include in full any income or earnings in the return submitted to the tax office; (ii) Doubtful claim of capital allowance for the current or previous year; (iii) Reduction in the profit in the return's files at the tax office; (iv) Where the tax charged or assessed is less than it should be; (v) The initiation of a back duty audit on a taxpayer may be routine or the consequence of one of the aforementioned reasons<sup>46</sup>. It is an effort by the competent tax authorities to guarantee that the government receives the money it is owed<sup>46</sup>.

## **2.2 Theoretical Framework**

### **2.2.1 Theory of Reasoned Action**

This study is anchored on the theory of reasoned action (TRA) which was propounded by Fishbein and Ajzen in 1975<sup>47</sup>. The theory of reasoned action predicts behavioral intentions, which are a result of a perspective on the behavior and subjective standards for how it should be performed<sup>47</sup>. A person's attitude toward an action is characterised as his or her positive or negative feelings about executing the behaviour. It is determined by evaluating an individual's

beliefs regarding the consequences of the behavior<sup>47</sup>. Subjective norm is described as a person's judgement of whether influential individuals believe the activity should be performed.

These individuals may include managers, coworkers, community leaders, family members, close friends, and others of importance. While the TRA has been applied in numerous contexts, it bears the restriction of presuming that when a person forms the purpose to act, they are free to act<sup>47</sup>. In actuality, environmental restrictions will restrict the ability to act freely. The theory of planned behaviour (TPB) was proposed to overcome the limitations of TRA. As an extension of TRA, TPB proposes that a given behaviour is directly controlled by behavioural intents, which can be predicted by attitude toward the conduct, subjective norm regarding the behaviour, and perceived behavioural control.

This theory is relevant in this study because it helps to explain the connection between tax payers and tax authorities. The level of tax payer compliance is constantly dependent on the activity of the tax authorities. This theory asserts that awareness of tax audits is a significant predictor of tax payer compliance.

### **2.2.2 The Theory of Planned Behaviour**

Ajzen established the notion of planned behaviour in 1985 as an extension of the theory of reasoned action<sup>48</sup>. The idea posits that individuals are more inclined to engage in a behaviour if they see the behaviour as having potential outcomes (attitude). In addition, the key tenet of the theory of planned behaviour is that there is a single immediate determinant of behaviour, which is often the person's intention to execute or not perform the behavior<sup>48</sup>. The idea holds that the purpose is determined by three factors: attitude, subjective norms, and subjective control over the specific behaviour. In particular, the theory of planned behaviour aims to explain how attitudes

manifest themselves<sup>48</sup>. Subjective norms, subjective control, and subjective intents predict the behaviour of taxpayers.

According to some proponents of the notion of planned behaviour, numerous studies have demonstrated a strong association between attitude and subjective norms and behaviour. That in order to strengthen the prediction effectiveness of the theory of reasoned action, there is a preposition of perceived behavioural control to help account for behaviours that occur when an individual's control over the behaviour is insufficient. According to these experts, the idea of planned behaviour emphasises the importance of non-volition in forecasting behaviour. In contrast, the theory of planned behaviour was attacked, and a counterargument asserted that against the high link between attitude, subjective norms, and behaviour, the postulates of Ajzen's theory of planned behaviour cannot function in any case<sup>48</sup>. Some objections were based on the assumption that, due to situational limits, attitude and subjective norms may not necessarily determine an individual's behaviour, but rather the individual's willingness.

This theory is deemed appropriate and applicable to this study since tax compliance is associated with the taxpayer's behavioural conduct and determined attitude. The taxpayer's willingness to comply with tax rules is based on the perception that it is a civic duty and worthwhile undertaking.

### **2.2.3 Benefits Theory of Taxation (BRTT)**

Originally conceived by Knut Wicksell, Erik Lindahl took it to a new audience<sup>49</sup>. Supporters of the theory contend that taxpayers and their government have a reciprocal connection. A society's members are expected to contribute through taxation based on whatever benefits they receive from the government's provision of utilities and infrastructures, as well as any commodities

and/or services it provides<sup>49</sup>. Taxpayers are assumed to be in a contractual relationship with their government since they are expected to pay for public goods and services in accordance with the benefits they receive. The BRTT is predicated on the premise that citizens of a country or state should be taxed in proportion to their use of public goods and services.

The establishment of a healthy economy necessitates the reinvestment of taxpayers money by all governments to build essential infrastructure and social services. Based on this, the research was carried out on the basis of the BRTT in order to investigate the empirical relationship between tax audits, investigations, and revenue generation in Nigeria.

### **2.3 Review of Empirical Studies**

Numerous research on tax administration in developed and developing nations have been carried out, with diverse findings<sup>50,53,56</sup>. This present study takes a holistic view at previously conducted studies on the related studies.

#### **2.3.1 Tax Audit and Revenue**

A study investigated the impact of tax audit practices on revenue generation in Nigeria with its specific objectives such as to determine the relationship between tax audit practices dimensions and company income tax. The population of the study consisted of 26 tax offices across South – South, Nigeria with 900 staff of Federal Inland Revenue Service (FIRS). The sample size for the study consisted of 277 staff of FIRS which was determined using Taro Yemane formula for sample size determination. Primary data were collected from respondents using the questionnaire instrument. Pearson Product Moment Correlation Coefficient was also used with the aid of Statistical Package for Social Sciences (SPSS) version 23.0 to test the null hypotheses. The

findings of the study reveal that desk tax audit and field tax audit have a positive relationship with company income tax. The study therefore, recommends that tax authorities should not concentrate only on desk tax audit but also on field tax audit so that revenue leakages will be blocked and increase the level of tax payers' compliance. Finally, there should be regular tax audit practices by tax authorities in Nigeria. This will assist in increasing government tax revenue<sup>50</sup>.

A study examined value added tax and its effect on revenue generation in Nigeria. Specifically, the study examined the effect of consumption tax on total government revenue in Nigeria, personal income tax on oil revenue in Nigeria, goods and service tax on non-oil revenue in Nigeria and company income tax on total public borrowing in Nigeria. Secondary data were used in the study. Data were sourced from Central Bank of Nigeria (CBN) statistical bulletin, Budget office of the Federation, as well as the World Bank Development Indicator Database. Collected data covered the period of 20 years spanning from 1999-2019. Data collated were analysed using both descriptive and Vector Error Correction Model method of analysis. Descriptive analysis conducted in the study include the mean, standard deviation, Kurtosis, and Jarque-Bera statistics of each variable<sup>51</sup>.

The findings revealed that there was presence of co-integration (long-run relationship) among the variables in the model, actual public consumption tax and personal income tax had 0.699243 and 1.798114 ( $P=0.0043$ ,  $0.0034$ ) respectively significant relationship with revenue generation in Nigeria, while goods and service tax and revenue generation ( $0.209789$ , ( $P=0.0911$ )) are not significantly related to revenue generation of the country in the long run. The study therefore concluded that there is significant relationship between consumption tax and revenue generation in Nigeria. Likewise, the result of the study concluded that value added tax

is beneficial to the Nigeria economy, and the research, shows that value added tax is statistically significant to revenue generation in Nigeria. From the findings, for Nigeria to attain its economic growth and development, Nigeria must be able to generate enough revenue in order to meet up with the challenges of her expenditures in term of provision of social amenities and the running costs of the Government. The result of this research work recommend that government should ensure efficiency and effectiveness in the discourse of tax administration and that if more goods and services are taxed, the revenue base of the country will increase both in the long run and short run<sup>51</sup>.

In a study titled tax audit procedure and tax revenue production in the south of Nigeria. This study studied experimentally the impact of tax audit procedure on the generation of tax income in Nigeria's south. The data was collected from both primary and secondary sources and analysed using linear regression analysis and multiple regression analysis with the aid of SPSS. The empirical findings show that the predictor variable of tax audit practice has a positive relationship with the criterion variable of tax revenue in Nigeria, with a coefficient of 0.71 percent. The study indicates that desk audits have a strong favourable influence on personal income tax. Based on the above, the study makes the following explicit recommendations: that an extended cost and cost analysis between the value of tax verification and tax receiving tax be undertaken prior to tax authorization. This is done to guarantee that tax revenue has exceeded the expense of enhancing compliance. Tax administrators should not only focus on desk tax audits, but also on field tax audits and back tax audits, in order to stop all tax evasion and boost tax payer compliance<sup>12</sup>.

In a study on tax audit disputes concerning internally generated revenue sources in Lagos State, Nigeria. After a tax audit, the study evaluated the sources of IGR in Lagos State, Nigeria that

were most contested by taxpayers. Respondents were administered a standardised questionnaire to collect primary data. The sample size was determined to be 301 using the formula of Krejcie and Morgan (1970). The tax specialists evaluated Withholding Tax (WHT), Personal Income Tax (PIT), Capital Gains Tax (CGT), Pools, Betting, Lottery, Gaming, and Casino Tax (PBLGCT), Stamp Duties (SD), and Road Tax (RT). The research employed descriptive statistical approaches, such as percentages and tables, to analyse the data. Road Tax (67.8 percent), Capital Gains Tax (67.5 percent), Personal Income Tax (65.9%), and Withholding Tax (61.8%) are the sources of IGR most frequently contested by taxpayers<sup>52</sup>.

In addition, a research analysing the effects of tax audits on revenue generation. The purpose of the study was to examine the practise of tax auditing in the Jimma and Hawassa branches of the Federal Ministry of Revenue. To address issues that could not be achieved using a single methodology, a hybrid technique or quantitative and qualitative approach was used to perform the study. In addition, the study included both descriptive and explanatory research designs. To meet the purpose of the study, procedures of purposive sampling were applied, and the sample size was calculated scientifically. In order to address the purpose of the study, the researchers utilised the survey data gathered using questionnaires. Utilizing statistical tools, the data gathered via questionnaire has been examined. Consequently, SPSS Version 20.0 and Stata software were utilised. The study found that the application of tax audit procedures and the provision of training to taxpayers are positive variables significantly affecting tax revenue production, but an illegal practise of taxpayers is a negative factor significantly affecting tax revenue generation<sup>53</sup>.

In addition, in tax enforcement and revenue generation in Nigeria. The research examined at the connection between Nigeria's tax enforcement policies and income generation, with particular objectives included determining the relationship between the dimensions of tax enforcement

measures and the value-added tax. The population of the study comprised of 26 tax offices and 900 employees across South-South Nigeria (FIRS). The sample size for the study consisted of 277 FIRS employees, as estimated by the Taro Yemane formula for determining sample size. Using the questionnaire tool, primary data were acquired from respondents. In addition to SPSS version 23.0, Pearson Product Moment Correlation Coefficient was utilised to evaluate null hypotheses. According to the study's findings, there is a significant correlation between tax penalties and value-added tax ( $r= 0.535^{**}$ ). While tax amnesty has a significant correlation with the value-added tax ( $r= 0.633^{**}$ ). The results reveal a correlation between tax enforcement measures and revenue generation<sup>54</sup>.

A comparable study, which focuses on the FCT and a few chosen states, examines the impact of taxation on income generation in Nigeria. The study also aims to illustrate the idea and nature of taxation, as well as its goals, classification, significant taxes in Nigeria, and other related problems. To present and analyze the data for the study in order to meet the study's goal, the researcher used both primary and secondary sources of information. Regression analysis was used in conjunction with SPSS version 17.0 to test hypotheses. The study found, among other things, that taxes has a large impact on revenue generation, taxation has a significant impact on Gross Domestic Product (GDP), and tax avoidance and evasion have a considerable impact on revenue creation in Nigeria. The result recommends, among other things, that the federal, state, and local governments establish a comprehensive database on tax payers with the goal of identifying all potential sources of income of tax payers for tax purposes, that the tax collection procedures must be free from fraud and corruption, and that harsh penalties should be applied by the federal, state, and local governments to those who evade and avoid paying taxes in order to deter tax evasion. Revenue, taxation, and Nigeria<sup>55</sup>.

Another study examined the impact of tax audit and investigation on revenue generation in South-West Nigeria. In order to achieve this aim, a descriptive research approach was used to administer questionnaires to respondents and collect primary source data for the study. Using the simple random technique, 373 respondents were chosen from among those working for the internal revenue board of the five states that make up the south-west region of Nigeria. Furthermore, only 360 of the 373 questionnaires that were given out to respondents were validly returned and used for the study. The study was examined using both descriptive and inferential logit regression statistics. A substantial positive association between tax audit and revenue production was found in South-West Nigeria, according to the regression analysis's findings. Particularly, it was noted that internal, external, and field audits were all closely tied to generating revenue. The investigation came to the conclusion that efficient tax audit increased revenue generation. The report advocated encouraging tax audit in South-West Nigeria to increase revenue generation<sup>56</sup>.

The purpose of a study was to evaluate how tax administration affects tax revenue generation in Nigeria. The study used a survey research approach using inferential and descriptive statistics for analysis. 302 employees from the State Board of Internal Revenue and the Federal Inland Revenue Service in the southwest Nigerian states of Ekiti, Ondo, Osun, Oyo, Ogun, and Lagos made up the study's population. Using the Taro Yamane sampling technique, a total of 172 people were sampled to determine the sample size. For the study, the researcher constructed a closed-ended questionnaire to collect primary data. Multiple linear regression analysis was used to analyze the data and provide the inferential statistics. The findings suggest that tax penalties should be severe enough to discourage potential tax defaulters and that tax officials should keep

enforcing tax rules against taxpayers. Due to the detrimental impact tax amnesty has on Nigeria's tax income, tax audit should be enhanced to uncover any tax evasion<sup>57</sup>.

A study focused on the effect of tax audit on productivity of Cross River State Board of Internal revenue service. This study used a survey research type of research design, which is primarily based on determining the nature of a situation as it is at the time of investigation (Kirchler, 1997). There are 217 employees at Cross River State Internal Revenue Service, and there are 9 people on the board. There are 119 junior employees and 98 senior employees out of this total (Policy Research and Communication, 2016). The 98 senior Service employees who make up the study's target demographic are included in the study. Using Taro Yammani's (1964) statistical approach, the sample size (78) was determined. The study's findings indicated that there is no direct, appreciable association between tax audit techniques and productivity. However, the relevant tax authority (RTA) uses tax audit to both accomplish goal revenue and lessen the issue of tax evasion and avoidance. The study also showed that taxpayers typically do not comply with tax audit professionals when they are being audited. That the appropriate tax authority should put in place rules to allow taxpayers to work with tax audit employees during audit exercises<sup>58</sup>.

In a study, the impact of tax collection on state revenue creation in Lagos was assessed. 100 questionnaires were delivered. Among the methods used are percentages, frequency distribution statistics, the Pearson Correlation, and regression analysis. This frequency and the percentage help us comprehend the respondents' attitudes toward the questions posed and the responses given. The sign, magnitude, and significance of the variables were determined using the regression analysis. According to the study's findings, electronic tax payments, tax compliance, and revenue generation are all positively correlated. The result implies that continued regular use of the electronic tax payment system inside FIRS will uphold the state's improvement in tax

responsibility and revenue generation. Lagos State's capacity to collect revenue is negatively impacted by tax avoidance and evasion. The resultant inference is that increased tax evasion and avoidance will lower state income generation. The correlation coefficient,  $r$ , is  $-0.723$ , showing a negative association between income generation and tax avoidance and evasion. The tools used to collect and assess taxes in Lagos State are inadequate, the tax laws are incredibly complicated and challenging for most people to understand, there is a lack of transparency in the handling of tax payers' money, and taxes are occasionally levied on taxpayers' income by two or more jurisdictions<sup>59</sup>.

Another study examined the impact of tax audit on revenue generation in Ekiti State. The data used for this study was gathered using structured questionnaire administered to 312 staff of the Ekiti State Internal Revenue Service. A regression analysis technique was adopted, and the result revealed that certain per cent of the revenue generated in Ekiti State could be explained by the tax audit; It was also discovered that auditing access, auditing officials, an effective tax audit, non-compliance, audit fieldwork, tax audit control, and corruption affect the revenue generation; the probability value showed that auditing access, auditing officials, effective tax audit and incentive were statistically significant at 5 per cent level; the probability of F-statistic revealed that the model was appropriate for determining the impact of tax audit on revenue generation in Ekiti State. Thus, the study concluded that tax audit should be embraced as it maximizes the collection of revenue which enables the government to address developmental projects that will benefit its citizenry and also helps in strengthening the businesses of the taxpayer<sup>60</sup>.

Another study investigates tax audit and company income tax revenue in Nigeria. Specifically, to ascertain the effect of tax audit on company's income tax revenue Nigeria. The study's sample is made up of FIRS Nigeria; a census was employed. A questionnaire was used to gather primary

data, while the planning, research, and statistics departments of FIRS and the Central Bank of Nigeria (CBN) statistical bulletin were used to gather secondary data. Using descriptive statistics like mean, standard deviation, frequency distribution, and bar chart, the data were examined. The study's hypotheses were tested using inferential statistics of linear regression. The Statistical Package for Social Sciences (SPSS) version 22.0 was used to conduct the analysis. According to the analysis, there is a very significant and positive correlation between the variables, with a strength and direction of 0.878 for the effect of tax audit on a company's income tax. The likelihood value is 0.000 0.05, indicating that tax audit significantly predicts firm income tax in a statistical sense. Once more, the data shows that tax audits account for about 75% of changes in a company's income tax. The study draws the conclusion that tax audit is a very effective strategy for increasing a company's income tax revenue in light of these findings. The study's recommendations are as follows: Federal Inland Revenue Service should support, strengthen, and pay closer attention to the tax audit department and concentrate more on the service's auditing efforts.. This will prevent tax avoidance and deter taxpayers from breaking the law. Once more, the Federal Inland Revenue Service should regularly publicize enforcement operations against noncompliant taxpayers on electronic and social media, as well as in newspapers<sup>61</sup>.

Assessing the impact of the value-added tax audit's computerised tax system on tax revenue performance in Ethiopia. This study seeks to determine how inefficient VAT audit function and associated factors impact tax revenue performance in Amhara Region, Ethiopia. The study employed data from 377 VAT-registered taxpayers in Amhara Region as its major data source. To ascertain the relationship between VAT audit and tax revenue performance, data analysis also used the Ability to Pay theory of taxes, a structural equation model, a path diagram, and multiple

regression with SPSS/AMOS software. The Amhara Region has the revenue capacity to cover its expenses, but the tax revenue performance is inefficient since the VAT audit functions are ineffective, the tax education system is poor, there aren't enough tax resources, and the tax rate has been in place for a long time. The study showed that tax education and VAT audits have a significant impact on tax revenue performance. Critical issue is the dearth of resources for the VAT audit function. Even if the existing technology was networked to woreda levels, tax auditors did not utilise this system effectively. Additionally, long-served tax rates have a substantial impact on tax revenue performance<sup>62</sup>.

### **2.3.2 Tax Audit and Investigation**

In a similar study on the imperatives of tax audit and investigation for revenue generation in Nigeria. It was determined that tax audits and investigations are necessary for generating tax revenue. From an accounting standpoint, the objective of an audit is to evaluate the internal controls of a system and to offer a judgment on such controls. Contrarily, an investigation is a commissioned inquiry with a specific goal. This study examines audit and investigation in the context of taxation in terms of their objective, scope, extent of regulation, timing, expected degree of care, depth of inquiry, qualification, and skill set. The paper compares and contrasts the general and professional definitions, as well as similarities and differences, of the two major concepts. The study concludes that although auditing and investigation may appear similar, they are distinct and cannot be used interchangeably; similarly, tax audit and tax investigation cannot be used interchangeably. By conducting an audit, one evaluates things, records, processes, persons, organisations, systems, projects, and/or products to determine the validity and dependability of the assertions made about them. This paper's conclusion is based on "content

analysis," which is the review of pertinent books, journals, and articles on the topic under discussion<sup>25</sup>.

In an investigation of the effect of tax audits and investigations on tax evasion. A well-structured questionnaire was distributed to the workers of revenue-generating agencies in Bayelsa State, Nigeria, in order to elicit responses from a survey study design. The Ordered Logistic Regression method was used to test the study's hypotheses. The study indicated that tax audits, including desk audits, field audits, and back-duty audits, have a considerable deterrent effect on tax evasion. In addition, it was discovered that the explanatory capacity of tax inquiry has a large and negative effect on tax evasion. The report advised, among other things, that tax audits be conducted routinely to serve as a check and preventative measure against tax evasion, and that taxpayers should be appropriately profiled and selected for audit to reduce inefficiencies and audit delays<sup>63</sup>.

In an effort to combat fraud, a study examined the function of forensic accountants in the detection of tax fraud in financial statements. The study demonstrated that forensic accountants possess the knowledge, qualifications, and abilities to detect tax fraud and other unusual financial statement manipulations. In addition, the function of forensic accounting in preventing tax evasion in public industrial shareholding enterprises was examined in Jordan. To this end, the researcher prepared a questionnaire which was distributed among 125 forensic accountants working in Jordanian accounting and auditing firms. After analyzing and testing the hypotheses using SPSS, the following outcomes were drawn: The forensic accountant has the qualifications, expertise and skills to detect tax fraud in financial statements as well as detect the manipulation of financial statements figures. The study recommended that more consideration should be given to forensic accounting in the Arab world in general and in Jordan in particular, since the

Jordanian curricula does not provide much information on the regard. Modifying and improving an integrated curriculum in Jordanian universities that serves this specialization is of much importance<sup>64</sup>.

In an analysis of the legal framework and the need for cooperation regarding tax control and inspection supervision in the Republic of Serbia. The authors noted that tax control operations are carried out by tax inspectors with unique authorities, duties, and responsibilities, and that their objective is to ensure taxpayers' compliance with tax laws and regulations. With the passage of the Law on inspection supervision, the Republic of Serbia enacted a crucial, all-encompassing reform of inspection bodies and the process of inspection supervision, which has had a significant impact on the public administration, economy, and citizens. The requirements of this law are applied to tax proceedings in accordance with the principle of subsidiarity, although the majority of tax inspection operations are governed by the Tax Procedure and Tax Administration Law. In tax procedures, the issues not governed by the general Law on inspection supervision are governed by another specific law; however, the direct application of the specific law cannot exclude or limit the application of the law governing the issues of inspection supervision and official control not governed by the specific law. The authors also highlighted the similarities and differences between two laws, as well as proposals for their harmonisation, highlighting their strengths and flaws in order to ensure maximum compliance with tax laws and decrease tax evasion and the shadow economy<sup>65</sup>.

In a related study on the impact of tax audits and investigations on tax evasion control in Nigeria<sup>86</sup>. The application of tax audits and investigations was examined. The study examined the impact of tax audits and investigations on Nigeria's efforts to combat tax evasion. It especially evaluated the impact of desk audit (DEKAUD), field audit (FIAUD), back duty audit

(BAKAUD), and tax investigation (TAXINV) on Nigeria's efforts to combat tax evasion. Questionnaire administration and response analysis using ordered logistic regression and Spearman's rho measure of relationship provided the relevant data. The results shows that tax investigation does not significantly influence the level of fraud control. It was determined that tax audits in the form of desk and back duty are extremely effective in reducing tax evasion, whereas tax investigations and field audits have no effect on the control of tax frauds in the form of evasion<sup>66</sup>.

A study examined the impact of tax audit and investigations on revenue generation in Nigeria. The aim is to determine if tax audit and investigations can actually increase the revenue base of the government and if it can also stamp out the incidence of tax evasion. Data were collected through the primary sources from four hundred and ten respondents who are staff of the Federal Inland Revenue Service and Edo State Board of Internal Revenue. Hypotheses formulated were tested with Pearson Correlation Coefficient using SPSS output data. The analysis shows that tax audits and investigations can broaden the government's source of revenue while also putting a stop to tax evasion cases across the nation. It was recommended that Tax audit and investigations should be carried out more often and as thorough as possible to accomplish its task of increasing the revenue base and stamping out tax evasion in the country<sup>67</sup>.

A study was carried-out to assess tax audit and investigation as a stimulant for growth in internally generated revenue in Nigeria. The Central Bank of Nigeria Statistical Bulletin was used as a secondary source for data from 1988 to 2013. To analyze the data and test the proposed hypothesis, regression analysis was performed. Chow test regression approach was used to further test the outcome. The data study showed that the tax audit and inquiry is a catalyst for growth in Nigeria's internally produced revenue. According to the study, tax audit and inquiry

should be conducted regularly in order to accomplish the goal for which the self-assessment scheme and tax audit department were established<sup>68</sup>.

A similar study investigated the impact of tax audit and tax investigation on tax compliance of businesses using Lagos State as a case study. The specific objectives of the study were: to investigate the effect of tax audit on the tax compliance of businesses in Lagos state; to examine the impact of tax investigation on the tax compliance of businesses and to evaluate the inter-relational impact of tax audit and investigation on tax compliance on businesses in Lagos state. Quantitative research methodology was used as predestined by the purpose of this research. Secondary data were reviewed for the analysis. Descriptive statistics was employed for the data analysis, and ordinary least squares method was employed to provide answers to the research questions and test the hypotheses. Additionally, inter-relational impact of tax audit and tax investigation on tax compliance on businesses was examined using Pearson's correlation coefficient. A deductive research design was chosen. The findings showed that the degree of tax compliance of businesses in Lagos State has a positive correlated to tax audit and tax investigation. It was advised that tax authorities conduct annual tax audits and expand tax audits and investigations to cover more businesses, particularly those operating in the digital economy and informal sector, and provide constant professional training for tax auditors and investigators to equip them for the evolving changes in the industry. Continuous improvement in tax compliance of businesses through encouragement and enforcement will assist the government in generating more tax-related revenue<sup>69</sup>.

In another study examining the influence of tax audits and investigations on Value-Added-Tax (VAT) generation, researchers in Kaduna State, Nigeria. The authors examined the impact of tax audits and investigations. Using stratified random sampling, a structured questionnaire was

delivered to 90 FIRS, Kaduna employees to collect data for the study. The study utilised descriptive statistics with percentages and graphs and PPMC to test the study's premise. The study found that tax audits and investigations can boost VAT collection in the state of Kaduna and reduce VAT evasion. It was recommended proper, frequent and thorough Tax auditing and investigation so as to increase value added tax and also bring down the rate of VAT evasion<sup>70</sup>.

A study examined forensic accounting, tax fraud and tax evasion in Nigeria. Tax Fraud (TF) and Tax Evasion (TE) has become an alarming situation in most developing countries. It has become a focus of attention in recent times by scholars and policy makers because of its impact on the economy. In Nigeria, the recent worldwide economy downturn through COVID-19 pandemic and decrease in price of crude oil and sales quantity in the global market has contributed to difficulties in the implementation of annual budget. This called for a shift to tax revenues (TR) but the major challenge is the high rate of TF and TE. One way of reducing this menace and to instil Tax Compliance (TC) is the application of Forensic Accounting (FA) techniques. Therefore, this call for better understanding of the concepts and ways of using FA to promote TC. It is against this background that the study examined FA, TF and TE in Nigeria. The study adopts exploratory research design with literatures from materials on taxation and accounting. The study concluded that since the traditional auditing techniques has failed to curb TF and TE because of its inefficiency and ineffectiveness of operation, therefore FA will expose, control and deter fraudulent practices on TR, and this will enhance good TR for the government. The study suggests that government should develop interest in FA, enforce tax laws and regulations on TF and TE with strict appropriate punishment on tax evaders, ensure transparency and accountability on TR, and further create forensic unit in tax offices with modern FA techniques equipment<sup>71</sup>.

Similarly, in a research on the function of forensic accounting and its relationship to Iraq's taxation system. The analysis demonstrated the need for forensic accounting in Iraq's tax reform implementation. This study also analyzed the current tax system in Iraq to shed light on key weaknesses and provide proposals for reform and revenue mobilization. The major findings of the study include a necessity of the application of forensic accounting in introducing tax reforms in Iraq. The study recommended that all legal institutions and government agencies should establish forensic accounting units. Educational institutions and universities should also include modules on forensic accounting in their curriculum. It also recommends simplifying direct taxes, increasing non-oil revenues from indirect taxation, and strengthening tax and customs administrations. The study will prove to be a contribution to the Iraqi public accounting practices<sup>72</sup>.

### **2.3.3 Tax Audit, Administration and Tax Compliance**

To access Tax enforcement tools and tax compliance in Ondo State, Nigeria was the subject of a related study. This study evaluated the efficacy of tax enforcement measures as a panacea for increasing tax compliance and total tax revenue in the Nigerian state of Ondo. A survey study approach was chosen utilising primary data gathered through the administration of a structured questionnaire to 150 respondents selected from the personnel of the Federal Inland Revenue Service and the State Board of Internal Revenue Service in the state. Respondents were selected by the Taro Yamane formula and the judgement sampling technique. Ordinary Least Square regression analysis revealed regression coefficients and p-values for tax-audit (0.278;  $p= 0.03$

0.05) and tax penalty (0.463;  $p = 0.000$  0.05), indicating a positive and statistically significant relationship between the two explanatory variables and tax compliance at the 0.05 level of significance. A marginal rise in tax audits and tax penalties will boost tax compliance in Ondo State, according to the implication. Based on the findings of this study, there is no significant relationship between tax amnesty and tax compliance. Perhaps tax amnesty is a new policy that was just implemented to encourage voluntary tax compliance. As a result, tax audits and the application of tax penalties must be promoted and sustained. These are intended to further enhance tax compliance, hence increasing government tax revenue collection to supplement Nigeria's diminishing oil revenues. If properly nurtured, the relatively new and still-under-observation tax amnesty could become a genuine tool for future voluntary compliance<sup>73</sup>.

To determine the tax administration system and tax compliance among SMEs in Uganda. This study examined the relationship between tax administration system (Tax education, Tax registration, and Tax assessment) and tax compliance (Tax filing, Tax reporting, and Tax payment) among small and medium-sized enterprises (SMEs) in Lira Municipality. Using a multi-methodological approach to analyse perceived quantitative and qualitative data, a sample of 173 SMEs in Lira Municipality was analysed (Central division). The study found that tax education is highly related to two important aspects of tax compliance (tax filing and tax reporting), but not to tax payment. Identification of legal tax payers was found to be statistically significant and positively connected with tax compliance (tax filing, tax reporting, and tax payment) with a degree of confidence of 99 percent. Tax assessment components (record keeping, skilled staff of URA on tax assessment, information requirement by tax payers, and tax assessment methods utilised by URA) are correlated considerably favourably with tax compliance. In conclusion, compliance cost has a favourable influence on tax compliance and is

a major predictor of tax compliance. To motivate tax payers to voluntarily comply with tax filing, registration, and payment, tax policy makers, the Uganda Revenue Authority, tax payers, and managers of various companies must consider proper education channels, the mode of registering tax payers, the best assessment methods, and the reduction of compliance costs<sup>74</sup>.

In the impact of technology adoption on tax auditing in Osun state, Nigeria. This study investigated the impact of technological adoption on tax audit in Osun State. This study employed the Survey research design, and the primary source of data was the administration of a well-structured questionnaire ranked on a five-point Likert scale. A total of 100 copies of the questionnaire were randomly distributed to employees of the Federal Inland Revenue Service, Osun State, the Osun State Internal Revenue Service, and some business owners; 75 questionnaires were returned. Using the ordinary least square method of regression analysis, the collected data were analysed. The coefficient of determination revealed that technology explains 50 percent of the total variance in tax compliance and 69 percent of the whole variance in revenue growth. It was determined that there was a positive correlation between technology adoption, tax compliance, and revenue growth in Osun state. The Pearson Correlation matrix displays the direction, significance, and strength of the bivariate relationships between the variables in the study<sup>75</sup>.

To assess the implications of audit quality for tax compliance in Nigeria. The study studied the effect of audit quality on tax compliance in Nigeria, as proxied by tax revenue. In particular, the study examined the relationship between auditor independence, engagement performance, and tax revenue, given that tax assessments are frequently dependent on audited financial statements produced by corporations. Utilizing primary data obtained from administering a structured questionnaire to respondents selected from the staff of Federal Inland Revenue Service (FIRS),

academia (Accountants), and practising accountants/auditors in Ondo State, a survey research design was adopted. The model of ordinary least square (OLS) was utilised to analyse the given data. The results revealed a clear indication that auditor independence and engagement performance have a significant impact on audit quality, with a subsequent impact on tax compliance (tax revenue) in Nigeria. The study recommends that auditors embrace independence and strictly adhere to established standards and procedures established by the government and professional bodies when reporting in order to improve audit quality at all times; it is believed that this will stimulate tax revenue generation to counteract declining revenues<sup>76</sup>.

In the study on the impact of tax audits on tax compliance in Nigeria's Kwara state. This study studies the impact of tax audits on tax compliance in the state of Kwara in order to determine the difference between pre- and post-audit tax income. Tax Audit Department of Kwara State Internal Revenue Service and Kwara state Audited accounts were mined for secondary data pertaining to tax audit, tax compliance, government revenue, government spending, and fines for 229 companies in Kwara State between 2003 and 2016. Classical Ordinary Least Square (OLS) regression was applied to these data. The study's findings reveal the following: Between 2010 and 2016, a substantial positive correlation ( $p= 0.0076$ ) exists between tax audit and tax compliance in Kwara State; a positive linear correlation ( $p= 0.0033$ ) exists between government spending and tax compliance in the State. Penalty/fine for non-compliance with tax payment has a positive effect on tax compliance ( $p= 0.0076$ ), whereas tax revenue is higher during the tax audit period (2010-2016) compared to the pre-audit period (2005-2009). (2003-2009). The study suggests, based on these data, that tax audits have a strong favourable effect on tax compliance. The study consequently recommends conducting frequent tax audits to make sure the applicable tax authority pays the government the real amount of tax received, and that an internal

mechanism be implemented to check and monitor the staff of the tax audit department to ensure tax revenue accountability<sup>77</sup>.

A study evaluated the impact of tax audit on tax compliance and tax revenue remittance in Ekiti State. The research examined into how tax audits affected Ekiti State's tax compliance and remittance of tax revenue. It examined how tax compliance and tax revenue remittance in Ekiti State were affected by desk audits, field audits, back duty audits, and registration audits. A closed-ended questionnaire was utilised to collect the necessary data, which was then analysed using a correlation matrix and multiple regression. Desk audit, field audit, back duty audit, and registration audit were found to have a positive and statistically significant effect on tax compliance and remittance in Ekiti State. Notable was the fact that, among all predictor factors, field audit was the most significant predictor. It was determined that tax audit could promote tax compliance and payment in Ekiti State. In order to raise the level of tax compliance in the state, it was advised that the Ekiti State government intensify its tax audits by employing more qualified personnel and providing them with periodic training. In addition, audited files revealing illegal activity should not be treated lightly. Tax evaders and avoiders should be punished severely to dissuade others from following in their footsteps<sup>2</sup>.

In a separate study utilising generalised ordered logistic regression, Personal Income Tax Compliance in Nigeria was investigated. This article expands on previous theoretical and empirical studies on the economic and psychological aspects used to explain tax compliance. Generalised ordered logistic regression is used to estimate the likelihood that personal income taxpayers in Nigeria will be tax non-compliant, low tax compliance, or tax compliant due to economic or psychological causes, or a combination of both. The results of this study provide more insight into the contradictory findings of empirical research on the topic of tax compliance

by illustrating how economic and psychological factors influence the likelihood that individuals will fall into the tax-compliant category<sup>78</sup>.

In a related study on tax audit and personal income tax compliance in Nigeria. This study's primary purpose is to examine tax audit and personal income tax compliance in Nigeria. Four hundred (400) questionnaires were delivered to taxable persons in the states of Edo, Delta, Bayelsa, and Rivers, which form the South-south zone, in order to collect data for analysis via the cluster sampling approach and questionnaire administration. In each state, one hundred (100) questionnaires were issued. Ordinary Least Square (OLS) was used to test the hypothesised relationship. In Nigeria, the link between the independent variable (tax audit) and the dependent variable (personal income tax compliance) was found to be positive and statistically significant. Tax audits are statistically and positively connected to personal income tax compliance in Nigeria, indicating that the independent variable enhances tax compliance<sup>79</sup>.

To analyse of the impact of tax audit and tax responsibility on tax compliance behaviour in Nigerian manufacturing firms. This study studied the impact of tax audits on the tax compliance behaviour of publicly traded Nigerian manufacturing enterprises. Based on this purpose, research questions were given, hypotheses were developed, and a comprehensive literature review was conducted. This study employed a survey research methodology, and 400 copies of the questionnaire were distributed to the ten consumer goods companies and ten industrial goods companies that were selected for the study. Also utilised were correlation analysis, analysis of variance (ANOVA), and multiple regression analysis. Tax audit was found to be a significant predictor (0.003) of tax compliance with a t-value of 2.978 at the 5 percent significance level. As a result, the study advises that as a prerequisite for government supply contracts, the government take into account non-economic characteristics such as trust and business ethical tax conduct.

Therefore, the study concluded that the amount of taxes paid should be determined by a taxpayer's ability to pay based on the amount of income or profit generated, and an efficient tax audit regulation should be developed<sup>80</sup>.

A study examined the influence of tax audit and penalty on tax compliance paradigm of companies' income taxpayers in Nigeria. For the study, a cross-sectional survey design was used. All Nigerian corporations that were registered as taxpayers made up the study's population. For this study, a total of 150 corporate taxpayers were chosen whose tax records are situated in Edo State. The stratified random sampling method was used to determine the sample size. The chosen companies received copies of the questionnaire. The survey was modified from Palil's work (2010). Ordinary Least Square (OLS) regression was employed for model estimation using Econometric Views (E Views) software in order to assess the robustness of the measures used. The results showed that there are positive and substantial correlations between tax compliance and tax audit and penalty. It is recommended that in order to effectively enforce tax compliance, the frequency of tax audits should be increased, and the severity of the tax penalty should be increased to act as a deterrent. The study found that corporate taxpayers should view their income tax payments as a contribution to fostering an environment that is favorable to business<sup>81</sup>.

A study was conducted to examine the impact of tax audit and other qualitative attributes on the tax compliance level of companies in Nigeria. Questionnaires were administered to staff of sampled companies in selected states of the five geo-political zones of Nigeria. Ordered Logistic Regression technique was employed to analyse the responses. The result showed that there exists a positive relationship between tax audit and tax compliance. The result also revealed that the probability of being audited, perception on government spending, penalties and enforcement, the joint effect of tax audit and penalties have a tendency to significantly influence tax compliance in

Nigeria. The study therefore recommend that the relevant authorities should seek more pragmatic and effective means of enhancing the impact of tax audits on corporate tax compliance in Nigeria in order to consolidate on government's revenue<sup>82</sup>.

A study examined the determinants of tax morale and tax compliance in Nigeria. The objective of the study are trust in government, culture, age, religion, education, employment. The study adopted cross sectional research survey design as a method of investigation. Four (4) public limited companies listed under the Nigeria stock exchange formed the basis upon which investigation was carried and sample size obtained for the study. Questionnaire was used as a research instrument to elicit responses, a total of three hundred and eighty-two (382) questionnaire copies were administered and all the three hundred and eighty-two copies were retrieved. Multiple regression was used to analyse the data. The study revealed that trust in government, employment, religion, age have significant relationship with tax morale and tax compliance, while culture and education have insignificant relationship with tax morale and tax compliance in Nigeria. The study concludes that transparency, accountability, people-oriented tax policies and using non-economic factor in explaining the concept tax of compliance were lagging on the part of the government and need to be addressed. The study recommends that, understanding the social psychological (demographic) of a taxpayer as it relate to tax morale would help in addressing the issue of tax compliance in Nigeria, and this would also help the government to formulate the better policies in tax related matters<sup>83</sup>.

A similar examined the determinants of small and medium enterprises (SMEs) tax compliance behaviour in Sub-Saharan Africa have been criticised on account of limited study scope which compromises generalisation and poor theorisation that have little or no support for the research questions of such studies. The current study is rooted in behavioural economics theory and elicits

information from 392 participants from all geopolitical zones of Nigeria using paper-and-pencil survey instruments. The study's findings reveal that tax system complexity, tax deterrence sanction, tax noncompliance opportunity, tax information and tax attitude and perception are important determinants of tax compliance behaviour, while tax rate and tax compliance cost may not necessarily exert significant influence. The overall conclusion from the study reveals that certain economic and behavioural factors are effective in either encouraging or discouraging tax compliance behaviour. The study also reveals tax information to be one of the most significant drivers of tax compliance; however, little or nothing is known of this construct in the existing literature. The theoretical and policy implications of the study are discussed and suggestions for future studies are offered<sup>84</sup>.

A study aimed to investigate the reason for low tax compliance in Nigeria. Primary data via structured questionnaire was used. The data were regressed using SPSS. The result showed that social norms, attitude towards government, tax evasion and tax avoidance have significant effect on tax morale. On the other hand, there is no significant effect of attitude towards legal system and traditional institutions on tax morale. The study also revealed a strong correlation between tax compliance and tax morale. The study consequently suggested that tax payers be informed of their duties with regard to taxes. If the future of tax compliance is any indication, it is also important to teach the younger generation about the necessity of paying taxes correctly. The monarchs should ensure that their subjects pay their taxes and follow the law as well. Last but not least, tax payer funds ought to be put to good use<sup>85</sup>.

In a study examining the impact of tax audits on tax compliance. The study employed descriptive survey research with questionnaires distributed to sixty randomly selected respondents from the Ekiti State Board of Internal Revenue. The collected data were analysed using techniques of

correlation and multiple regression. The study discovered that tax compliance and payment were positively impacted by desk audits, field audits, back duty audits, and registration audits. The implication of these findings is that tax audits will boost tax compliance, which will raise tax revenue and decrease tax evasion in the state of Ekiti<sup>86</sup>.

A study analysed factors affecting tax compliance in the real estate sector in Kenya with a case of real estates in Eldoret town. There are many challenges that hamper the payment and filing of taxes in real estate sector in Kenya. The purpose of this study is to analyze the factors affecting tax compliance in the real estate sector in Kenya: A case of Real Estates in Eldoret town and find out suggestions of the possible remedies to the challenges. The study specifically sought to determine the effect of tax compliance cost, tax knowledge, tax fines, and tax audit on tax compliance in the Real Estate sector. The study is guided by the theory of planned behavior. The study uses ex-post facto research design. A sample size of 68 will be drawn from the target population of 5018 real estate investors, audit and compliance officers using snowball sampling. Data was collected using structured questionnaire, coded, keyed and analyzed quantitatively using statistical package for social sciences (SPSS). The study findings showed that compliance cost, tax knowledge, tax fines and tax audit had positive effect on level of tax compliance. The study findings showed that imposing fines, doing tax audit as well as provision of tax knowledge to real estate investors will improve tax compliance. However, high tax compliance costs are a contributing factor that reduces tax compliance among real estate investors. Thus, tax compliance cost should be minimal as possible to encourage payment of income tax. Tax fines laws in place, tax knowledge and tax audit should be implemented to encourage payment of taxes by the real estate investors<sup>87</sup>.

In another study, utilising secondary macro data, assess the impact of tax audits on improving taxpayer compliance in Ethiopia. The evaluation of pertinent ERCA documents was employed as a secondary source of data. The important variables of the studies' collected data were evaluated using bivariate regression and partial coefficient regression. The regression result also demonstrates a substantial correlation between the number of audited files and tax compliance. The partial regression coefficients and Pearson correlation show a strong association between the frequency of audit detection, the quantity of audited files, and tax compliance. According to the partial coefficient regression, the frequency of audit detection and the number of audited files together significantly increase the degree of tax payer compliance compared to their individual effects<sup>88</sup>.

A study analysed tax audit and inquiry as prerequisites for achieving an effective tax administration in Nigeria. The research utilised an explanatory methodology based on a content analysis of available literature. The scepticism and sociological theories were employed to strengthen the topic's conception. To increase tax revenue collection in Nigeria, tax audits and investigations are necessary, according to the report. The survey confirmed that there is a high prevalence of noncompliance among individuals and businesses in the United States now. Therefore, the daily urged the government to enact legislation that would make noncompliance with tax regulations a more serious offence with harsher penalties. It was revealed that tax audit and investigation may increase the government's revenue base and eliminate tax evasion in the country by using the Pearson correlation coefficient to analyze the impact of these activities on revenue generation in Nigeria<sup>89</sup>.

#### **2.3.4 Others**

In another comparable study, a methodology to increase the quality of tax audits was developed. This project aims to develop a methodology for enhancing the quality of tax audits. This study is fundamental in nature. A qualitative research approach was used in this research. In this study, using an analytical approach and the data-theoretic research method of Strauss and Corbin, two approaches were used. Data collection is done through a peer-reviewed interview. 23 interviews with participants were conducted in this study. In this part of the study, theoretical sampling has been used. Data analysis was performed in three phases: open coding, axial coding and selective coding using MAXQDA software. The results of this study led to the recognition of 20 main categories and 123 sub-categories that in the form of Paradigm Model, include content, organisation and model processing as core category and Causal conditions (Professional Actions, Structural Actions, Professional Environment, Audit Procedures), Underlying factors (Auditor Requirements, Process Platform, Institutional Context and Auditor Capabilities), Interventional Conditions (Human, Structural, Managerial and Regulatory Factors), Strategies (Development Actions and Support measures), and Consequences of Process), and the effects of structure process<sup>90</sup>.

In the determinants of tax evasion in directorate general of customs and excise. The purpose of this research is to find out and analyse what factors influence the occurrence of tax evasion, especially at DGCE. This research uses a mixture of quantitative and qualitative methods; Structural Equation Modeling (SEM) is applied for quantitative method, meanwhile the qualitative method aims to deepen and confirm the variables studied. In this qualitative study, data analysis tasks included data reduction, data presentation, and conclusion drawing. Distribution of questionnaires to 135 respondents, comprising of Importers and Customs Consultants, is used to obtain primary data. Additionally, triangulation is undertaken, which

includes interviews with many relevant DGCE personnel, observation, and documentation. Customs Audit (CR=-4,934), Self-Assessment System (CR=-3,592), Information Technology (CR=-5,348), and Possibility of Fraud Detection (CR=-2,421) influenced considerably negatively for Tax Evasion, as indicated by a t-table value of -1,982. While Quality of Service (CR = -1.610) and Law Enforcement (CR = -1.270) have no effect on Tax Evasion<sup>91</sup>.

In a research on the use of forensic accounting to bridge the gap between tax audit and direct tax income in the Nigerian lottery sector was determined. This study analysed the factors deterring literate individuals from staking, assessed the issues impacting the ineffective application of Direct Tax rules on "staker" money, and calculated the extent to which FA could influence DTR in the Nigerian lottery sector. Tax authorities of lotto in Lagos/Ogun States, FAs, and staff/agents/" stakers" of licenced lotto firms were recruited purposefully from the population to comprise the sample. Using a semi-structured questionnaire to collect primary data, 209 valid responses were received. To evaluate the data, descriptive analysis and multiple regression analysis were utilised. The study reveals that many literates believe that staking does not meet the expectations of their education; that the lack of effective data on "stakers" contributes to the use of a "agreed" amount as minimum tax; and that the regression analysis demonstrates that FA is an effective method for reducing economic crimes, including tax evasion, and that it could be used to increase DTR in the lottery industry<sup>92</sup>.

In a different Study on tax awareness, taxpayers' perceptions and attitudes, and tax evasion in the informal sector in Ekiti State, Nigeria. Tax evasion was shown to be prevalent. The purpose of this study was to determine how tax knowledge and taxpayer views of government spending affected tax evasion in the unorganized sector in the state of Ekiti. Also explored was the moderating effect of Taxpayer attitude. A systematic questionnaire was utilised to collect data

from 150 respondents, however only 108 completed questionnaires were returned, and the data from just 100 respondents were useful. The data indicate that Taxpayers' knowledge significantly decreased tax evasion, while the effect of Taxpayers' perception is not supported by analysis. The data also indicate that the attitude of taxpayers moderates the association between taxpayers' awareness and tax evasion. The moderating influence of Taxpayers' attitudes on the connection between Taxpayers' perceptions of government spending and Tax evasion was, however, not statistically significant<sup>93</sup>.

In addition, a study entitled tax revenue and economic growth in Nigeria. This paper's specific purpose was to investigate the impact of income tax collection on Nigeria's economic growth, as measured by Gross Domestic Product (GDP). For the period 1995 to 2015, data were acquired from secondary sources, namely the Statistical Bulletins of the FIRS and CBN respectively. The Multiple Linear Regressions Econometric Model and the Ordinary Least Square (OLS) technique were used to examine the connection between Gross Domestic Product (the dependent variable) and a set of government income tax revenue heads from 1995 to 2015. Our research demonstrated that the Petroleum Profit Tax and the Corporate Income Tax are the tax revenues that determine government economic growth. Thus, taxes with a favourable influence on economic growth are direct taxes, and direct taxes have a greater impact on Nigeria's economic growth than indirect taxes. The oddity was ascribed to flaws in the income tax system, tax law loopholes, and ineffective tax administration<sup>94</sup>.

In a work to access the interdependence of Nigeria's tax income and economic growth are interdependent. This study analysed the relationship between Nigeria's tax income and economic growth. Specifically, the study investigated the effects of petroleum profit tax on Nigeria's economic growth, the impact of business income tax on Nigeria's economic growth, and the

impact of value added tax on Nigeria's economic growth. Utilizing an ex-post facto research design, time series data were gathered from the statistical bulletins of the CBN and the FIRS. The model of the study incorporated variables such as gross domestic product, petroleum profit tax, corporation income tax, and value added tax. Using Multiple Regression Analysis, Co-integration, and other post-estimation tests, the collected data for these variables were evaluated to determine the variables' short- and long-run effects. Petroleum profit tax exerts a positive and significant influence on economic growth with an estimated coefficient of 3.707601 ( $p=0.5150>0.05$ ), company income tax also exerts a positive and significant influence on economic growth with an estimated coefficient of 55.79390 ( $p=0.2580>0.05$ ), and value added tax was also found to have a noticeable and positive impact on economic growth with an estimated coefficient of 16.04333 ( $p=0.5150>0.05$ ). In light of these findings, the study argued that the government should make the country's tax system more efficient so as to prevent practises that impede the system's ability to generate the necessary revenue to cause a change in the growth of the economy and modify the institutional structure so as to aid a model for the best practises of the country's industries<sup>95</sup>.

Similarly, in the evaluation of the impact of direct taxes on public investment in agriculture in Nigeria. It was determined that direct taxes have a negative effect on public investment in agriculture. This study examines the effect direct taxes have on agricultural finance. As direct taxes, this analysis utilised the petroleum profit tax, the personal income tax, and the corporation income tax. These are the three largest direct taxes selected for examination in this report. Agricultural finance has long been a source of concern, causing the entire nation to suffer from severe hunger due to needless indifference. In addition, Nigeria has a high hunger score of 28.3, placing it 103rd out of 116 nations in the Global Hunger Index report for 2021. This study

examines all of these issues and seeks to determine the extent to which direct taxes can reduce the burden by giving agricultural businesses with greater direct tax income. Collecting secondary data from the Organization for Economic Cooperation and Development (OECD) on selected direct taxes and agricultural spending from the Central Bank of Nigeria's Statistical Bulletin is used to conduct the review. The study period spans 2010 to 2020. Using a multiple regression technique, the study demonstrated that all of the direct tax types evaluated had a negligible effect on agricultural finance, with the exception of the personal income tax, which has a substantial and positive effect on agricultural growth. This necessitates the modification of Nigerian tax regulations to permit substantial use of tax income for agricultural loans. The insignificance of petroleum profit tax and corporate income tax to agricultural funding requires more efficient tax procedures and a crackdown on tax authority corruption<sup>96</sup>.

In a research on the tax income and economic growth of the Nigerian telecommunications sector (2001-2018)<sup>98</sup>. This study analysed the tax income and economic growth of the Nigerian telecommunications subsector. Early studies revealed that taxation of the GSM subsector of the telecommunications industry, as indicated by the taxes paid, has not contributed to Nigeria's economic growth. Therefore, the purpose of the study was to analyse the impact of tax income proxied by Value-Added-Tax (VAT) on the economic growth proxied by Real Gross Domestic Product (GDP) of the telecommunications subsector. Using annual time series data spanning 18 years, the study was conducted (2001 to 2018). The data were obtained primarily from the Central Bank of Nigeria's (CBN) Annual Reports and Statistical Bulletin, the Federal Inland Revenue Service (FIRS) Annual Report, companies' audited financial statements, and the National Bureau of Statistics (NBS) Database for 2018, with the Autoregressive Distributed Lag (ARDL) approach comprising unit root test, co-integration test, short-run and long-run

estimations serving as the primary estimation technique. The Economic Growth indicator is regressed against its own lag and the specified tax indicator in the ARDL regression analysis. Value-added tax (with Adjusted R2 of 0.515 and F-Statistic [Prob.(F-Stat)] of 6.66 [0.006]) was shown to be statistically significant. The value-added tax has a considerable impact on the economic growth of the Nigerian telecommunications subsector during the study period<sup>97</sup>.

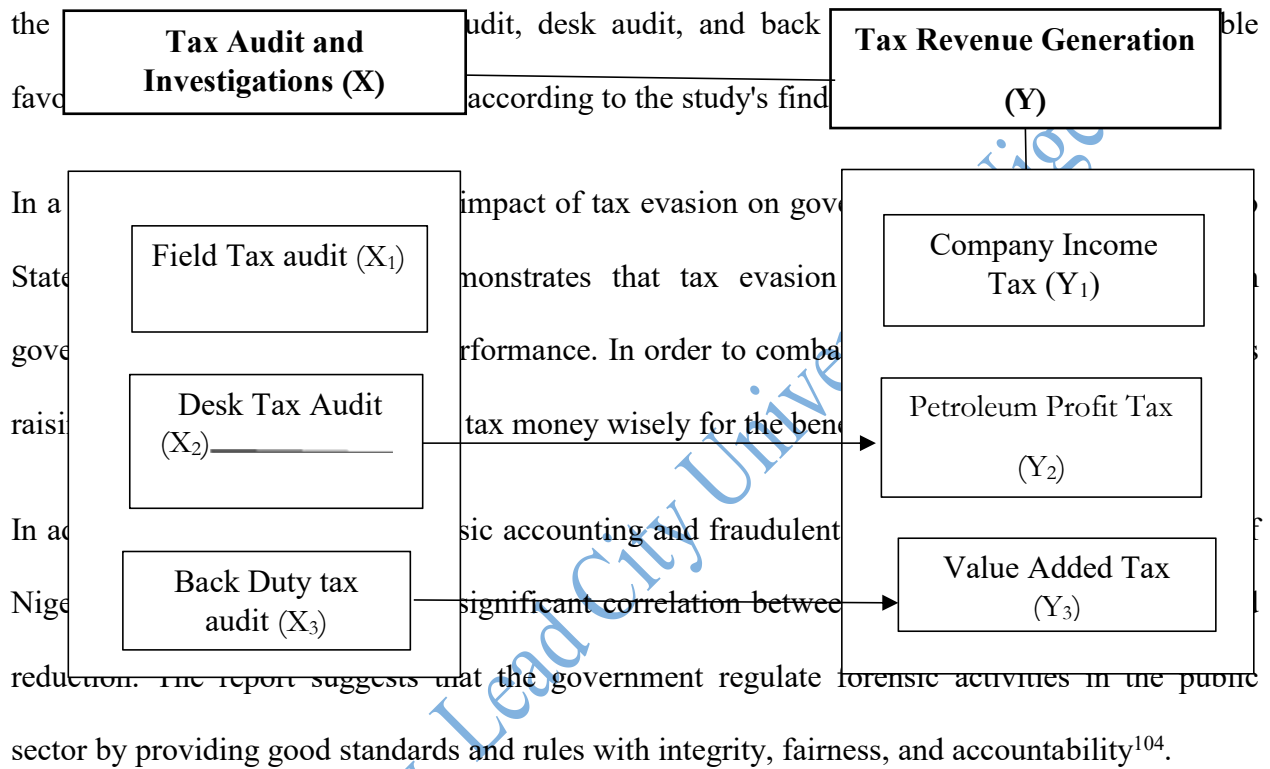
On taxing the informal sector on revenue generation in developing nations, an empirical study of Rivers State, Nigeria was carried out. This study assessed the consequences of taxing Nigeria's informal economy. To do this, 110 questionnaires were sent to respondents within the metropolitan area of Port Harcourt and its vicinity. The replies were presented using tables and bar charts as descriptive statistical techniques. Using the Kruskal-Wallis and Chi-square tests, formulated hypotheses were examined. The findings found that taxing the informal sector will increase income collection and significantly benefit the economic development of emerging nations<sup>98</sup>.

A similar study was carried out to examine the challenges affecting tax collection in Nigerian informal economy with Anambra State as the case study. By using documentary analysis and semi-structured interviews with 35 respondents across different industries in Anambra State, this research contributes and offers guidance to policy makers on how to improve tax revenue in the state. This study found that lack of provision of amenities and infrastructural development are among the reasons why many traders and employees do not pay tax in Anambra State, Nigeria, as they have to bear the burden for the provision of such amenities themselves. Lack of accountability, embezzlement, poor accounting records, deficit of empowerment programs and absence of awareness are the key reasons why people and businesses in IE do not pay tax. Recommendations were made to help policy makers improve their tax revenue<sup>99</sup>.

To investigate tax incentives as a stimulant for tax compliance, tax revenue, and economic growth. It analysed the various tax incentives offered to taxpayers, the level of compliance, and their impact on tax collection and Nigeria's economic growth. For this study, an ex-post facto research design was utilised. Federal Inland Revenues Service (FIRS), Central Bank of Nigeria statistical bulletin data was extracted. The Gross Domestic Product (GDP) was chosen as an economic development indicator based on tax revenue as an indication of tax compliance. Based on the tax incentives made accessible to taxpayers, the outcome indicated a high degree of compliance. The analysis indicated that Tax Revenue (TAXREV) has a considerable positive effect on Nigeria's economic development proxy GDP. The study advised that the government properly utilise tax revenues; thus, there is a strong correlation between tax compliance, tax equity, tax revenue utilisation, and excellent corporate governance<sup>100</sup>.

In a comparable study on the mediating effect of tax knowledge on the link between tax complexity, tax agent, tax audit, and petroleum profit tax evasion, tax knowledge was found to play a significant impact<sup>75</sup>. This study offered a system for investigating the degree of tax fraud among Nigerian oil and gas firms. The suggested framework is founded on the principle of economic deterrence. This study expands the present body of taxation knowledge by including the meditative effect of tax knowledge into economic deterrence theory. Additionally, the study would be valuable for guiding stakeholders and policymakers in developing nations on how to combat tax evasion. If confirmed, the approach would provide greater insight into the extent of tax evasion in the Nigerian oil and gas industry. If the study were to be completed, it would aid the government in reducing tax evasion, hence increasing government revenue, which would be of tremendous advantage to Nigerian policymakers. The proposed framework will be empirically examined through data collecting and examination<sup>101</sup>.

Utilising both primary and secondary data study was conducted on tax audit and tax productivity in the state of Lagos. The original data came from questionnaires issued at random to 350 employees of the Lagos State Internal Revenue Service, while the secondary data came from the FIRS audit division in Lagos from 2001 to 2015. Fully Modified Least Square was used to test



## 2.4 Conceptual Framework

The model shows the relationship between the study dependent and independent variables. The independent variables here are tax audited investigations, field tax audit, desk tax audit and back duty tax audit while the dependent variable is tax revenue generation which include forensic

audit, tax audit proficiency and tax avoidance. These analogies are depicted on the following diagram



Figure 2.1: Tax Audit, Tax Investigation and Revenue Generation

Source: Researcher's Computation

## 2.5 Summary of Gap in Literature Reviewed

Clearly, there is broad consensus on the need to enhance tax compliance and reduce tax evasion through tax audits and investigations, so enabling the government to maximise the anticipated tax revenue required to cover expenditures. However, there are few studies on the potential influence of tax audits on tax compliance in Nigeria, and none in the state of Oyo. In the empirical investigations conducted in Nigeria and other nations<sup>12,53,56,62</sup>. Previous study revealed that actual public consumption tax and personal income tax are significant relationship with revenue generation in Nigeria, while goods and service tax and revenue generation are not significantly related to revenue generation of the country in the long run. The study therefore

concluded that there is significant relationship between consumption tax and revenue generation in Nigeria<sup>51</sup>. No single study has been able to forecast predictor variables such as desk audit, field audit, back duty audit, and registration audit; thus, this study aims to fill this gap. As Oyo State is regarded as a state with moderate internally generated revenue (IGR), it is envisaged that when the importance of tax audit and investigation is properly carried out on taxpayers in the state, tax income will increase, consequently expanding the state's IGR base.

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## **Chapter Three**

### **Methodology**

The chapter focus on the research design, population of the study, area of the study, sample size and sampling technique, instrument of data collection, validity and reliability of the instrument and method of data analysis are all explicitly elucidated. Research instrument which was used in collecting the data on the on the field will all be inclusive in this chapter.

#### **3.1 Research Design**

The descriptive survey design method was used in this research work is a for the purpose of carrying out a good analysis and reaching a reasonable conclusion. The data were collected from various sources either through the primary source and secondary source. Survey research design with specific reference to descriptive research design was utilized in this study because it is useful for the research objective to determine the tax audit and investigation and tax revenue generation in Nigeria.

#### **3.2 Population of the Study**

A population consists of all possible elements, individuals, or observations associated with a phenomenon of interest to the researcher. The population of this study consist of 9800 staffs at the Federal Inland Revenue Service from which the target and accessible population will be drawn<sup>1</sup>. However, the respondents include top, middle, and lower-level public sector management personnel.

### 3.3 Sample and Sampling Techniques

Sample is a small or selected group used to represent the whole. Sample can be defined as the actual number of or part of the study of population that is objectively selected for the purpose. Data for this study was obtained quantitatively using random sampling techniques. Random sampling technique was used to ensure that each sample has an equal chances or probability of being chosen. Taro Yamane formula was adopted for the calculation of the sample size and the formula is expressed as:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the required sample size, N is the total population, e is the margin of error at 5% confidence level. Therefore, the study sample size with the total population of 9800 calculated as

$$n = \frac{9800}{1 + 9800(0.05)^2}$$

$$n = \frac{9800}{1 + 9800(0.0025)}$$

$$n = \frac{9800}{1 + 24.5}$$

$$n = \frac{9800}{25.5}$$

$$n = 384.3$$

$$n = 384$$

### **3.4 Description of Research Instrument**

A well-structured questionnaire was utilized as the research instrument for data collection in this study. This shows that the questionnaire is be the major research instrument for data collection. The questionnaire contains closed-ended questions and which were divided into six sections. Each of the sections entails a specific segment of the study.

Section A focuses on the demographic information of the respondents, the second section (section B) will contain questions about tax auditors' proficiency, integrity and competence. Section C contains questions on the effect of desk tax audit and investigations in improving the tax revenue generation in Nigeria. Section D focuses on effect of field tax audit on tax revenue generation in Nigeria. Section E comprises questions on effect of back duty tax audit on tax revenue generation in Nigeria. Finally, Section F contain questions on tax generation. The sections of the questionnaire was structured using Likert scale 1 to 5. Where 1=Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree and 5=Strongly Disagree.

### **3.5 Validity of Research Instruments**

Validity being the appropriateness, meaningfulness and usefulness of specific inference made from test scores. The instrument for this study was validated by researchers supervisor and other lecturers in the Department of Management and Accounting, Faculty of Environment, Management and Social Sciences, Lead City University. After which a clean copy of the instrument was prepared for validation.

The instruments was pre-tested using pilot study which sample questionnaire will be distributed to 10 respondents for test for reliability using Cronbach alpha reliability test using SPSS.

### **3.6 Reliability of Research Instrument**

The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. Reliability of the research instrument is the measure of the dependability and the internal consistency of the items of the instrument of data collection. The data required for this study were gathered from questionnaire administered directly by the researcher with responses from the respondents, thus, the data was found suitable, appropriate and reliable for this study.

### **3.7 Administration of Research Instruments and Method of Data Collection**

Also, the data that used in this study were mainly collected through primary sources. The primary data were collected through the use of questionnaires from which opinions were gotten from different respondents. However, secondary data were also collected from documents and published records like state development journals, newspaper, magazines, internet sources which are majorly used for diverse literature review.

### **3.8 Methods of Data Analysis**

The primary data collected was analysed and computed in accordance with the study's research objectives. Using descriptive statistics such as percentages, frequencies, tables, and graphs, the data acquired from primary sources were examined. The analysis adopted inferential statistics such as correlation coefficients, t-test, regression analysis, standard deviation, and ANOVA to demonstrate significance. As a result, the study employed simple regression analysis to assess hypotheses. Analysis of Variance (ANOVA) was performed to compare the variation within

each sample to the variation between samples. The data analysis was performed using the software Statistical Package for Social Sciences (SPSS version 23).

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## Endnote

1. Federal Inland Revenue Service (FIRS) Number of Staff, 2022.

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## Chapter Four

### Results and Discussion of Findings

This chapter presents the results and discussion of findings which was based on the data collection and analysis with respect to the objectives (research questions and hypotheses) of the study. This chapter first shows the instruments' response rate followed by the presentation and interpretation of data (demographic characteristics of respondents, research questions and hypotheses) and then the discussion of findings. The questionnaire was administered in order to collect data for the study. Three hundred and eighty-four (384) copies of questionnaire were distributed to the sampled respondents in the selected FIRS office in Ibadan. About three hundred and thirty (330) were retrieved, three hundred (300) were rendered valid and useful for analysis. Thus, the analysis was based on returned valid copies and this gave response rate of 78.1%.

#### 4.1 Demographic Data Analysis

Table 4.1: Frequency Distribution of Respondents (N =300)

Demographic Variable		Frequency (n)	Percentage (%)
<b>Gender</b>	Male	218	72.7
	Female	82	27.3
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Age</b>	Less than 25 Years	10	3.3
	26-35 Years	74	24.7
	36-45 Years	170	56.7
	46 years and above	46	15.3
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Marital Status</b>	Single	58	19.3
	Married	242	80.7
	<b>Total</b>	<b>300</b>	<b>100</b>
<b>Highest Educational Qualifications</b>	B.Sc./HND	169	56.3
	PGD.	15	5.0

	MSc.	84	28
	Ph.D./ Professional Qualifications	32	10.7
<b>Years of Teaching Experience</b>	<b>Total</b>	<b>178</b>	<b>100</b>
	1-5 years	27	7.7
	6 – 10 years	133	44.3
	above 10 years	144	48.0
	<b>Total</b>	<b>178</b>	<b>100</b>

**Source: Fieldwork, 2022**

Table 4.1 shows the frequency distribution of respondents' demography in selected FIRS offices in Oyo State. From the table, 72.7% (218) of the respondents were male, while 27.3% (82) are female. This shows that male FIRS staff are more in this study. This suggests dominance of male to female FIRS staff in Oyo State. Majority of the respondents, 56.7% (170) are within 36-45 years of age, 24.7% (74) are within 25-35 years, 15.3% (46) are 46 years and above, while 3.3% (10) are Less than 25 Years. This implies that most of the respondents are young and in their mid-age. Majority of the respondents, 80.2% (242) are married, while 19.3% (58) are single. This suggests that a major portion of the respondents are married.

Further, most of the respondents, 56.3% (169) have Bachelor's degree as their highest form of degree which is an indication majority of FIRS staff are either university or polytechnic graduates. However, 28% (84) of the respondents have M.Sc., 10.7% (32) of them have Ph.D. Professional Qualifications, while 5% (15) of have PGDE. This suggests that some of the staff are advancing their qualifications to the post graduate level which is very good for FIRS. Lastly, majority of the respondents, 48% (144) have above 10 years of experience, 44.3% (133) of the respondents have between 6-10 years of working experience, while few, 7.7% (27) have 1-5 years of experience. This clearly indicates that most of the staff of FIRS in Oyo State are well experienced.

## 4.2 Presentation of Research Questions

**Research Question One:** To what extent is the effect of tax auditors' proficiency, integrity and competence on revenue generation?

**Table 4.2: Tax Auditors' Proficiency, Integrity and Competence**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	All Tax Auditors are Chartered Accountant	63 (21)	191 (63.6)	45 (15)	1 (0.4)	3.05	0.61	Agree (Good)
2	All tax auditors are mostly from Accounting and finance, Management and Economics field of study	19 (6.3)	206 (68.7)	75 (25)	0 (0)	2.81	0.53	Agree (Good)
3	All tax auditors have special training in Investigation and intelligence	20 (6.7)	198 (66)	82 (27.8)	0 (0)	2.78	0.54	Agree (Good)
4	All tax auditors possess special skills in preparation of audit findings and audit selection techniques	17 (5.6)	172 (57.2)	111 (37.2)	0 (0)	2.68	0.57	Agree (Good)
<b>Weighted Mean = 2.83; S.D = 0.49; Overall Decision = Agree (Good)</b>								

**Source: Fieldwork, 2022**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good).

Table 4.2 reveals the tax auditors' proficiency, integrity and competence in FIRS Oyo State, Nigeria. The rating scale of 'strongly disagree (1)' to 'strongly agree (4)' was used. Four (4) items

were used to measure tax auditors' proficiency, integrity and competence. All the items were remarked "agree (good)". This implies that most of the respondents 63.6% (191) agreed all tax auditors are chartered accountant, 21% (63) strongly agreed, 15% (45) of the respondents disagreed, while 0.4% (1) strongly disagreed. Also, majority 68.7% (206) of the respondents agreed that all tax auditors are mostly from accounting and finance, management and economics field of study all tax auditors, 6.3% (19) of the respondents strongly agreed, 25% (25) of the respondents disagreed, none strongly disagreed. Further, most of the respondents 66% (198) agreed that all tax auditors have special training in investigation and intelligence, 27.8% (82) disagreed, 6.7% (20) of the respondents agreed, while none of the respondents strongly disagreed. Similarly, 57.2% (172) which account for majority of the respondents agreed that all tax auditors possess special skills in preparation of audit findings and audit selection techniques, 37.2% (111) disagreed, 5.6% (17) of the respondents strongly agreed while none strongly disagreed. The table however generally reveals that status of tax auditors' proficiency, integrity and competence in FIRS Oyo state (**Weighted Mean = 2.83; S.D = 0.49**) which is good.

**Research Question Two:** Does Desk tax and investigations have effect on tax revenue generation in Nigeria?

**Table 4.3: Desk Tax Audit and Investigations**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	Desk tax audit is employed by Relevant Tax Authority (RTA) to achieved target revenue.	59 (19.7)	200 (66.8)	41 (13.5)	0 (0)	3.06	0.57	Agree (Good)
2	Suspicious about returns is what brings about desk tax audit	15 (5.0)	215 (71.6)	70 (23.4)	0 (0)	2.82	0.50	Agree (Good)

3	In desk tax audit tax payers provide additional documents for clarification	23 (7.7)	225 (75)	52 (17.3)	0 (0)	2.90	0.49	Agree (Good)
4	Desk tax audit solves the problems of tax evasion, avoidance and other irregularities.	20 (6.4)	212 (70.8)	68 (22.8)	0 (0)	2.84	0.51	Agree (Good)
5	Desk tax audit ensures the submission of accurate and current returns	0 (0)	255 (85)	45 (15)	0 (0)	2.95	0.54	Agree (Good)
6	Desk audit is cost effective	45 (15)	240 (80)	15 (5)	0 (0)	2.75	0.50	Agree (Good)

**Weighted Mean = 2.89; S.D = 0.52; Overall Decision = Agree (Good)**

**Source: Fieldwork, 2022**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

From Table 4.3 most of the respondents 66.8% (200) agreed desk tax audit is employed by Relevant Tax Authority (RTA) to achieved target revenue, 19.7% (59) strongly agreed, 13.5% (41) of the respondents disagreed. Also, majority 71.6% (215) of the respondents agreed that Suspicious about returns is what brings about desk tax audit, 23.4% (70) of the respondents disagreed, 5.0% (15) of the respondents strongly agreed, none strongly disagreed. Further, most of the respondents 75% (225) agreed that all desk tax audit tax payers provide additional documents for clarification, 17.3% (52) disagreed, 7.7% (23) of the respondents agreed, while none of the respondents strongly disagreed. Moreover, majority 70.8% (212) of the respondents agreed that Desk tax audit solves the problems of tax evasion, avoidance and other irregularities, 22.8% (68) disagreed, 6.4% (20) of the respondents strongly agreed while none strongly

disagreed. 85% (225) of the respondents agreed that Desk tax audit ensures the submission of accurate and current returns, 15% (45) of the respondents disagreed, none of the respondents strongly agreed or strongly disagreed. Similarly, majority of the respondents 80% (240) agreed that Desk audit is cost effective, 15% (45) of the respondents strongly agreed, 5% (15) disagreed. None strongly disagreed. The table however generally reveals that the effect of Desk tax and investigations on tax revenue generation in Nigeria is good (**Weighted Mean = 2.89; S.D = 0.52**)

**Research Question Three:** What is the effect of Field tax and investigations on tax revenue generation in Nigeria?

**Table 4.4: Field Tax Audit on Tax Revenue Generation**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	Desk audit often times lead to field audit when additional documents are needed	30 (10)	261 (87)	9 (3)	0 (0)	3.06	0.57	Agree (Good)
2	It requires that the taxpayers are well-informed before the commencement of the audit	24 (8)	240 (80)	36 (12)	0 (0)	2.82	0.50	Agree (Good)
3	It allows physical verification of tax payers claims so as to confirm the facts and figure of the returns	75 (25)	210 (70)	15 (5)	0 (0)	2.75	0.49	Agree (Good)

**Weighted Mean = 2.88; S.D = 0.52; Overall Decision = Agree (Good)**

**Source: Fieldwork, 2022**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

Table 4.4 shows the effect of field tax audit on tax revenue generation. From the table, most of the respondents 87% (261) agreed that Desk audit often times lead to field audit when additional documents are needed, 10% (30) strongly agreed, 3% (9) of the respondents disagreed. Also, majority 80% (240) of the respondents agreed that it requires that the taxpayers are well-informed before the commencement of the audit, 12% (36) of the respondents disagreed, 8% (24) of the respondents strongly agreed, none strongly disagreed. Further, most of the respondents 70% (210) agreed that field audit allows physical verification of tax payers claims so as to confirm the facts and figure of the returns, 25% (75) of the respondents agreed and 5% (15) disagreed. Also, the Table generally shows that the effect of field tax and investigations on tax revenue generation in Nigeria is good (**Weighted Mean = 2.88 S.D = 0.52**)

**Research Question Four:** To what extent is the effect of Back Duty tax audit and investigations on tax revenue generation in Nigeria?

**Table 4.5: Back Duty Tax Audit on Tax Revenue Generation**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	It is used to reveal doubtful claim of capital allowance related to previous or current year	174 (58)	126 (42)	0 (0)	0 (0)	3.51	0.48	Strongly Agree (Very Good)
2	It corrects the mistake of lesser tax as a result of falsification of document submitted by the tax payers	153 (51)	90 (30)	57 (19)	0 (0)	3.16	0.43	Agree (Good)
3	It reveals the reduction of profit in the returns files in tax office	105 (35)	180 (60)	15 (5)	0 (0)	3.01	0.49	Agree (Good)

**Weighted Mean = 3.23; S.D = 0.47; Overall Decision = Agree (Good)**

**Source: Fieldwork, 2022**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good).

From the Table 4.5, majority of the respondents 58% (174) strongly agreed that Back duty tax is used to reveal doubtful claim of capital allowance related to previous or current year, 42% (126) agreed, none of the respondents disagreed or strongly disagreed. Also, majority 51% (153) of the respondents strongly agreed that Back duty tax corrects the mistake of lesser tax as a result of falsification of document submitted by the tax payers, 30% (90) of the respondents agreed, 19% (57) of the respondents disagreed, none strongly disagreed. Further, most of the respondents 60% (180) agreed that Back duty tax reveals the reduction of profit in the returns files in tax office, 35% (105) of the respondents strongly agreed and 5% (15) disagreed. Also, the Table generally shows that the effect of back duty tax audit and investigations on tax revenue generation in Nigeria is good (**Weighted Mean = 3.23 S.D = 0.47**)

**Table 4.6 Tax Revenue Generation**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	Inadequate tax collecting officials has worsened tax generation	66 (22)	201 (67)	33 (11)	0 (0)	3.31	0.48	Strongly Agree (Very Good)
2	Strengthening of tax audit/investigation units would improve tax generation	195 (65)	105 (35)	0 (0)	0 (0)	3.53	0.53	Strongly Agree (Very Good)
3	Tax audits play an important role in	210	90	0	0	3.62	0.59	Strongly

	increasing generation and compliance	tax and	(70)	(30)	(0)	(0)			Agree (Very Good)
4	Tax audit is playing vital role in the reduction of tax evasion and avoidance		207 (69)	75 (25)	18 (6)	0 (0)	3.59	0.57	Strongly Agree (Very Good)
5	Compliance to generation on personal income tax, road tax and property tax is adequate.	Tax on	0 (0)	255 (85)	45 (15)	0 (0)	3.10	0.54	Agree (Good)

**Weighted Mean = 3.43; S.D = 0.54; Overall Decision = Agree (Good)**

**Source: Fieldwork, 2022**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good).

Table 4.6 shows statements on tax revenue generation. From the Table, majority of the respondents 67% (201) agreed that inadequate tax collecting officials has worsened tax generation, 22% (66) of the respondents agreed, 11% (33) of the respondents disagreed while none of the respondents strongly disagreed. Also, on the statement “Strengthening of tax audit/investigation units would improve tax generation”, majority 65% (195) of the respondents strongly agreed, 35% (105) of the respondents agreed, none of the respondents disagreed and strongly disagreed. Further, most of the respondents 70% (210) strongly agreed that tax audits play an important role in increasing tax generation and compliance, 30% (90) of the respondents agreed and none disagreed or strongly agreed. Similarly, majority 69% (207) of the respondents agreed that tax audit is playing vital role in the reduction of tax evasion and avoidance, 25% (75) of the respondent agreed, 3% (8) of the respondent disagreed, none of the respondents strongly

disagreed. Finally, most of the respondent agreed that compliance to tax generation on personal income tax, road tax and property tax is adequate, 15% (45) of the respondents disagreed. None either strongly agreed or strongly disagreed. Hence, the Table generally shows that the tax revenue generation in Nigeria is good (**Weighted Mean = 3.43 S.D = 0.54**)

#### 4.2.2 Presentation of Test of Hypotheses

**H<sub>01</sub>:** There is no significant relationship between Desk tax audit and investigations on tax revenue generation in Nigeria.

**Table 4.8: Relationship between Desk Tax Audit and Investigations and Revenue Generation in Nigeria**

Correlations			
		Desk_Tax	Rev_Generation
<b>Desk_Tax</b>	Pearson Correlation	1	.261**
	Sig. (2-tailed)		.000
	N	300	300
<b>Rev_Generation</b>	Pearson Correlation	.261**	1
	Sig. (2-tailed)	.000	
	N	300	300

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

**Source: SPSS Computation 23.0**

To investigate relationship between desk tax audit and investigations and revenue generation in Nigeria, Pearson Correlation was used with a two-tailed test of significance at  $P < 0.01$  level. From Table 4.8, the Sig. value is 0.00 which is less than the p-value. Hence, we reject the null hypothesis that “There is no significant relationship between Desk tax audit and investigations on tax revenue generation in Nigeria”. We therefore conclude that there is a significant effect of desk tax audit and investigations and revenue generation in Nigeria. The sample correlation is

0.261 which implies that Desk tax audit and investigations correlates with revenue generation in Nigeria at 0.261) which is positive and the correlation is significant at the  $p < 0.01$  level (2-tailed).

This therefore answered the research second objective.

**H<sub>02</sub>:** There is no significant relationship between Field tax audit and investigations on tax revenue generation in Nigeria.

**Table 4.9: Relationship between Field Tax Audit and Investigations and Revenue Generation in Nigeria**

		Correlations	
		Field_Tax	Rev_Generation
<b>Field_Tax</b>	Pearson Correlation	1	.331**
	Sig. (2-tailed)		.000
	N	300	300
<b>Rev_Generation</b>	Pearson Correlation	.331**	1
	Sig. (2-tailed)	.000	
	N	300	300

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: SPSS Computation 23.0**

To investigate this relationship between Field tax audit and investigations on tax revenue generation in Nigeria, Pearson Correlation was also used with a two-tailed test of significance at  $P < 0.01$  level. From Table 4.9, the p-value is 0.000 which is significant at 0.01 level (2-tailed).

We therefore reject the null hypothesis and also conclude that relationship between Field tax audit and investigations on tax revenue generation in Nigeria. Similarly, the sample correlation is 0.331 (shows that Field tax audit and investigations correlates with tax revenue generation in Nigeria at 0.331) which is positive and also shows that the relationship is moderate. The (\*\*) means that Correlation is significant at the  $p < 0.01$  level (2-tailed). Hence, we reject the

hypothesis H<sub>03</sub>– There is no significant relationship between Field tax audit and investigations on tax revenue generation in Nigeria. Thus answered the third research objective.

**H<sub>03</sub>**: There is no significant relationship between Back Duty tax audit and investigations on tax revenue generation in Nigeria.

**Table 4.10: Relationship between Back Duty Tax Audit and Investigations and Revenue Generation in Nigeria**

		Correlations	
		Back_D_Tax	Rev_Generation
<b>Back_D_Tax</b>	Pearson Correlation	1	.202**
	Sig. (2-tailed)		.000
	N	300	300
<b>Rev_Generation</b>	Pearson Correlation	.202**	1
	Sig. (2-tailed)	.000	
	N	300	300

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

**Source: SPSS Computation 23.0**

To investigate this relationship between Back Duty Tax audit and investigations on tax revenue generation in Nigeria, Pearson Correlation was also used with a two-tailed test of significance at  $P < 0.01$  level. From Table 4.10, the p-value is 0.000 which is significant at 0.01 level (2-tailed). We therefore reject the null hypothesis and also conclude that relationship between Field tax audit and investigations on tax revenue generation in Nigeria. Similarly, the sample correlation is 0.202 shows that Back Duty Tax audit and investigations correlates with tax revenue generation in Nigeria at 0.202) which is a positive relationship. The (\*\*) means that Correlation is significant at the  $p < 0.01$  level (2-tailed). Hence, we reject the hypothesis H<sub>04</sub>– There is no

significant relationship between Back Duty Tax audit and investigations on tax revenue generation in Nigeria. This therefore answered the research fourth objective.

Finally, to investigate the combined relationship of all the independents variables (Desk Tax Audit, Field Tax Audit, Back Duty Tax Audit) on dependent variable (tax revenue generation in Nigeria), the multiple regression analysis was used.

**Table 4.11: Model Summary of Combined Influence of Desk Tax Audit, Field Tax Audit, Back Duty Tax Audit on Tax Revenue Generation in Nigeria**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.976	2	21.488	10.738	.002 <sup>b</sup>
	Residual	655.344	297	3.745		
	Total	698.320	299			

**a. Dependent Variable: Tax\_Revenue**

**b. Predictors: (Constant), Desk\_Tax, Field\_Tax, Back\_D\_Tax**

Source: SPSS Computation 23.0  
*F-value is significant at 0.05\**

**Table 4.12: Model Summary of Combined Influence of Desk Tax Audit, Field Tax Audit, Back Duty Tax Audit on Tax Revenue Generation in Nigeria**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248 <sup>a</sup>	.062	.051	1.93515

**a. Predictors: (Constant), Working\_Condition, Organizational\_Culture**

Source: SPSS Computation 23.0

Table 4.11 and 4.12 shows the model summary and ANOVA of multiple regression analysis for the combined influence of desk tax audit, field tax audit and back duty tax audit on tax revenue generation in Nigeria. The table shows that the F- value is 10.738 and the p-value is 0.002 (F= 10.738, P<0.05) which is much less than 0.05 and highly significant since p-value (0.004< 0.05) at 95% confidence level. The F-test rejects the null hypothesis that states none of the independent variables have a significant relationship with tax revenue generation in Nigeria and it can be concluded that there exists variation in tax revenue generation in Nigeria due to desk tax audit, field tax audit and back duty tax audit and the relationship is significant which means that the regression model is a good fit of the data. This suggests that desk tax audit, field tax audit and back duty tax audit significantly influence tax revenue generation in Nigeria. The model summary on Table 4.12 shows the R<sup>2</sup> value of 0.62 which implies that 62% variation in tax revenue generation in Nigeria (dependent variable) could be explained by the independent variables (desk tax audit, field tax audit and back duty tax audit). The remaining 46% is explained by other factors outside the model and the error term. An R<sup>2</sup> value greater than 0.5 means that the model is effectively enough to determine the relationship. In this case, the value is 0.62, which is also good. The adjusted R<sup>2</sup> value shows that 51% of the variance in tax revenue generation is explained only by the independent variables which are to be kept in the model. This therefore means that the remaining 49% could be a result of other predictors included or added to the model that do not have a significant prediction on teachers' performance. Furthermore, the very little difference between the R<sup>2</sup> value and Adjusted R<sup>2</sup> value (that is, .62 - .51 = .0011) indicates a very good fit of the model because the closer the R<sup>2</sup> value is to the adjusted R<sup>2</sup>, the better the fit of the model.

**Table 4.13: Coefficients of Combined Influence of Desk Tax Audit, Field Tax Audit, Back Duty Tax Audit on Tax Revenue Generation in Nigeria.**

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	2.390	13.826		.173	.000
Desk_Tax	.917	.310	.217	2.959	.004
Field_Tax	.157	.084	-.137	-1.865	.002
Back_D_Tax	.097	.076	.087	1.272	.000

**a. Dependent Variable: Tax\_Revenue**

Table 4.13 shows the coefficients of multiple regression analysis for the combined influence of desk tax audit, field tax audit, back duty tax audit on tax revenue generation in Nigeria. The table reveals that the beta coefficient ( $\beta$ ) and t- values for desk tax (Beta = .217; t = 2.959; Significance = .004), field tax (Beta = -.137; t = -1.865; Significance = .002) and back duty tax (Beta = .087; t = 1.272; Significance = .000), which all are significant at  $P > 0.05$ . These results imply that desk tax audit, field tax audit and back duty tax audit explained the variance in tax revenue generation and therefore needed in the model.

In terms of the type of relationship (whether positive or negative) that exist between the predictors and the dependent variable (tax revenue generation). From the Table, all the predictors

(desk tax audit, field tax audit and back duty tax audit) have a positive relationship with tax revenue generation as depicted by their positive B value of .917, .157, .097 respectively. This result implies that as they increase, the dependent variable also increases. A unit rise in desk tax audit, field tax audit and back duty tax audit will lead to .917, .157, .097 increase respectively in tax revenue generation as depicted by the positive value of B. Furthermore, the low standard error values for the predictors (.310, .084, .076) also indicates a high level of precision of these predictors on revenue generation in Nigeria. It therefore means that desk tax audit, field tax audit and back duty tax audit positively influenced revenue generation in this study.

Similarly, the computed empirical value of F-test is 10.738 which is significant at  $p=0.002$ . It is therefore concluded that the F-test is statistically significant. The independent variables (desk tax audit, field tax audit and back duty tax audit) statistically and significantly predict the dependent variable (revenue generation). This therefore accomplished part of the research aim “assess the effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria”. Hence, the null hypothesis should be rejected because the test is statistically significant. Therefore, the whole regression is statistically significant.

#### **4.3 Discussion of Findings**

This research investigated to assess the effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. Discussion of the findings presents the results of the research and relates them with previous studies by other researchers to for differences or similarities. In this study, demographic information of the respondents were analysed, four research questions were answered and four hypotheses were tested.

Results of the demographic data analysis of the respondents showed that 72.7% (218) of the were male, while 27.3% (82) are female. This shows that male FIRS staff are more in this study. This

suggests dominance of male to female FIRS staff in Oyo State This particular finding was also observed in a study on employee perception on the impact of reward system on employee performance in FIRS LAGOS " which reported more 30 or 53.00% male respondents while 27 or 47.37% are Females<sup>1</sup>. The results also showed that majority of the respondents, 56.7% (170) are within 36-45 years of age, 24.7% (74) are within 25-35 years, 15.3% (46) are 46 years and above, while 3.3% (10) are Less than 25 Years. This implies that most of the respondents are within 36-45 years. Almost all the respondents, 80.2% (242) are married, while 19.3% (58) are single. This suggests that a major portion of the respondents in FIRS Oyo state are married.

Findings of the study further showed that majority of the respondents, 56.3% (169) have Bachelor's degree as their highest form of degree which is an indication majority of FIRS staff are either university or polytechnic graduates. However, 28% (84) of the respondents have M.Sc. 10.7% (32) of them have Ph.D. Professional Qualifications, while 5% (15) of have PGDE. This suggests that some of the FIR staff are advancing their qualifications to the post graduate level which is very good for the government Agency. This result agrees with a work on "Leadership Style: An Empirical Analysis of Federal Inland Revenue Service, Gombe" which revealed that Educational qualification of the respondents shows ND/NCE (3%), Degree/HND (76%), 2nd Degree (21%) and Ph.D (0%)<sup>2</sup>. Further, majority of the respondents, 48% (144) have above 10 years of experience, 44.3% (133) of the respondents have between 6-10 years of working experience, while few, 7.7% (27) have 1-5 years of experience. This clearly indicates that most of the Oyo State FIRS staff are well experienced. This result opposes a previous study that revealed that majority 47% of the respondents were employed 5-10 years, 41% were employed in less than 5 years, 11-15 years has 10% while 16 and above years has 2%<sup>2</sup>. This result is consistent with the result of a study on the "Effect of Auditor Functional Competence, Integrity,

and Utilization of Information Technology on Tax Audit Quality” which reported that majority (73%) of the respondents have work experience from 11 years and above<sup>3</sup>.

Findings from research question one showed that the status of tax auditors’ proficiency, integrity and competence in FIRS Oyo state is good having Weighted Mean = 2.83. This result corroborates the findings auditor's functional competence, integrity, and utilization of information technology is good and have a positive and significant impact on the quality of Tax Audit<sup>3</sup>. The findings of the research is in line with a research projection determinants of tax audit effectiveness: evidence from Kwara state internal revenue services, Nigeria, which concluded that tax auditor competence, tax auditor’s integrity and information system is good and had strong positive and significant relationship with tax audit effectiveness<sup>4</sup>.

Findings from research question two reveals that the effect of Desk tax and investigations on tax revenue generation in Nigeria is good having Weighted Mean = 2.89. The finding is in accordance with a study on "Tax audit practice and down south tax revenue generation in Nigeria " The findings revealed that their exist a significant positive effect of desk audit on personal income tax<sup>5</sup>. Also, this result corroborates a study on tax audits and tax productivity were studied in Lagos State, Nigeria, where it was discovered that field audits, desk audits, and back duty audits all significantly increase tax productivity<sup>6</sup>. The result is in consistent with a work on the effects of information technology on effective tax assessment in Nigeria. Similarly in Ekiti State, it was observed that desk audit significantly improved tax compliance and remittance<sup>7</sup>.

Findings from research question three revealed shows that the effect of field tax and investigations on tax revenue generation in Nigeria is good, Weighted Mean = 2.88. This indicates that desk audit frequently leads to field audit when more documents are required, permits physical verification of taxpayer claims in order to check the accuracy of the returns'

facts and figures, and necessitates that the taxpayers are fully notified prior to the audit's start. A study titled "The Impact of Tax Audit Practices on Revenue Generation in Nigeria" supports this conclusion<sup>8</sup>. According to their research, the association between a field tax audit and corporate income tax is moderate with the correlation coefficient value of  $r = 0.545^{**}$  significant at  $p = 0.00 < 0.05$ . Also, field tax audit statistically affects company income tax.

Similarly, findings from research question four shows that the effect of back duty tax and investigations on tax revenue generation in Nigeria is good, Weighted Mean = 3.23. This result is corroborated by a study on "Tax Audit And Tax Revenue Generation In Nigeria" which reported that back duty tax audits have a significant positive impact on tax revenue generated Nigeria<sup>9</sup>.

Further, to find the relationship between tax auditors' proficiency, integrity and competence, desk tax, field tax and back duty tax audit and revenue generation in Nigeria, correlation estimate was used. The researcher used Pearson Correlation with a two-tailed test of significance at the  $P < 0.01$  level. The Pearson correlation coefficient, denoted as  $r^2$ , is a measure of the strength of a linear association between two variables. The higher the correlation, the closer the connection coefficients approach to -1.0 or 1.0. The number of respondents in the samples is 300 and p-value for all the correlations coefficient is .000 at the  $P < 0.01$  level. From the Table 4.7, 4.8, 4.9 and 4.10, desk tax audit, field tax audit and back duty tax correlates with revenue generation in Nigeria at 0.375, 0.261, 0.331 and 0.202 which are positive all correlations. This means that tax auditors' proficiency, integrity, desk tax audit, field tax audit and back duty tax influences revenue generation in Nigeria and the relationships was statistically significant at the  $p = .001$  level. This therefore answered the research hypotheses: "There is no significant relationship between Field tax audit and investigations on tax revenue generation in Oyo state", "There is no significant relationship between Desk tax audit and investigations on tax revenue generation in

Oyo state.”, “There is no significant relationship between Back Duty tax audit and investigations on tax revenue generation in Oyo state”. Hence, we reject  $H_{01}$ ,  $H_{02}$  and  $H_{03}$  respectively and therefore answered the research objectives 1, 2 and 3 respectively. This result corroborates the finding that there is significant relationship between tax audit and tax revenue generation in Nigeria<sup>9</sup>. Based on the analysis, audit quality will enhance, and boost tax revenue generated by the government and also improve the status of audit professional and the result of the analysis has shown that tax audit contributes towards government tax revenue generation in Nigeria.

Finally, to find the combined relationship between the independent variables (desk tax audit, field tax audit and back duty tax) and the dependent variable (tax revenue generation), multiple regression analysis was used, the variables were tested to ascertain if the identified independent variables have significant effect on the dependent variable in a bid to achieve the research aim of this study. Table 4.11 and 4.12 revealed that the level of significance was 0.002 ( $p < 0.05$ ) this implies that the regression model is significant in predicting the correlation between the independent and the dependent variable. Also, R Square shows that about 62% percent of the total variation of the dependent variable is explained by the independent variables (desk tax audit, field tax audit and back duty tax). The computed empirical value of F-test is 10.738 which is significant at  $p = 0.002$ . It is therefore concluded that the F-test is statistically significant.

With the test, it was discovered that the desk tax audit, field tax audit and back duty tax has substantial effects on tax revenue generation in Nigeria. This in turn help maximizes the collection of revenue which enables the government addresses developmental projects that will benefit its citizenry and on the part of the taxpayer, it serves as a check on the proffers guiding tax administration and also helps in strengthening the activities of the taxpayer. With p-values of 0.001, 0.000, 0.000, and 0.000, respectively, this result supports the results that desk audit, field

audit, back duty audit, and registration audit had a significant beneficial impact on tax compliance and remittance in Ekiti State<sup>6</sup>. The outcome is also in line with research that demonstrates how tax audits and investigations can boost government revenue while also putting a stop to tax evasion in the country.

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## Endnotes

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## Chapter Five

### Conclusion

#### 5.1 Summary of Findings

This study assessed the effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. Findings of the study revealed that 72.7% (218) of the were male, while 27.3% (82) are female. Majority of the respondents, 56.7% (170) are within 36-45 years of age, 24.7% (74) are within 25-35 years, 15.3% (46) are 46 years and above, while 3.3% (10) are Less than 25 Years majority of the respondents, 56.3% (169) have Bachelor's as their highest form of degree, 28% (84) of the respondents have M.Sc., 10.7% (32) of them have Ph.D. Professional Qualifications, while 5% (15) of have PGDE. Almost all the respondents, 80.2% (242) are married, while 19.3% (58) are single and lastly, majority of the respondents, 48% (144) have above 10 years of experience, 44.3% (133) of the respondents have between 6-10 years of working experience, while few, 7.7% (27) have 1-5 years of experience.

Research questions one revealed that the status of tax auditors' proficiency, integrity and competence in FIRS Oyo state is good, (Mean=2.83). Research questions two also the effect of Desk tax and investigations on tax revenue generation in Nigeria is good having Weighted Mean = 2.89. Research question three also showed that the effect of field tax and investigations on tax revenue generation in Nigeria is good, Weighted Mean = 2.88. Similarly, research question four shows that the effect of back duty tax and investigations on tax revenue generation in Nigeria is good, Weighted Mean = 3.23.

Test of hypotheses revealed that tax auditors' proficiency, integrity and competence, desk tax audit, field tax audit and back duty tax correlates with revenue generation in Nigeria at 0.375,

0.261, 0.331 and 0.202 which are positive all correlations. This means that tax auditors' proficiency, integrity, desk tax audit, field tax audit and back duty tax influences revenue generation in Nigeria and the relationships was statistically significant at the  $p = .001$  level. Furthermore, dependent variable (tax revenue generation) is explained by the independent variables (desk tax audit, field tax audit and back duty tax). The computed empirical value of F-test is 10.738 which is significant at  $p = 0.002$ . It is therefore concluded that the F-test is statistically significant. Also, beta coefficient ( $\beta$ ) and t- values for desk tax (Beta = .217;  $t = 2.959$ ; Significance = .004), field tax (Beta = -.137;  $t = -1.865$ ; Significance = .002) and back duty tax (Beta = .087;  $t = 1.272$ ; Significance = .000), which all are significant at  $P > 0.05$ . These results imply that desk tax audit, field tax audit and back duty tax audit explained the variance in tax revenue generation.

## 5.2 Conclusion

Tax is an important source of government revenue. As such, the government must adopt strategies that will promote a sustainable level of tax revenue and avoid leakages that will defer government developmental projects. The study found that tax audit and investigation are important compliant tools that can generate and increase government revenue. Specifically, this study investigated effect of tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. The study however found that: the effect of proficiency, integrity, and competence of tax auditors on tax revenue generation in Nigeria is good. Hence tax auditors should possess special skills in preparation of audit findings, audit selection techniques and special training in Investigation and intelligence. Further, the effect of Desk tax audit and investigations on tax revenue generation in Nigeria is also good which means that desk tax audit should be used by relevant Tax Authority (RTA) to achieved target revenue, also to solve the problems of tax

evasion, avoidance and other irregularities. The study also show the effect of Field tax audit and back duty tax audit and investigations on tax revenue generation in Nigeria is likewise at a good level. There exists a significant relationship between proficiency, integrity, and competence, desk tax audit, field tax audit and back duty tax audit on tax revenue generation in Nigeria. Lastly, there exists a combined influence of desk tax audit, field tax audit and back duty tax audit on tax revenue generation in Nigeria.

### **5.3 Recommendations**

Based on the findings and objectives of the study, the following recommendations were made:

- i. The government should equip and reimburse the personnel of Oyo state internal revenue service, so as to enhance tax auditor's proficiency, integrity and competence.
- ii. Oyo state internal revenue service state should employ more of professionals with higher degrees as this will make tax audit and investigation more effective and efficient there by detecting tax evasion and tax avoidance easily.
- iii. Oyo state internal revenue service should engage in training and development for its staff as this makes them more effective and efficient in their operations on desk tax, field tax and back duty tax.
- iv. The tax payers should be educated and enlightened as to importance and benefits of taxes to them and the economy at large and Tax collected by the government should be properly used. This will go a long way in encouraging tax payers to be more faithful and economy development.

#### **5.4 Contribution to Knowledge**

- i. Empirically, this study adds to prior literatures by showing that there exists a combined influence of tax audit and investigation tax revenue generation.
- ii. The findings of this study will enhance the tax audit unit and investigations in order to raise tax revenue collection, promote voluntary tax compliance, reduce tax evasion, and consequently lower the expenses associated with tax revenue collection.
- iii. The findings of the study would be significant for policymaking in a bid to the design regulations that will help the government collect taxes on time and reduce penalties and interest on taxes that will be uncollectible. In addition, the study will be used by other students to develop their understanding and study of tax audit and inquiry assessment concerns, particularly while pursuing further studies.

#### **5.5 Suggested Area for Further Studies**

The following are the suggestions for further research:

- i. Further study can be done to investigate the influence of tax audit and investigation on tax evasion, compliance and infrastructural development
- ii. Also, additional research can be done in other states of the Nation in order to validate and generalise the findings across the country.
- iii. This study used Oyo state internal revenue service staff as the government Agency. Further studies can use other agencies as respondents to access the effect of tax audit and investigation on state tax revenue generation.

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**Appendix**  
**Research Instrument**

Lead City University, Ibadan  
Department of Management and Accounting  
Faculty of Environment, Management and Social Sciences

Dear Respondent,

I am a postgraduate student of the department of Management and Accounting. I am carrying out a research on the “Tax Audit and Investigation and Tax Revenue Generation in Nigeria. I would be grateful if you could create a spare time in your schedule in completing a copy of the questionnaire on the research topic. All information supplied will be highly appreciated and kept in strict confidentiality.

Thank you so much for your cooperation.

**Moradeyo Kamil Abiodun**

**Section A: Demographic Characteristics**

1. Gender (a) Male [ ] (b) Female [ ]
2. Age (years) (a) Below 25 [ ] (b) 26 – 35 [ ] (c) 36 – 45 [ ] (d) 46 and above [ ]
3. Marital status (a)Single[ ] (b) Marriage [ ] (c) Divorced [ ]
4. Educational status (a) SSCE[ ] (b) B.Sc/ Masters [ ] (c) Ph.d/ Professional Qualifications [ ]
5. Work Experience (a) Below 1 year [ ] (b) 1-5 years [ ] (b) 6 – 10 years [ ] (c) above 10 years [ ]

Please rate the following statements on a scale of 1 to 5. Where 1=Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree and 5=Strongly Disagree.

**Section B: The Tax Auditors’ Proficiency, Integrity and Competence**

	Items	1	2	3	4	5
1.	All Tax Auditors are Chartered Accountant					
2.	All tax auditors are mostly from Accounting and finance, Management and Economics field of study					
3.	All tax auditors have special training in Investigation and intelligence					
4.	All tax auditors possess special skills in preparation of audit findings and audit selection techniques					

**Section C: Desk Tax Audit and Investigations in Improving the Tax Revenue Generation in Nigeria**

1	Desk tax audit is employed by Relevant Tax Authority (RTA) to achieved target revenue.					
2	Suspicious about returns is what brings about desk tax audit					
3	In desk tax audit tax payers provide additional documents for clarification					
4	Desk tax audit solves the problems of tax evasion, avoidance and other irregularities.					
5	Desk tax audit ensures the submission of accurate and current returns					
6	Desk audit is cost effective					

**Section D: Field Tax Audit on Tax Revenue Generation in Nigeria**

1	Desk audit often times lead to field audit when additional documents are needed					
2	It requires the taxpayers are well-informed before the commencement of the audit					
3	It allows physical verification of tax payers claims so as to confirm the facts and figure of the returns					

### Section E: Back Duty Tax Audit on Tax Revenue Generation in Nigeria

1	It is used to reveal doubtful claim of capital allowance related to previous or current year					
2	It corrects the mistake of lesser tax as a result of falsification of document submitted by the tax payers					
3	It reveals the reduction of profit in the returns files in tax office					

### Section F: Tax Revenue Generation

1	Inadequate tax collecting officials has worsened tax generation					
2	Strengthening of tax audit/investigation units would improve tax generation					
3	Tax audits play an important role in increasing tax generation and compliance					
4	Tax audit is playing vital role in the reduction of tax evasion and avoidance					
5	Compliance to Tax generation on personal income tax, road tax and property tax is adequate.					

## Appendix II

### Reliability Statistics

#### Reliability

Scale: ALL VARIABLES

#### Case Processing Summary

		N	%
Cases	Valid	300	100.0
	Excluded <sup>a</sup>	0	.0
	Total	300	100.0

a. List wise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.875	21

#### Reliability

Scale: ALL VARIABLES

### Case Processing Summary

		N	%
Cases	Valid	300	100.0
	Excluded <sup>a</sup>	0	.0
	Total	300	100.0

a. List wise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.795	4

### Reliability

Scale: ALL VARIABLES

### Case Processing Summary

		N	%
Cases	Valid	300	100.0

Excluded <sup>a</sup>	0	.0
Total	300	100.0

a. List wise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.821	6

### Reliability

Scale: ALL VARIABLES

### Case Processing Summary

		N	%
Cases	Valid	300	100.0
	Excluded <sup>a</sup>	0	.0
	Total	300	100.0

a. List wise deletion based on all variables

in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.816	3

### Reliability

Scale: ALL VARIABLES

### Case Processing Summary

		N	%
Cases	Valid	300	100.0
	Excluded <sup>a</sup>	0	.0
	Total	300	100.0

b. List wise deletion based on all variables

in the procedure.

### Reliability Statistics

Cronbach's	
Alpha	N of Items
.787	3

### Reliability

Scale: ALL VARIABLES

### Case Processing Summary

		N	%
Cases	Valid	300	100.0
	Excluded <sup>a</sup>	0	.0
	Total	300	100.0

- c. List wise deletion based on all variables  
in the procedure.

### Reliability Statistics

Cronbach's	
Alpha	N of Items
.827	5

**All Tax Auditors are Chartered Accountant**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	.3	.3	.3
Disagree	45	15.0	15.0	15.3
Agree	191	63.7	63.7	79.0
Strongly Agree	63	21.0	21.0	100.0
Total	300	100.0	100.0	

**All tax auditors are mostly from Accounting and finance,  
Management and Economics field of study**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	75	25.0	25.0	25.0
Agree	206	68.7	68.7	93.7
Strongly	19	6.3	6.3	100.0

Agree			
Total	300	100.0	100.0

**All tax auditors have special training in Investigation and intelligence**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	82	27.3	27.3	27.3
Agree	198	66.0	66.0	93.3
Strongly Agree	20	6.7	6.7	100.0
Total	300	100.0	100.0	

**All tax auditors possess special skills in preparation of audit findings  
and audit selection techniques**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	111	37.0	37.0	37.0
Agree	172	57.3	57.3	94.3
Strongly Agree	17	5.7	5.7	100.0
Total	300	100.0	100.0	

**Desk tax audit is employed by Relevant Tax Authority (RTA) to achieved target revenue.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	41	13.7	13.7	13.7
Agree	200	66.7	66.7	80.3
Strongly Agree	59	19.7	19.7	100.0
Total	300	100.0	100.0	

**Suspicious about returns is what brings about desk tax audit**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	70	23.3	23.3	23.3
Agree	215	71.7	71.7	95.0
Strongly Agree	15	5.0	5.0	100.0
Total	300	100.0	100.0	

**In desk tax audit tax payers provide additional documents for clarification**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	52	17.3	17.3	17.3
Agree	225	75.0	75.0	92.3
Strongly Agree	23	7.7	7.7	100.0

Total	300	100.0	100.0
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**Desk tax audit solves the problems of tax evasion, avoidance and other irregularities.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	68	22.7	22.7	22.7
Agree	212	70.7	70.7	93.3
Strongly Agree	20	6.7	6.7	100.0
Total	300	100.0	100.0	

**Desk tax audit ensures the submission of accurate and current returns**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	45	15.0	15.0	15.0

Agree	255	85.0	85.0	100.0
Total	300	100.0	100.0	

**Desk audit is cost effective**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	15	5.0	5.0	5.0
Agree	240	80.0	80.0	85.0
Strongly Agree	45	15.0	15.0	100.0
Total	300	100.0	100.0	

**Desk audit often times lead to field audit when additional documents are needed**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	9	3.0	3.0	3.0

Agree	261	87.0	87.0	90.0
Strongly Agree	30	10.0	10.0	100.0
Total	300	100.0	100.0	

*W, Nigeria*

**It requires that the taxpayers are well-informed before the commencement of the audit**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	36	12.0	12.0	12.0
Agree	240	80.0	80.0	92.0
Strongly Agree	24	8.0	8.0	100.0
Total	300	100.0	100.0	

**It allows physical verification of tax payers claims so as to confirm**

**the facts and figure of the returns**

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid Disagree	15	5.0	5.0	5.0
Agree	210	70.0	70.0	75.0
Strongly Agree	75	25.0	25.0	100.0
Total	300	100.0	100.0	

**It is used to reveal doubtful claim of capital allowance related to  
previous or current year**

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid Agree	126	42.0	42.0	42.0
Strongly Agree	174	58.0	58.0	100.0
Total	300	100.0	100.0	

**It corrects the mistake of lesser tax as a result of falsification of document submitted by the tax payers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	57	19.0	19.0	19.0
Agree	90	30.0	30.0	49.0
Strongly Agree	153	51.0	51.0	100.0
Total	300	100.0	100.0	

**It reveals the reduction of profit in the returns files in tax office**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	15	5.0	5.0	5.0

Agree	180	60.0	60.0	65.0
Strongly Agree	105	35.0	35.0	100.0
Total	300	100.0	100.0	

University, Nigeria

**Inadequate tax collecting officials has worsened tax generation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	33	11.0	11.0	11.0
Agree	201	67.0	67.0	78.0
Strongly Agree	66	22.0	22.0	100.0
Total	300	100.0	100.0	

**Strengthening of tax audit/investigation units would improve tax generation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	105	35.0	35.0	35.0
Strongly Agree	195	65.0	65.0	100.0
Total	300	100.0	100.0	

**Tax audits play an important role in increasing tax generation and compliance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	90	30.0	30.0	30.0
Strongly Agree	210	70.0	70.0	100.0
Total	300	100.0	100.0	

**Tax audit is playing vital role in the reduction of tax evasion and avoidance**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	18	6.0	6.0	6.0
Agree	75	25.0	25.0	31.0
Strongly Agree	207	69.0	69.0	100.0
Total	300	100.0	100.0	

**Compliance to Tax generation on personal income tax, road tax and property tax is adequate.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	45	15.0	15.0	15.0
Agree	255	85.0	85.0	100.0

Total	300	100.0	100.0
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Correlations			
		Tax_Auditor	Rev_Generation
Tax_Auditor	Pearson Correlation	1	.375**
	Sig. (2-tailed)		.000
	N	300	300
Rev_Generation	Pearson Correlation	.375**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

Correlations			
		Desk_Tax	Rev_Generation
Desk_Tax	Pearson Correlation	1	.261**

	Sig. (2-tailed)		.000
	N	300	300
Rev_Generation	Pearson Correlation	.261**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

<b>Correlations</b>			
		Field_Tax	Rev_Generation
Field_Tax	Pearson Correlation	1	.331**
	Sig. (2-tailed)		.000
	N	300	300
Rev_Generation	Pearson Correlation	.331**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

Correlations			
		Back_D_Tax	Rev_Generation
Back_D_Tax	Pearson Correlation	1	.202**
	Sig. (2-tailed)		.000
	N	300	300
Rev_Generation	Pearson Correlation	.202**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.976	2	21.488	10.738	.002 <sup>b</sup>
	Residual	655.344	297	3.745		
	Total	698.320	299			
a. Dependent Variable: Tax_Revenue						

b. Predictors: (Constant), Desk\_Tax, Field\_Tax, Back\_D\_Tax

City University, Nigeria

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248 <sup>a</sup>	.062	.051	1.93515
a. Predictors: (Constant), Working_Condition, Organizational_Culture				

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	2.390	13.826		.173	.000
	Desk_Tax	.917	.310	.217	2.959	.004
	Field_Tax	.157	.084	-.137	-1.865	.002
	Back_D_Tax	.097	.076	.087	1.272	.000

a. Dependent Variable: Tax-Revenue

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## Bio-data

### A. Personal Data

Full Name: Kamil Abiodun Moradeyo  
Address: Skyview Estate, Up Jesus, Idi- Ishin, Ibadan  
E-mail: morad.biodun@gmail.com  
Phone No: +2348039173501  
Date of Birth: September 03, 1982  
Place of Birth: Ibadan North East, Oyo State  
Nationality: Nigeria  
Next of Kin: Mr Afolabi Moradeyo  
Skyview Estate, Up Jesus, Idi- Ishin, Ibadan

### B. Educational Background

#### Educational Institutions Attended with Dates and Qualifications

- MSc. in Accounting – Lead University, Ibadan (in view)
- BSc Accounting – Olabisi Onabanjo University 2018
- HND Accounting – Federal Polytechnic, Ede, Osun State 2013

### C. Working Experience with Dates

- Federal Inland Revenue Service 2012–Till Date
- First bank of Nigeria 2009 – August 2012

### D. Membership of Academic and Professional Bodies

- Institute of Chartered Accountant of Nigeria 2013
- Chartered Institute of Taxation of Nigeria 2015
- Association of Forensic Accounting Researchers (AFAR) 2020

**E. Publications**

**Learned Journals**

- i. **Moradeyo, K. A. & Oyedokun, G. E.** (2023). Tax Audit, Tax Investigation and Revenue Generation in Nigeria. *Ajayi Crowther University Journal of Management and Social Sciences* (in press)

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**Signature**

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**Date**

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## The University Compliance Certification

This is to certify that this thesis written by Kamil Abiodun Moradeyo with matriculation number LCU/PG/001743 in the Department of Management and Accounting, Faculty of Management and Social Science, Lead City University, Ibadan is in compliance with the approved University format and style.

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**Signature**

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**Date**

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