



**ADDIS ABABA UNIVERSITY
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**TAX AUDIT IN OROMIA REVENUE AUTHORITY:
PRACTICES AND CHALLENGES**

**BY
TESFAYE BEKELE SENBETA**

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Addis Ababa, Ethiopia**

TAX AUDIT IN OROMIA REVENUE AUTHORITY: PRACTICES AND CHALLENGES

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of Business and Economics, Department of Accounting and
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By
Tesfaye Bekele Senbeta

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Addis Ababa, Ethiopia

Declaration

I have carried out independently a thesis on “*Tax Audit in Oromia Revenue Authority: Practices and Challenges*” in partial fulfillment of the requirements of the MSc Degree in Accounting and Auditing with the constructive guidance and support of the research advisor.

This thesis is my own work that has not been presented for any degree or diploma program in this and any other institution, and that all source of materials used for the thesis have been duly acknowledged.

Tesfaye Bekele Senbeta

Signature_____

January 2018

Addis Ababa

Statement of Certification

This is to certify that Tesfaye Bekele Senbeta has carried out a thesis on the topic entitled “*Tax Audit in Oromia Revenue Authority: Practices and Challenges*” under my supervision. In my opinion, this thesis is suitable for submission in partial fulfillment of the requirement for the award of the MSc Degree in Accounting and Auditing.

Advisor: Wollela Abehodie (PhD)

Signature: _____

Date: _____

Approved by:

Name: _____

Signature: _____

Date: _____

Approval of Board of Examiners

As members of thesis Approval Board of Examiner we certify that we have read the thesis prepared by Tesfaye Bekele Senbeta, entitled “*Tax Audit in Oromia Revenue Authority: Practices and Challenges*” and submitted in partial fulfillment of the requirements for the MSc Degree in Accounting and Auditing complies with regulation of the university and meets the accepted standards with to originality and quality.

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_____	_____	_____
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Abstract

The major objective of this study was to assess the practices and challenges of tax audit in Oromia Revenue Authority. The study employed mixed research method where survey design and in-depth interviews were employed. Survey was conducted with selected taxpayers and tax auditors working at Oromia Revenue Authority. Actual sample size achieved was 213 (94.25%) for taxpayers' survey and 32 (96.97%) for tax auditors survey. In addition in-depth interviews were conducted with Deputy Head, Tax Audit Director and Tax Auditors Coordinator of Oromia Revenue Authority. Results of the study reveal that the practices to achieve ultimate Goals of Tax Audit was found at moderate level; Tax Auditors of the Office do not make sufficient efforts to create Taxpayers' awareness; they usually focus on gathering and collecting information on health of the Tax system including compliance behavior of the Taxpayers, the Office did not proportionally focus on all types of Tax Audit techniques; most of the time Tax Audit activities were done without schedules, and carried out arbitrarily. Overall the practices of Tax audit at Head Office level of the Region was poorly practiced. The finding further indicated that, majority of Tax Auditors were assigned to their current jobs through internal transfer; the number of newly employed Tax Auditors accounts only 6.25% of all Tax Auditors; they did not attended training programs related to their current job during the past two years of their services at the Office. Yet, the results of this study revealed that, there is no well-established strategies that make Tax Auditors competent and efficient on their job through training on continuous bases. As a result, proficiency and competency level of Tax Auditors' was found at moderate levels. Concerning challenges

that influence the practices of Tax Audit; factors related with Traditions of Corruption, inflated estimation of tax amount; not responding the compliance of Taxpayers on time; Taxpayers consideration of illegal business practices as best way of doing business; and absences of coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities were identified as the most sever challenges. Key recommendations of the study include: offering training; assigning competent Tax Auditors, integrating sector offices' efforts, developing and using annual schedule of auditing for Taxpayers business firm, and arranging annual forum.

Key Wards: Tax, Tax Audit Practices, Tax Auditor, Tax Payer, and Tax Audit Challenges

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Acronyms and abbreviations

CA	Chartered Accountant
DOR	Department of Revenue
EC	European Commission
ECC	Ethiopian Chamber of Commerce
EFDRE	Federal Democratic Republic of Ethiopia
ERCA	Ethiopian Revenue and Customs Authority
EU	European Union
GDP	Gross Domestic product
IMF	International Monetary Fund
IRS	Internal Revenue Service
IT	Information technology.
NBR	National Board of Revenue
OECD	Organization for Economic Co-operation and Development
ORA	Oromia Revenue Authority
RAP	Repetitive Audit Procedures
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small and Medium Enterprises
UN	United Nation
UNDP	United Nations Development program
USA	United States of America
VAT	Value Added Tax
WB	The World Bank

Table of Contents

Declaration.....	ii
Statement of Certification.....	iii
Approval of Board of Examiners	iv
Abstract.....	v
Acknowledgements	vi
Acronyms and abbreviations	vii
Table of Contents	viii
List of Table	x
List of Figures.....	xi
CHAPTER ONE.....	1
INTRODUCTION	1
1.1. Statement of the Problem.....	3
1.2. Broad objective and research questions	4
1.3. Significance of the Study	5
1.4. Scope of the Study	5
1.5. Limitation of the Study	6
1.6. Structure of the Study Report	6
CHAPTER TWO.....	7
2. LITERATURE REVIEW.....	7
2.1. Theoretical Review	7
2.1.1. Major Activities of Tax Audit Program	8
2.1.2. Types of Tax Audit.....	9
2.1.3. The Effective Tax audit Program	11
2.1.4. Audit Case Selection Methods	13
2.1.5. Tax Audit Techniques	15
2.1.6. Audit Workforce Capabilities.....	17
2.1.7. Challenges and Problems of Tax Audit.....	19
2.2. Empirical Studies.....	22
2.3. Conceptual Framework.....	27
2.4. Conclusions and Knowledge Gap.....	28
CHAPTER THREE.....	30
3. RESEARCH METHODOLOGY	30
3.1. Research Objective and Research Questions.....	30

3.2. Research Approaches.....	30
3.3. Research Methods Used.....	31
3.3.1. Quantitative Aspect of the Study.....	32
3.3.2. Qualitative Aspect of the Study.....	36
3.4. Conclusion and Link between Research Questions and Data Sources.....	37
CHAPTER FOUR.....	38
4. RESULTS AND DISCUSSION.....	38
4.1. Results.....	38
4.1.1. Survey Results.....	38
4.1.2. In-depth Interview Results.....	58
4.2. Discussion.....	64
4.2.1. Tax Audit Practices.....	65
4.2.2. Tax Auditors' Proficiency and Competency.....	72
4.2.3. Major Challenges of Tax Audit Practices.....	74
4.3. Concluding Remarks.....	74
CHAPTER FIVE.....	76
5. CONCLUSIONS AND RECOMMENDATIONS.....	76
5.1. Conclusions.....	76
5.2. Recommendations.....	78
5.3. Future Research Direction.....	80
References.....	81
Appendices.....	86
Appendix A: Questionnaire to be filled by Tax Auditors.....	87
Appendix B: Questionnaire to be Filled by Taxpayers (English).....	95
Appendix C: Questionnaire to be Filled by Taxpayers (Amharic).....	100
Appendix D: Interview Questions.....	106
Appendix E: Respondents' View on the Ultimate goals of Tax Audit Program at ORA.....	107
Appendix F: Major Activities Usually Performed by Tax Auditors during Tax Audit Period.....	108
Appendix G: Major Challenges to the Practices of Tax Audit in Oromia Revenue Authority.....	109
Appendix H: Responses of Tax Auditors on Tax audit Selection Criteria Usually Practices in Oromia Revenue Authority.....	111
Appendix I: Tax audit Techniques Usually Practiced in Oromia Revenue Authority.....	112
Appendix J: Tax Auditors' Self Evaluation Results on their Competency.....	113

List of Table

Table 3.1: Target Population, Sample Size, and Sampling Techniques-----	34
Table 3.2: Link between research Questions and Data Collection Instruments-----	37
Table 4.1: Gender of the Respondents' (%)-----	39
Table 4.2: Age Distribution of the Respondents' (%) -----	39
Table 4.3: Educational Background of the Respondents -----	40
Table 4.4: Experiences of the Respondents -----	40
Table 4.5: Job Position of the Respondents -----	41
Table 4.6: Respondents' View on the Ultimate goals of Tax Audit Program at ORA -----	43
Table 4.7: Major Activities Usually Performed by Tax Auditors during Tax Audit Period ---	44
Table 4.8: Types of Tax Audit Usually Practiced in Oromia Revenue Authority -----	45
Table 4.9: Responses of Tax Auditors on Tax audit Selection Criteria Practices in ORA ----	47
Table 4.10: Tax audit Techniques Usually Practiced in Oromia Revenue Authority: -----	48
Table 4.11: Practices of Using Tax Audit Schedules/Timeframe for All Taxpayers -----	49
Table 4.12: Frequency of Tax Audit performed at Taxpayers Business Firms -----	50
Table 4.13: Tax Auditors Responses for Items Related to Tax Audit Resources -----	51
Table 4.14: Respondents Ratings on Overall Practices of Tax Audit in ORA -----	52
Table 4.15: Training Offered for Tax Auditors Regarding Tax Audit Related Issues -----	54
Table 4.16: Tax Auditors' Self Evaluation Results on their Competency -----	55
Table 4.17: Major Challenges to the Practices of Tax Audit in Oromia Revenue Authority --	57

List of Figures

Figure 2.1: Conceptual Framework of the Study -----	27
Figure 4.1: Business Types of the Taxpayers (%)-----	42
Figure 4.2: Tax Auditors' Professional Qualification (Field of Studies) -----	53
Figure 4.6: Mode of Assignment of Tax Auditors' to Current Job Position -----	54

CHAPTER ONE

1. INTRODUCTION

A tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax liability and fulfilled other obligations. Tax audits are often more detailed and extensive than other types of examination, such as general desk checks, compliance visits/ reviews or document attaching programs (OECD 2006a). Taxation is one of the important elements in managing national income of any country. It provides governments with the funds needed to invest in development, alleviate poverty and deliver public services. Tax is a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return (Lymer and Oats 2009). It involves every aspects of income generating activities and consumption items, and requires not only administrative capacity of revenue authority but also the involvement of private sectors through proper accounting and reporting systems (World Bank 2011).

However, usually tax is vulnerable for evasion and fraud, which has become the concern of many countries. As Baurer (2005) noted, tax fraud is a deliberate misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability. It typically includes underreporting profits, overstating deductions, underreporting employee wages, failure to register or file tax declarations, hiding of taxable receipts coming from the production and distribution of real products and services, and abuse of tax return through fictitious transactions and trades.

Thus, tax audit is needed to increase tax revenue and taxpayer compliance. Tax audit is a detailed exploration into the activities of a taxpayer to determine whether he/she has been correctly declaring the tax liabilities (OECD 2006a). Tax audit play a critical role in the administration of tax laws through their detection of non-compliance and by serving as a deterrent to the wider population of taxpayers who might otherwise engage in noncompliant behavior (Keen and Smith 2007). A Tax Audit would serve to ensure that the books of accounts and other records are properly maintained; faithfully reflect the income of the tax payer and claims for deduction correctly made by him/her; help in checking fraudulent practices; and facilitate the administration of tax by a proper presentation of accounts before the tax authorities and considerably saving the time of assessing officers in carrying out routine verifications like checking correctness of totals and verifying whether purchases and sales are properly vouched or not, thereby their time could be utilized for attending to more important investigational aspects of the case (Reagan 2015).

Since tax audit is an investigation into the background of tax returns submitted by an individual or business to a tax agency, the idea of a tax audit normally conjures up feelings of anxiety even in persons who believe their tax documents are perfectly in order. While it is true that a tax audit may be called due to some perceived irregularity in one or more returns, it is also true that an audit may be done simply as part of a random sampling (Alemu and Deressa 2009).

In Ethiopia, the modern tax system is a product of more than half a century of experimentation in legislation and tax reform. Since its humble beginnings in the 1940s, the modern Ethiopian tax system has developed and evolved by fits and starts as the needs for revenue arise, as governments change and as the economy and international situations shift (Tadesse 2012, cited in Worku 2016). Oromia Revenue Authority has been established by proclamation number 175/2005 of Caffee Oromia. The Oromia Revenue Authority is authorized by the law to collect tax and to make an assessment of the accuracy of declared tax liability by the taxpayers in respect to the stated tax laws and regulations. Nowadays, Oromia Revenue Authority perform its function in the region at the Head Office and branch offices found in 20 Zonal and 11 City Administrations found in Oromia Regional State.

With regard to Tax Audit practices, a report on survey made on Oromia Revenue Authority's branch offices found at City Administration levels confirmed inefficient practices of Tax Audit in the Region (ORA 2015). However, the issue of Tax Audit practices and challenges in the Region was not obtained proper focuses by researchers. As far as the researcher's knowledge is concerned, there is no independent study carried out focusing on Head Office of Oromia Revenue Authority.

In the context of the above statements, the major objective of this study was to assess the practices and challenges of tax audit in Oromia Revenue Authority with particular emphases on the types of tax audit frequently performed; tax audit case selection methods used; audit techniques applied; frequency of audit performed; adequacy of tax audit resources; and extent of tax auditors' proficiency and competency.

The remaining discussion in this chapter is organized in six sections. The second section presents the problem statement which is followed by Objectives of the Study in section three. Next to this, Significance of the Study, Scope of the Study, Limitation of the Study, and Structure of the Study Report were presented in subsequent sections from four to seven.

1.1. Statement of the Problem

Tax audit is an activity or a set of activities performed by tax auditors to determine at taxpayer's correct tax liabilities for a particular accounting or tax period, by examining a taxpayer's organization procedures and financial records in order to assess compliance to tax laws and verifying the true, fair, reliable, and accuracy of tax returns, and financial statements (ERCA 2010).

Thus, Tax audit become a bridge that is believed to connect Taxpayers with the tax authority. And it could also fill the gap by exposing tax evaders and teaching those that have knowledge gap on the tax laws. Hence, existence of efficient and effective tax audit structure within a tax authority could guarantee optimum tax collection and increased societal awareness towards the existing tax laws. In order to meet this requirement, tax audit should be performed by highly skilled, knowledgeable and committed auditors.

However, as noted by Ebrill et al. (2001), several developing countries do not yet have effective audit programs due to: insufficient numbers of the required qualified and appropriately paid audit practitioners, absence of a sound institutional audit practices, illegal cooperation between taxpayers and auditors, lack of clear political support for the tax administration, and the deficiency of an appropriate legal and judicial environment. Additionally, according to Hellenstein (2005), those countries have a tendency to offset weak tax audit by adopting complex procedures, such as increased filing requirements and massive cross-checking. This, in turn, might result administrative difficulties and increase the compliance cost of taxpayers.

In Ethiopia, a tax policy is geared towards promoting investment, supporting industrial development; and broadening the tax base and decreasing the tax rate, at least maintaining the current reduced tax rates compared to most other countries, in view of financing the ever-growing needs of the government expenditure. Furthermore, the policy is designed towards discouraging certain production and consumption activities, which had /and will have bad effects on health, moral, economic and social settings of the community (ERCA 2010).

Based on those policy directions, as stated on Revenues and Customs Authority Establishment Proclamation (No. 587/2008) of the country; government services in relation to tax and trade are being rendered by a number of institutions problems regarding with the manner of service rendering, keeping and utilization of information and promotion of law and order are being resulted. Similarly, it has been issue of discussion among the public that the Oromia Revenue Authority has not been in

a position to carry out efficient Tax audit practices. As a result, it is argued that the mentioned poses can create crucial challenges for the effective undertaking of tax audit by the authority.

Moreover, a report on Performance Assessment made on Oromia Revenue Authority branch offices found at City Administration levels (ORA 2015), confirmed inefficient practices of Tax Audit in the Region. The report revealed that, Tax Audits had not performed on time; tax related decisions are not properly focused on legal frameworks; data and documents were not properly organized at branch offices; implementing Tax Audit on scheduled bases was poorly practiced; there were no clear criteria to select Tax audit case; resources required for Tax audit were not adequately fulfilled at the branch offices of Oromia Revenue Authority found in City Administrations.

However, the issue of Tax Audit practices and challenges did not get proper focuses by researchers. Particularly Tax Audit related issues were not studied at regional and local level of the Region. As far as the researcher's knowledge is concerned, there is no independent study carried out focusing at Oromia Revenue Authority Head Office level.

These issues in relation to tax audit at the Oromia Revenue Authority together with the knowledge gap established in the literature review in chapter two necessitated the conduct of this study.

1.2. Broad objective and research questions

The major objective of this study was to assess the practices and challenges of tax audit in Oromia Revenue Authority. Based on the above broad research objective the following specific research questions were developed:

RQ 1. How is the tax audit practices in Oromia Revenue Authority with respect to:

- *The types of tax audit frequently performed;*
- *Tax audit case selection methods used;*
- *Audit techniques applied;*
- *Frequency of audit performed; and*
- *The adequacy of tax audit resources?*

RQ 2. What is the extent of tax auditors' proficiency and competency?

RQ 3. What are the major challenges of tax audit practices in Oromia Revenue Authority?

1.3. Significance of the Study

The primary use of this research is to the Oromia Revenue Authority. The authority might be able to see its level and performance of tax audit activities, and learn some lessons and build some corrective measures for the weaknesses based on recommendations to be forwarded.

Moreover, the study has paramount use for different stakeholders who are interested for such as government agencies and business associations.

Furthermore, the findings of this study may add bits of information to the existing literature in the areas of tax audit practices and may serve as additional source of information for those scholars interested to conduct further research on the issue.

1.4. Scope of the Study

The issue of tax audit is broad and it encompasses a range of topics and issues that require investigation at Federal, Regional, Local Administration levels. It will be more useful investigating the issue at all levels of the country as it will provide a complete picture than what this study contributed. However, this was beyond the capacity of the researcher due to various resource related constraints.

Thus, to make the study specific and manageable; geographically, the scope of this study was delimited to Oromia Regional State Revenue Authority: Head Office. Oromia Revenue Authority was preferred as study area, because of the researcher's affiliation to observe and get awareness about practices and certain problems related to the practices of Tax Audit while he had been working in the Regional State in the past recent years. In addition the contribution of Oromia Revenue Authority in raising revenue as compared to other regions and also the size of the region at large were incited the researcher to consider Oromia Regional State Revenue Authority as the object of this study. Moreover, the Head Office of Oromia Revenue Authority is selected as a subject of the study to properly manage the study using the limited resources within the scheduled timeframe.

Moreover, conceptually, this study was delimited to investigate the practices of tax audit at the Region, particularly at Head Office level. In addition, this study will be delimited its scopes in exploring the extent of tax auditors' proficiency and competency. Moreover, the scope of this study is delimited in identifying major challenges that affect the practices of tax audit in Oromia Revenue Authority.

In general, the scope of this study was delimited to examine tax audit practices and challenges focused on the type of tax audit performed, the effectiveness of audit program in terms of improving voluntary compliance and tax revenue performance, audit coverage achieved, audit case selection methods used, examination techniques applied, and availability of audit resources, proficient and competency of tax auditors in particular.

1.5. Limitation of the Study

This study has faced some limitations; as the data was collected based on self-report of the respondents which may be subjected to certain under or over reporting of some issues related to topic of the study. There was also unwillingness of some respondents to correctly complete the questionnaires. As a result out of 259 questionnaires distributed for respondents, 14 (5.41%) of them did not correctly filled and return the questionnaire.

Besides, the researcher was confronted reluctance among Officials selected as interviewee to give as much information as expected from them during the interview secession. Nevertheless, the problems did not have significant impact on the results of the study, since the researcher tried to triangulate the data from different angles.

1.6. Structure of the Study Report

This study is structured to have five chapters. The first chapter deals with introduction. The second chapter presents review of the related literature. The third chapter concentrated on methodology of the study. In the fourth chapter, the data collected for the study were organized and presented in Tables and Graphs; followed by detailed analysis and discussions. Finally, the fifth chapter presents conclusions and recommendations based on major findings of the study.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter is organized in three sections. The first section reviews theoretical studies on tax audit in a tax administration system while the second section presents the empirical evidence on tax audits and related issues. The final section provides concluding remarks on the review of the literature and identifies the knowledge gap that has been addressed in the study.

2.1. Theoretical Review

Audit is defined as the structured examination of business relevant commercial systems financial and non-financial records, physical stock and other assets, internally generated data and that produced independently of the business.

Tax audit is a critical and significant component of the compliance activities of tax administration by means of proper use of enforcing tax laws; it is the conduct by audit staff for the appropriate verification of selected taxpayer's whether he/she has been correctly declaring the tax liabilities including a review of taxpayer's systems, books of account and other related information. It may include crosschecks of taxpayer's records with those of taxpayer's supplier's or with other government departments and agencies source of information and its effectiveness and efficiency must be guaranteed by means of proper procedures and application of modern audit tools and techniques (OECD 2006a).

A tax audit is one of the most sensitive contacts between the tax payer and a revenue body, the presence of an auditor in a taxpayer's private dwelling or business premises, coupled with the exploration of private and business issues and the gathering of information from taxpayer's books and records, or just the disruption of day-to-day work flow, represents a burden on the taxpayer (OECD 2006b).

Most taxpayer's report their tax liabilities more accurately if they believe that the tax administration has the capacity to detect any unreported liabilities and that heavy penalty may be applied when they are detected (Biber 2010). Thus, tax audit results in increased tax revenue in two ways: (1) directly through assessment of additional taxes; and (2) indirectly by discouraging underreporting of liabilities by all taxpayer's. Further, Barreca and Ramachandran (2004) noted that the purpose of tax audit is to check the evasion of tax and ensure compliance in accordance with the laws and regulations.

The following subsections discuss thoroughly about tax audit in a tax administration system that includes characteristics of effective audit program, types of tax audit to be performed, audit case selection methods, examination techniques to be applied for tax audit, and characteristics and required capabilities of effective tax auditors.

2.1.1. Major Activities of Tax Audit Program

As stated by SARFO (2015), the tax audit program of a revenue body carries out a number of roles that are important and when effectively carried out can make a significant contribution to improved administration of the tax system. Below are some of the roles:

- ***Promotion of voluntary compliance:*** The basic function of the audit program is to promote voluntary compliance by taxpayers being abide by the tax laws. It tries to achieve this by reminding taxpayers of the risks of non-compliance and also by instilling confidence in the entire population that serious abuses of the tax law will be detected and sanctioned.
- ***Detection of non-compliance at the individual taxpayer level:*** If major risk areas are being focused, audit may reveal major understatements of tax revenue which may be evaded by individual taxpayers
- ***Gathering intelligence:*** Audits may unveil information on evasion and avoidance schemes involving a number of taxpayers.
- ***Gathering information on the ‘health’ of the tax system:*** The results of normal audit activity may provide information on the general well-being of the tax system. Audits conducted on a random basis can assist overall revenue administration by gathering critical information required to form judgments on overall levels of tax compliance, that over time can be used to identify trends in overall organizational effectiveness and to gather more precise information that can be used to inform decision-making on future compliance improvement strategies, to refine automated risk-based case selection processes, and even support changes to tax legislation.
- ***Educating taxpayers:*** Audits can assist to clarify the application of the law by every taxpayer and to identify improvements required in book keeping and thus may contribute to improved compliance by taxpayers in the future. Identify areas of the law that require clarification: Audits may bring to light areas of the tax law that are causing confusion and problems to large numbers of taxpayers and thus require further efforts by the revenue body to clarify the laws’ requirements and/or to better educate taxpayers on what they must do to comply into the future. Given the broad range of roles to be performed a

revenue body's audit program typically entails the largest allocation of a revenue body's total staff resources. From this perspective alone, the audit program represents a sizeable strategic investment that dictates the need for sound management policies and practices.

2.1.2. Types of Tax Audit

Tax audits can vary in their scope and the level of intensity to which they are performed. The nature of audits conducted should reflect the risks to be addressed and desired audit coverage of the taxpayer population. Too many narrowly focused spot (issue) audit provides a high level of audit coverage but at the expense of audit quality, tax revenue, and missed opportunities to properly detect taxpayer's noncompliance. On the other hand, audit activities with an excessive number of in-depth examinations reduce the numbers of audits that might be conducted, possibly leading also to less overall deterrent effect (OECD 2006a).

Therefore, it is inappropriate to carry out all audits on the basis of comprehensive examination of documentation across all tax obligations and all periods that could be open for amendment. Such approach waste resources targeting compliant taxpayers and limit the number of audits that can be undertaken. Therefore, revenue bodies should aim to achieve a balanced program of audits that considers audit coverage, audit quality, and overall deterrent considerations (Biber 2010).

As Ebrill et al. (2001), Grandcolas (2005), Harrison and Krelove (2005),and Biber (2010) noted, tax audit program in a function based administration includes desk audit or verification, field audit, registration check, advisory audit, record keeping audit, refund audit, issue-oriented audit, comprehensive or full audit and fraud investigation. The following briefly reviews these tax audit types.

- a) **Desk audit or verification:** Desk or verification audit usually carried out annually and primarily based on: (1) a review of income tax and VAT returns, or basic ratios comparing with previous periods or other taxpayers in similar industries, and (2) the crosschecking of information included in the taxpayer files. It involves basic checks conducted at the tax office when the auditor is confident that all necessary information can be ascertained through in-office examination. Information technology (IT) systems should provide strong support for these verifications.
- b) **Field Audit:** Field Audit is a detailed examination of taxpayer's books and records to determine whether the correct amounts were reported on the tax returns. The auditor may also obtain information from other sources such as banks, creditors and suppliers, to confirm items on returns. A field audit usually includes one or more of the following taxes: income, franchise,

sales and use, withholding, and excise taxes. The audit is conducted at taxpayers place of business, home, or at the office of their accountant, attorney, or other person who may represent them. The auditor tries to select the place that is most appropriate under the circumstances and most convenient for them.

- c) **Registration check:** Registration check is form of unannounced visits to taxpayer's premises for new enterprises (mainly small and medium sized) to detect businesses operating outside the tax system. As Ebrill et al. (2001) stated, during this visit, the tax officer ensures that the taxpayer: (1) has a basic understanding of their obligations; (2) keeps appropriate records (book keeping review should be mandatory in case of voluntary compliance when the turnover of the taxpayer is below the registration threshold); and (3) issues proper invoices when required by law. This type of visit is a quick check on businesses to establish that they are correctly registered. It should not take more than half a day.
- d) **Advisory audits:** It involves the auditor's visit to newly established businesses. They advise them regarding tax types, filing of returns, payment of amounts due, record keeping to be maintained, refund claims, risk of audit and sanctions of noncompliance. These visits are very appropriate when introducing new tax laws.
- e) **Record keeping audit:** It is unannounced visits to the taxpayer's business premises to check whether the appropriate records are kept and VAT invoices are issued. The visit points out the obligations of the taxpayer regarding the keeping of records and followed up with penalties if the taxpayer continues to disregard record keeping requirements.
- f) **Refund audit:** A pre-refund audit should be undertaken to verify the taxpayer's entitlement to a refund prior to processing a first refund claim particularly for new registrants. It is also carried out where the refund claim varies significantly from established patterns and trends. Audits of further claims should be carried out selectively. Refund audit should focus only on the period covered by the claim.
- g) **Issue-oriented audit:** It should focus on a single tax type and covers no more than one or two reporting periods. Single-issue audits are confined to one item of potential noncompliance that may be apparent from examination of a taxpayer's return. Given their narrow scope, single-issue audits typically take less time to conduct and can be used to review large numbers of taxpayers involved in similar schemes to conceal noncompliance.
- h) **Comprehensive or full audit:** All cases where serious underreporting or evasion has been detected under any of other audits should be forwarded to a unit responsible for undertaking comprehensive audits of all tax liabilities. It typically entails a comprehensive examination of

all information relevant to the calculation of a taxpayer's tax liability for a given period. This audit may cover all tax obligations over a number of tax periods, or extended to several years up to the limit provided for in the law. The objective is to determine the correct tax liability for a tax return as a whole. As this audit is usually time consuming and costly to undertake, it should only be applied to those taxpayers if there is an indication of under reporting that may impact across taxes. It requires considerable resources and reduces the rate coverage of taxpayers that could otherwise be achieved by a more varied mix of audit types.

- i) **Fraud investigation:** It is criminal investigation that arises where the most serious cases of noncompliance that have criminal implication- fraud, evasion, and criminal activity- are detected. Such investigation requires special skill including meeting evidentiary requirements, seizure of evidences or records, testimony from key witnesses and preparing briefs for courts. Hence, it should be undertaken in accordance with criminal procedure laws. As OECD (2004a) stated, tax authorities should maintain a dedicated organizational unit responsible for the handling of serious cases of tax fraud or evasion.

2.1.3. The Effective Tax audit Program

The tax audit program provides visibility to the compliance and enforcement arm of the tax administration (Thomson 2008). The auditing and spot-checking of records, coupled with a system of adequate penalties for detected cases of fraud, is the universal method for tax control and the prevention of tax evasion. Tax evasion can be brought to light only by a means of an effective audit program. Tax audit also helps tax agencies to achieve revenue objectives that ensure the fiscal health of the country and individual states. It derives voluntary compliance and generates additional tax collections, both of which help tax agencies to reduce the tax gap between the taxes due and the amount collected (Barreca and Ramachandran 2004).

Furthermore, a well-structured tax audit program can provide valuable support in gathering information on the health of the tax system, educating taxpayers (improving future compliance), and identifying areas of the tax law that require clarification. Accurate and timely self-assessment and compliance with tax by taxpayers is achieved only through highly visible and effective audit programs, including the consistent application of strong sanctions where noncompliance is encountered. Taxpayers must feel that there is a good chance that unreported liabilities and other forms of non-compliance have been detected during an audit (Biber 2010).

When an audit program is ineffective, it may result in the deterioration of tax compliance and a loss of credibility of the tax administration. Taxpayers may not be deterred from minimizing their tax

liabilities if they believe that there is a little chance of being audited (Ebrill et al. 2001). This author further noted that, there are several reasons for ineffective audit programs that are evident in varying degrees in several countries. First, audit typically requires higher level of skills than those needed for most other tax administration tasks, and such skills are sometimes in short supply. Second, the possibility of collusion between taxpayers and tax officials is significant during an audit. Moreover, auditor's errors may damage business activity that makes governments reluctant to support comprehensive audit programs. The development of an effective tax audit program typically addresses coverage (percentage of taxpayers to be audited), selection of audit cases, methods (types of audits to be performed, duration of audit, approaches taken by auditors), staffing and training (staff resources needed to implement the audit program and the training provided for them), and monitoring activities. A good audit program employs strategies to optimize both the direct and the deterrent effects of audits. The first can be achieved by auditing a higher percentage of the large taxpayers (Biber 2010). Although the frequency of audit is a contentious issue, the judgment is always a delicate balance between the treat of audit to check the temptation to evade and the cost. Where the tax system is fairly well established, audits of 15 percent to 20 percent of registered traders a year are sufficient. However, it is not only the crude number of audits that is the most useful measure of need (Tait 1988). In the case of VAT, Ebrill et al. (2001) stated that effective VAT audit program should cover a 25 to 30 percent of the taxpayers each year. In addition, VAT audit need to be closely coordinated with other tax liabilities especially income tax. Since most countries have integrated VAT and income tax administrations, the development of an effective VAT audit program significantly improves income tax compliance.

The deterrent effect is best achieved by extending the program to as many taxpayers as possible at all levels (Tait 1988). Through adequate audit strategy, tax administrations must foster, and not simply enforce, tax compliance. Tax compliance can be facilitated through improving services to taxpayers by providing them with clear instructions, understandable forms, and assistance and information as necessary. Monitoring compliance requires information systems as well as appropriate procedures to detect non-compliance (EC 2006).

Voluntary compliance is generally enhanced by increasing the number of taxpayers audited than by auditing fewer taxpayers with large tax potential. Perversely, revenue is increased by concentrating on those taxpayers where a large amount of revenue is at risk. But there should be a careful planning when there is a widespread belief that most tax returns are underreported, otherwise there may be an over selection of returns for audit, with the result that the inventory of work in process may increase to unmanageable proportions and make an orderly approach to an annual audit work plan

impossible (Tait 1988). Thus, the actual number of audits planned should depend on the audit resources available to the program. The international standards as to the total staff assigned to audit should be close to 40 percent of the total staff of the tax administrations (Biber 2010).

Further, audit capacities of field offices are determined by calculating the number of returns that can be audited. The calculation made using estimates of the number of returns each tax auditor can reasonably be expected to complete during a given audit period. There should be an over selection of 25 percent to 30 percent of audit capacity (Tait 1988). With proper audit planning, strong supervision, and effective use of the review staff as a training vehicle, it is not unreasonable to expect an office auditor to complete an average of 10 to 20 cases a month, and for a field auditor (exclusive of auditors dealing with controlled cases) to complete an average of 4 to 6 cases a month. Allocation of about 200 cases a year should be reasonable for experienced junior auditors, who should be eligible for advancement to senior auditor after four years of satisfactory service in that grade (Tait 1988). Therefore, planning an adequate audit strategy is a key success factor in post-fraud detection (where audits are intended to detect tax evasion and fraudulent claims) as well as proactively preventing tax frauds and evasions (Gupta and Nagadevara, undated). Biber (2010) noted that effective planning is required to ensure that the audit program is adequately developed to: (1) focus on and address the most significant risks; (2) target noncompliant taxpayers and not harass compliant taxpayers; (3) make optimal use of limited resources, and (4) influence compliance across the broader taxpayer community.

According to OECD (2006a), audit plan provides a path to follow to ensure that the audit is performed effectively and efficiently. However, it should not be treated as set in stone once created. Case planning must be a flexible tool and the original audit plan should be reviewed and updated regularly during the course of the audit. Thus, characteristics of effective audit plans are:

- Flexibility to allow for unusual audit issues, adequacy of internal controls and the adequacy of books and records;
- Alignment with any quality assurance framework; and
- A clear focus, with potential areas of concern noted during the preliminary review and audit procedures selected that can address the concerns identified.

2.1.4. Audit Case Selection Methods

Compliance risk is the failure to comply with the tax law by taxpayers whether due to their ignorance, carelessness, recklessness, deliberate evasion/weaknesses in tax administration itself, and have been addressed only by enforcement through an audit-based approach (OECD 2004a).

However, tax administrations do not have sufficient resources to perform thorough on-site audits of the activities of all taxpayers or comprehensive crosschecking of all invoices or transactions. Tax administration, with limited resources and relatively large numbers of taxpayers to administer (especially in the small and medium enterprises), must design the audit program to deploy audit resources in a risk-based way with a view to achieve the most possible compliance and revenue objective (Thomson 2008; and OECD 2004a).

Accordingly, the first key to successful audit is the case selection methodology. It is critical to select audit candidates consistent with program objectives. Whatever the audit objectives have, the ability to narrow the pasture of potential audit candidates is necessary to achieve program objectives and optimal use of audit resources. Regardless of how automated and efficient the audit process, audit effectiveness would not be realized under the selection of inappropriate audit candidates. Hence, managing an effective auditing program involves decisions as to the selection of best audit case strategy or combination of strategies. The selection strategies may vary by tax type. It may be based on either reported tax amounts or the industry type (Barreca and Ramachandran, 2004).

According to Barreca and Ramachandran (2004), Audit selection methods range from simple random selection to more complex rule-based selection, sophisticated statistical and data mining techniques. Selection strategies can vary by tax type and even within a single type. The common case selection methods include random selection of cases, screening or case review by auditors, rule base and automated risk scoring systems, and data mining and statistical analysis.

Random selection

It has no bias in audit case selection, and useful to fight corruption. This method is perceived as fair by taxpayers. However, it clearly not focused on highest risks, may have high opportunity cost if used as sole case selection method (Vellutini, 2010). As Gupta (undated) noted, simple random selection has a major drawback in that both honest and dishonest taxpayers are equally treated since probability selection give equal chance of being selected for both. However, the criteria or information based selection system too has a drawback in that it presupposes certain clue of noncompliance, which may actually be sign of other things such as change in economic condition in that particular trade (OECD, 2006a).

Screening or case review by auditors

It is the traditional method by which audit cases have been selected, and dates from the time when there was little or no IT support, the data available was in any case limited, and the compliance risk

management techniques at a strategic level less well developed. Such a methodology has a benefit that it makes full use of local knowledge, creates significantly less caseworkers resistance, can be used to attack specifically defined risks and can be operated substantially without IT support (OECD 2004a and OECD 2004b). Manual selection of audit cases is based on the auditors own knowledge of the taxpayers' behavior and environment. However, it cannot find out patterns of noncompliance hidden in the history of noncompliance in the same area, sector, or as determined by other taxpayer attributes. It also favors rent seeking and corruption in the tax administration since it is discretionary and subjective approach (Vellutini, 2010).

According to OECD (2004a), the challenges inherent in relying on caseworker selection are: it relies on a limited data set with no systematic cross reference to other data available within the administration's system; caseworkers regardless of their experience can miss aspects of noncompliance with which they are non-familiar; those with the knowledge to undertake such screening are usually those with the skills to undertake the substantive intervention. Thus, there is an opportunity cost in asking them to undertake such screening. Modern standards of propriety indicate that there should be a gap between those selecting cases and those functioning cases.

Data mining and statistical analysis

It is becoming increasingly common to base case selection methodologies on the results from statistical analysis. As Barreca and Ramachandran (2004) stated, data mining is the exploration and analysis of large quantities of data in order to discover meaningful patterns and rules. Organizations use this information to detect existing fraud and noncompliance, and to prevent future occurrences. The use of data mining techniques identifies patterns of noncompliance in the past and those characteristics in the current population. It enables organizations to leverage their data to understand, analyze, and predict noncompliant behavior.

However, data mining requires significant investments in IT both hardware and software, and it may be difficult to acquire accurate data on which IT programs can operate. It is a difficult road to go down when electronic infrastructure do not support such investments or the skills are not available to the tax administration (OECD 2004a). They noted, statistical analysis is often used to examine taxpayer data and to find the correlation between the data and non-compliance. It typically involves using prior tax audits results, which are then analyzed in conjunction with taxpayer data.

2.1.5. Tax Audit Techniques

A tax auditor applies various techniques to examine the books and records behind a return. The techniques to be used depend on the taxpayer and the tax regime concerned. As Biber (2010) noted,

an effective case plan can be cognizant of a range of investigative and analytical approaches that may vary depending upon the area of risk and the circumstances of the particular taxpayer. The decision regarding the type of tests to be undertaken as well as the records needed by the auditor to address specific issues is influenced by the nature of the taxpayer's operations, adequacy of books and records, and materiality of potential adjustments. According to OECD (2006a), the techniques used for audit examination purposes include analytical review, investigative approach, field examination, record examination, and counterpart examination.

Analytical Review: An analytical review of financial statements and returns are often completed during the preliminary stages of the audit. Ratios, such as gross profit and inventory turnover, are used to test the accuracy of taxpayers' reported sales, cost of sales, or ending inventory. The unusual variances (abnormal deviation of calculated ratios from the previous experience) are noted and addressed during the interview with the taxpayer and additional audit procedures developed where necessary (OECD, 2006a).

Investigative Approach: Auditors are encouraged to use an investigative approach in their audits. Such an approach uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources. It requires judgment, imagination and using information outside the accounting records to perform the audit (OECD, 2006a).

Field Examination: This is utilized when information gathered on significant events such as underhand trade, disguised transaction and other data concerning transactions. The examination also include on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business (OECD, 2006a).

Record Examination: The main approaches to detect false accounting include the examination of books and documents conducted at the taxpayer's business office or branches, counterpart examinations and examination of savings and deposit accounts (OECD, 2006b).

Counterpart Examination: It is an examination performed based on third party information where warranted. OECD (2006a) stated, information can be obtained during the course of an audit from third parties to verify the taxpayer's income, for example: Financial institutions and public companies information on interest and dividends matched with what taxpayers report in their tax return, information from Government regarding social benefit payments, and employer information concerning salary and wages paid and tax deducted, both for income and non-monetary benefits.

2.1.6. Audit Workforce Capabilities

As OECD (2006a) stated, revenue bodies must manage and develop their audit workforce to deliver their planned outcomes through increasingly designing and implementing capability or competency models. Capability or competency model refers to a formal specification of the skills, knowledge and attributes of staff that are required to perform a specific job in an efficient and effective manner. The model generally contains job descriptions, functional descriptions, and competency profiles using task-related competencies. It is typically supported by training, exams, and educational requirements to ensure and build capability. The model is used as a basis for managing performance, training, staff development, and recruitment across the audit function.

Different capabilities are required for work performed in different market segments, or on clients exhibiting different behaviors towards tax compliance. Typical points of difference are capabilities required for noncompliant aggressive clients, audit work with large businesses (deeper and more specialized knowledge about specific regulations is required for this segment), performing system and electronic data base audits, and conducting criminal and fraud cases (OECD 2006b)

Required Capability

According to OECD (2006a) stated, the required capabilities of auditors are generally identified by analyzing the activities required to perform particular audit tasks, and through practice and experience. In addition to their primary role of detecting and deterring noncompliance, tax auditors are often required to interpret complex tax laws and conduct intensive examinations of taxpayer's books and records. Hence, revenue bodies pay close attention to the overall management of the tax audit function, and particularly to the strategies and methods used for recruiting, developing and managing individual audit staff.

Thus, tax auditors should have a capability to: conduct investigations, determine compliance, tax accounting and financial analysis, conduct research and analysis, make effective decisions under the law, effective communication, apply work processes and procedures, and manage own work and relationships (OECD, 2006b).

In addition to the required core capabilities, greater attention and emphasis is needed on soft skills and other attributes. These include behavioral and motivational competencies, personal attributes such as work and integrity, feeling for the detection of fraud and irregularities, observe and detect relevant indicators in surroundings, identifies patterns and describes their significance to the situation, and effective observational skills. Familiarity with basic accounting, bookkeeping, and business and industry practices is also generally expected for all staff (OECD, 2006b).

Moreover, the required capabilities of audit managers and directors are typically identified based on the notion of coaching, communication, and leadership skills. The required capabilities for audit managers and directors often focused on leadership and management skills, technical expertise, advanced audit skills, achievement orientation, ability to develop and coach others, high level communication skills, and ability to make strategic decisions (OECD, 2006b).

Competency Assessment

It is important for tax administrations to assess and evaluate the competencies of their staff. The direct manager commonly performs competency assessments during recruitment and promotional processes on an annual or semiannual basis for those staff maintaining current positions (OECD, 2006a). Assessments performed as part of recruitment processes are often performed by external specialists, human resource departments and/or panels of internal subject matter experts. Other events triggering capability assessments include prior to performing a new type of work, prior to starting a new role, and ongoing informal assessments and learning and development activities.

Assessment methods used include knowledge-based assessments administered online, formal tests and exams to attain a recognized qualification, peer reviews, a tutor to support and assess newly hired staff, and technical evaluations. The measurement and tracking process of the audit workforce provides management with tangible information of the resource and capability mix or trends across the whole audit workforce, providing valuable data for workforce and succession planning. Many revenue bodies indirectly attain a measure of the competency level of their audit workforce by considering: key performance indicators, quality assurance results, client or professionalism survey results, quantity of audits performed, training course and other assessment results (OECD, 2006a).

Further, tax administrations may record the skills (including qualifications) and areas of expertise of individual staff. Using and sharing this information across the organization, tax administrations may better allocate work and identify specialist resources or skills (OECD, 2006b).

Improving Competency and Addressing Capability Gaps

Responsibility and accountability for improving auditors, audit managers and audit directors commonly lies with the staff member in question and their direct manager and/or local management team. Competency improvement should be integrated (not be seen as extra task) into normal business activities. Together with tax auditing or training departments, human resource departments (where applicable) often have joint responsibility and be significant contributors to the improvement process (OECD, 2006a).

Revenue bodies may develop staff and address capability gaps through recruitment processes and the use of programs such as training and development programs, mentoring and coaching programs, accreditation models, job rotation and/or placement programs, career paths, knowledge sharing initiatives and knowledge tests. Capability gaps are typically gathered from various sources including performance system interviews and appraisals, client professionalism, satisfaction and other similar surveys, and training program evaluations (OECD, 2006b).

Tax administrations must recruit audit staff specifically to carry out tax audits. To attract the right staff in increasingly competitive and skilled labor markets, effective recruitment policies are essential. Audit staff are generally recruited either fully trained so they can be effective in post very quickly, or selected because they have strong potential to become auditors through in-house training and education. A minimum standard of specific academic qualifications, such as a diploma or degree or being a chartered accountant, is often required for some grades of audit staff. There is also an assessment of applicants against competencies relevant to their audit work in the areas of problem solving, analytical skills, interpersonal skills, self-management, decision making and oral and written communications. Further, all auditors required to have computer skills with other more specialized skills, such as legal experience or specific types of tax knowledge being needed for posts that are more technical (OECD, 2006a).

In order to maintain standards of auditing it is essential that auditors are given both initial training (classroom and on-the-job instruction) to bring auditors up to the required level, and continued training so that their skills are kept up to date and relevant. The extent and nature of this training and the balance between the two varies according to need, and relates to the recruitment and development policies adopted. Initial training varies depending on the level of qualifications and experience expected of new recruits. For instance, recruit staff without professional qualifications need much more extensive initial training in tax law and auditing, in-house testing is generally used to confirm that trainees reach the required standard (OECD, 2006a).

To deliver ongoing training and development, a number of methods are used including training courses, computer based training packages, memos, guidance notes, self-study packs, facilitated workshops and discussion forums, on-the-job training, coaching and mentoring, and virtual university and learning tools. As a rule, continuing professional training is not normally examinable and the amount of training undertaken varies between countries and over time (OECD, 2006a).

2.1.7. Challenges and Problems of Tax Audit

Over the past decades many developing countries have implemented comprehensive reforms of their tax administrations in order to increase revenue and curb corruption. The rapid growth in the size

and form of business conducted over the internet and other communication networks, has raised a number of concerns for the formulation of tax policy and effectiveness of existing administrative procedures and techniques. These reduce the tax man's ability to check the accuracy of profits reported by taxpayers and narrow the tax base. Bird (2003), mentioned schemes for tax avoidance, irregular flow of resources taxation of the informal sector and the inability to establish the 'tax court'; as challenges to increased revenue collection. Poor performance to tax group is due to problems with taxpayer identification, illiteracy and poor record keeping and sometimes, willful intention of these potential taxpayers to evade tax.

Another challenge was associated with lack of taxpaying culture among taxpayers, which was partly caused by a tax system perceived as unfair. Relative's high rates and a complex and partly incoherent set of rules, especially for customs and corporate taxes resulted in large potential rewards for taxpayers willing to bribe to cut their own tax burden and/or speed up customs clearance of their goods (Fjeldstad, 2006).

While tax laws impose obligations on taxpayers to contribute to government revenues, the actual amount of revenues flowing into the hands of any government depends on the effectiveness of its revenue administration and Tax audit practices (Bird, 2003). Weakness in revenue collections leads to inadequate tax collections. For a number of reasons, efficient tax administration is a major problem in developing countries. Not only do developing governments face an uphill battle in bringing individuals and businesses into the taxation process, but governments face insufficient administrative staff with no skills, high levels of illiteracy among taxpayers and tax collectors, lack of sufficient computer and facilities, and lack of reliable statistical data (Kangave, 2005).

A major constraint in tax administration is the lack of adequate resources to sustain and facilitate the operation of tax authorities. Resources to administer a tax can generally be divided into two categories: human resources and physical resources. Human resources include not only the number of tax officials but also the quality of tax officials. Physical resources cover a wider dimension, ranging from office buildings and office equipment to vehicles and communication systems (Tanzi and Zee, 2000). These are the resources required by the human resources in order to ensure compliance with tax laws.

The problem of inexperienced and unqualified personnel is worsened by lack of adequate training facilities and opportunities. Most training undertaken in developing countries is general in nature, and certainly does not correspond with the particular reform strategies that are being undertaken by

tax authorities. Lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration (Bird, 2003).

Besides, according to Kitillya (2011), tax audit challenges are classified in to three categories. The first was *Tax Administration Challenges* - which includes raising revenue to GDP ratio; broadening the Tax Base; Changing of Staff mindset and Staff Integrity; Overreliance on International Trade Taxes; Auditing of Specialized Sectors; and Tax Evasion. The second challenges were focused on *Tax Policy Reforms* which emphasize on addressing Tax Incentives and Exemptions. And the third challenges were related to *External Factor Beyond TRA Control* which includes: Power availability and Stability; absence of National Identity Card; absence of Bio-data; Physical Location of Business Entities; Internally Robust Integrated Operational Systems; and Externally Poor ICT Backbone.

On the other hands Toto (2011) identified Resource and capacity, Inter-agency coordination, Compliance management, Corruption, and Sustained political will as the major challenges of Tax Audit and Tax administration in most developing countries. Moreover, inadequate resources are impacting taxpayer service delivery and adequacy, and appropriateness of compliance interventions. Ensuring appropriate resources to revenue administration is a longstanding battle. Developing country revenue administrations often under resourced-adequate resource assurance an imperative. Existing resources need to be carefully used to obtain the highest return. Mid-level managerial and technical skills need continuous/sustained improvement. Skills necessary to identify tax gaps, compliance trends and improvements need to be systemically built.

Another problem was related to Inter-agency Coordination. Still weak between domestic tax and customs administrations and opportunities are underexploited. Trend analysis by customs and tax managers can lead to development of harmonized compliance models and response strategies. It needs to go beyond just revenue agencies, several government supervisory bodies, financial sector, etc. Experience in many countries suggests that one of the most effective means to improve the equitable and efficient collection of revenue is improve information sharing between agencies. The simple ability to cross reference tax filings across agencies has the potential to more general level, the challenge of tax collection is fundamentally about informational and the ability to draw on multiple information sources to identify taxpayers and their actual tax liability. Thus, being able to draw on information from, among others, all concerned organs and Ministerial Offices holds huge potential for improving tax collection through greater knowledge of the assets and activities of taxpayers. Yet these forms of information sharing remain far too limited, owing to bureaucratic

infighting, and an overall absence of top level managers will to bring the assets of high net worth individuals more clearly into the public eye (Kitillya, 2011).

Furthermore a problem of Tax Audit was associated with Compliance Management. Improvement is required to strengthen the legitimacy of the tax system beyond the fundamentals. Clear strategies required to address the most noncompliant businesses and individuals. Key compliance management strategies, comprising: Understanding the nature of the taxpayer/trader population, identifying key compliance risks and how they arise, Clarity on accountability, and adequate resourcing of compliance actions, and specifying performance indicators and potential corrective actions. No short-cuts to addressing non-compliance, hard routine administration work is required—fundamental (Tanzi and Zee, 2000).

Corruption is also another factor that hinder the success of Tax Audit practices. Progress can and should be made in addressing this vice. Critical to understand the causes and ethical dilemmas. Strong institutional measures to address ethical dilemma and misbehavior-code of ethics, internal audit, staff investigations, and prosecution. Simplification and transparency of procedures play a key role in minimizing rent-seeking opportunities - limit contact between taxpayers and tax officials. Firm managerial leadership is crucial. Political decision at the highest level is essential.

Moreover sustained political will is a significant factor for the successful practices of Tax Audit at any level of a Nation. Key condition to complement technical capacity: Political commitment must come from the highest levels of the country's leadership and should be consistent, unwavering, and sustainable. Substantial progress where this will has been forthcoming, but minimal where it has not. A holistic approach is essential - gains from administrative improvements can easily be offset by base-narrowing exemptions.

According to OECD (2004a), some challenges of tax audit are relying on caseworker selection. Those can relies on a limited data set with no systematic cross reference to other data available within the administration's system; caseworkers regardless of their experience can miss aspects of noncompliance with which they are non-familiar; those with the knowledge to undertake such screening are usually those with the skills to undertake the substantive intervention. Thus, there is an opportunity cost in asking them to undertake such screening. Modern standards of propriety indicate that there should be a gap between those selecting cases and those functioning cases.

2.2. Empirical Studies

Regarding empirical evidences on Tax Audit the researcher comes across different researches carried out at specify organization and federal levels of the country. Among them, those researches

conducted in recent time includes a study conducted by Gebeyehu (2008), Getaneh (2011), Netsanet (2014) and Atisbha (2016).

However, the objectives and scopes of study for all of them were not the same. The study conducted by Gebeyehu (2008) was attempted to trace out the basic concepts of tax audit, and analyze the significances and role of tax audit in increasing tax revenue and in strengthening tax administration capacity. The results of the study indicated that, the highest ratio of tax to GDP in Ethiopia was 13 percent, which is registered in 2003/04. Most of the country's revenue is from non-tax sources such as grants. Revenue derived from taxes is dominated by indirect taxes. The study stated that personal income tax does not need critical assessment other than checking whether the amount withheld by the employer is forwarded to the respective tax authority. Whereas, business profit tax needs much effort to levy and collect due to the high-risk of understatement and evasion since most taxpayers use all mechanisms that could understate their tax liability. So far, there is no field audit although the problem of tax evasion bothers revenue agencies at different levels.

Moreover, Getaneh (2011) focused on key problems in tax audit operation regarding the appropriateness of audit type used, audit rate, aptness of audit case selection methods, audit examination techniques used, and the experience and capability of audit staff resources at Federal Government level. The result of the study indicates that, tax audit program remains undeveloped with slight range of tax audit activities performed targeting aptly specific risks. Further, low audit coverage, absence of compliance risk-based audit case selection strategy, scarcity of audit resources, and absence of proficient and experienced tax auditors are revealed as major problems in this study.

Furthermore, the focus of the study conducted by Netsanet (2014) was on the Revenue Authority of Hawassa City Administration to examine whether the practice is in conformity with the standards. The study utilized interview and questionnaire to collect data required for the study. However, it has been difficult for the researcher to collect secondary data due to bad documentation of the authority and reluctance of its employees to cooperate with the researcher. The results of the study indicate that, Revenue Authority of Hawassa City Administration extensively use comprehensive types of audit. Due to this the audit coverage of the revenue authority was too low, cases were selected based on associated risk but not used the standard risk identification criteria. The Authority does not perform the audit work in predetermined time. The study concludes that, the revenue authority had not performing tax audit according to acceptable Tax Audit standards.

Besides, a study made by Atisbha (2016) focused on tax audit practice and its challenges at Ethiopian revenue and customs authority with specific reference to large Taxpayers' office. Its objectives were

intended to assess the challenges in the application of tax audit in the large taxpayers; to explore how tax audit is exercised in the reduction of tax avoidance and evasion; and to examine the competency of tax auditors' of Ethiopian revenue and customs authority. The principal finding of this study was that declared income increased significantly more in rational audit strategy group than in the control group. The results of the study indicate strongly that information concerning the use of rational audit strategies is superior to information concerning random audits, and that audit information, in general, is superior to no information. The information concerning the rational audit strategy reduces tax fraud compared to no information. According to this study, tax audits have an indirect deterred effect by which rational taxpayers adapt their behavior to the expected degree of auditing if they are made aware that they may be audited. The study further identified that, tax audit practices in the authority had problems in the application of information technology /SIGTAS/ to its maximum capacities, incompetent auditors to tackle tax evasion and avoidance, weak taxpayers' education program which cannot improve the compliance level of taxpayers.

Among study conducted at global level, Bright et al. (1988) studied statistical sampling for tax audits in United States of America. The study tried to review whether the use of statistical sampling for audit is a sufficient basis for determining the taxpayer's unpaid liability rather than reviewing all transactions to determine the exact amount of tax owed. The study relied on the cases and data from consumption taxes, primarily sales and use taxes. The universe-documented transactions available for audit are used as a sample frame. The finding of the study indicated that audit assessment based on appropriately drawn and analyzed statistical sample do not suffer from the defects that the courts have correctly concluded mar assessments based on non-statistical samples. The study further indicated that sampling techniques allow improved economies in the use of government resources in that tax administration can be more efficient, fairer, and less intrusive if the technologies used for identifying and measuring tax deficiencies are expanded to include controlled use of statistical sampling. However, statistical sampling cannot provide an exact determination of tax owed, and the uncertainty adjustment may sacrifice too much revenue.

Yet another study was conducted by Smith and Stalans (1994) in USA, on negotiating strategies preferred by taxpayers and auditors for dealing with tax audit disputes. The study adopted a pre-audit open-ended interview conducted with a randomly selected sample of taxpayers and state tax auditors that drawn from four field offices of the Oregon Department of Revenue. The results of this study revealed that the strategic preferences of both taxpayers and auditors is influenced by the nature of the dispute, general taxpayers attitudes toward taxpaying and tax administration, the difference in formal power, and the perceived role obligations of auditors. As the study results

showed, tax auditors are more likely to include holding firm as one of their strategic choices. Whereas taxpayers who has an objective to minimize the time and effort they devote to the audit are more likely to prefer the cooperative strategies, but those taxpayers who believe that they can influence the decision making of the auditor are more likely to prefer the assertive strategies. The study further indicated that taxpayers who support taking advantage of loopholes and ambiguities in the tax law tend to prefer the assertive strategies, and those who want to minimize their involvement are more likely to prefer cooperative strategies.

Furthermore, there was another study conducted in USA by Rhoades (1999) on the impact of multiple components reporting on tax compliance and audit strategies. The study modeled taxpayer compliance behavior and tax authority audit strategies within the context of a multidimensional report of taxable income, and analyzed the impact of component reporting requirements on taxpayer incentives to misstate the tax liability. The results of the study revealed that the impact of multi-component reporting requirements on specific taxpayers depends critically on their evasion opportunity set. The study stated that taxpayers with multiple evasion opportunities made misstatement across income components to minimize both the direct and indirect effects of detection whereas those with limited evasion opportunities pursued them less aggressively in the multi-component model.

Besides, Chan and Mo (2000) studied the effect of tax-holidays on foreign investors' tax noncompliance behavior in the China's developing economy. The empirical results of the study indicated that a company's tax-holiday position affects noncompliance. Companies are least compliant during the pre-holiday period whereas most compliant during the tax exemption period. The study further indicated that domestic market oriented companies, service companies, and joint ventures are less compliant than export oriented companies, manufacturing companies, and wholly foreign-owned enterprises respectively.

Likewise, Sen and Bala (2002) studied income tax audit operation in Bangladesh. The objective of the study was to conceptualize the term tax audit conducted by professional chartered accountants, and to give an overview of the prevailing tax scenario and the operations of income tax audit. The results of the study confirmed that Bangladesh is unable to raise enough resources through taxes. The study also revealed that income tax audit is conducted both in mandatory and discretionary manner although the extent of income tax audit practice is awfully inadequate. The major reasons identified in the study were unawareness and undesirability of most assesses, and the hesitation of chartered accountant firms to take up the task of tax audit. The hesitation of chartered accountant

firms is because the sensitivity of the tax audit task spreads not only in the relevant year, but also in the future years until the finalization of the audit. Moreover, they often reluctant to perform the audit of tax basis accounting due to inadequacy of information, lack of efficient personnel, absence of audit continuity over the years, and want of logistic supports to maintain track record of information for future reference in tax cases.

Arachi and Santoro (2007) also studied the use of tax audit strategy as enforcement for small and medium enterprises in Italy. The study focused on a major innovation in the field of tax auditing of self-employed workers and small firms. The main finding of the study was that tax enforcement for SMEs is always challenging since they usually operate on the border between the formal and the shadow economy. The study further showed that the distribution of firm size affects the optimal tax enforcement policy in two ways. First, there can be a relationship between firm size and the propensity to evade or to avoid taxes. Second, the costs and returns of tax auditing may depend on firm size. The study also argued that business sector analysis might be a valuable policy tool for developing countries, which have a large shadow economy and a high share of microenterprises.

Moreover, the findings of a study conducted on Taxation and Tax Audit Challenges across 58 developing countries (Carnahan, 2015), revenue systems in some developing countries have fundamental shortcomings. Besides, the increasing globalization of economic activity adds a further layer of complexity that developing countries need to manage in building and maintaining their revenue systems.

Similarly, a study conducted in Gombe state of Nigeria by Gurama (2015), with the main objective to examine the problems and prospect of Tax Audit and internal revenue services; also identified tax audit problems related to poor staffing, lack of facilities, poor record keeping and poor conducive environment. The findings shows that insufficient public awareness, lack of training, poor working condition, poor remuneration and lack of motivational incentives are among the issues lead to low tax generation.

Generally as discussed above, all of the studies were attempted to assess Tax Audit focusing on the significance of Tax audit practice in increasing revenue, and issues of Tax audit related to large taxpayers at National level. All of them were not focused on practices and challenges of Tax audit performed at Head Office level of the Region.

They attempted to assess the issues of Tax audit with variable and aspects of increasing revenue, strengthening tax administration capacity, challenges in the application of tax audit in the large taxpayers, reduction of tax avoidance and evasion, ability of tax auditors, and Tax audit operation at Federal and City Administration levels. These showed that, there is a research gap, on the topic

of practices and challenges of Tax audit particularly at Head Office level of Oromia Regional State. In addition, the scopes of the study for all of them were not the same with this study. Therefore, this study is carried-out where such study has not been sufficiently conducted on the area and the study topic.

2.3. Conceptual Framework

A conceptual framework is a structure of concepts and theories which are put together as a map for the study and it shows the relationship of research variables (Kothari, 2004). The framework is usually used to explain the relationship between the independent variables and the dependent variables of the study.

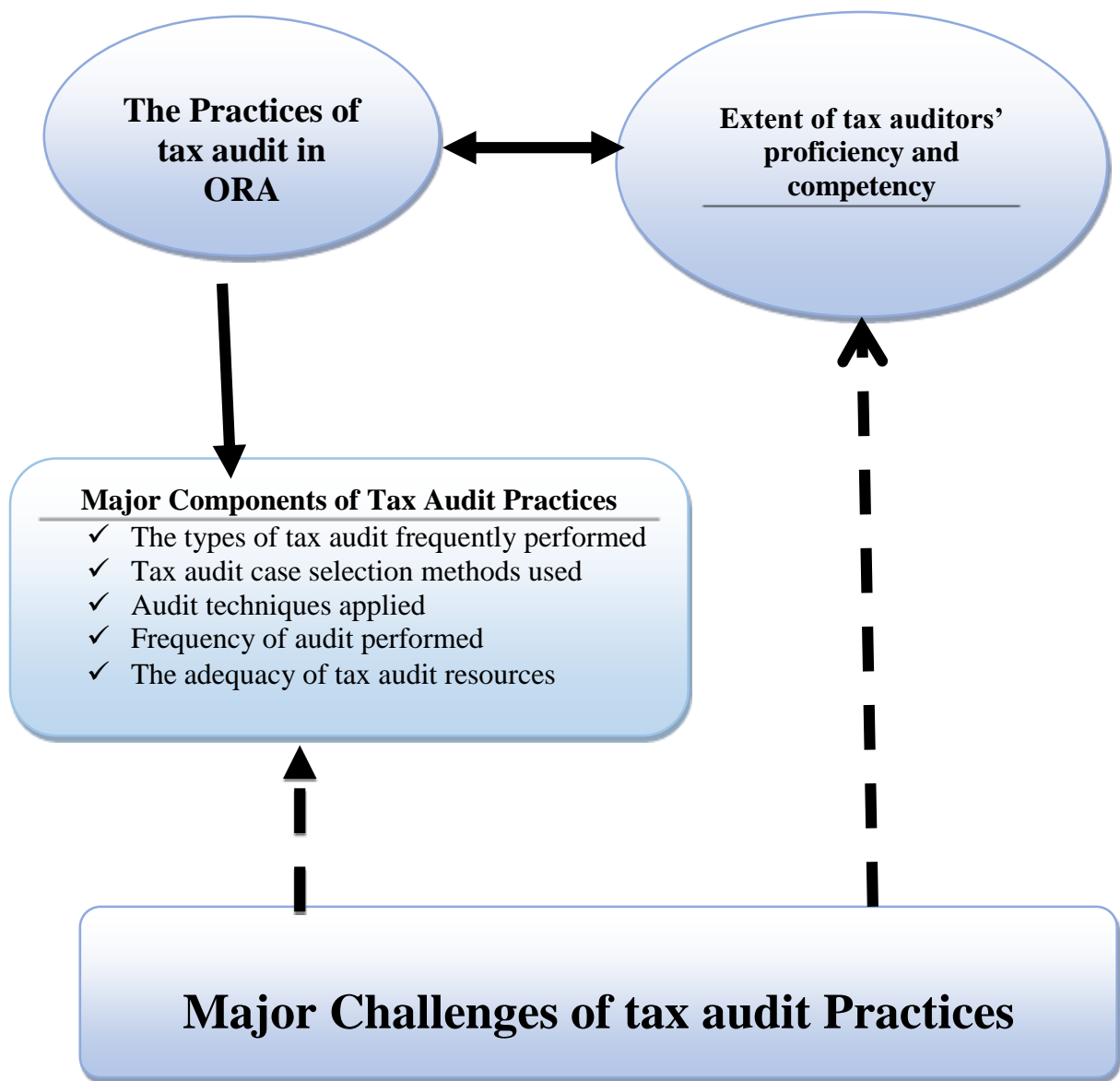


Figure 2.1: Conceptual Framework of the Study

Source: Compiled from extensive review of the related literature by researcher

In this study, basically the practices of tax audit are considered as the major variable under investigation. It begins investigating how the tax audit are practiced in Oromia Revenue Authority with respect to: the types of tax audit frequently performed; Tax audit case selection methods used; Audit techniques applied; Frequency of audit performed; and The adequacy of tax audit resources. Next to this, the extent of tax auditors' proficiency and competency were assessed in terms of qualification, experiences, work accomplishments and behaviors.

Moreover, challenges of tax audit practices at the Authority were considered as factors influencing the success of its objectives. In order to analysis those major challenges the focus was made on issues like: Traditions of Corruption; Inflated estimation of tax and unfair volume of tax among similar businesses in the same proximity; Not properly responding the compliance of Taxpayers on time; Taxpayers were consider illegal business practices as best way of doing business; Absences of reliable and up-to-date data and records keeping practices among Taxpayers; Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities and others.

In general, based on the theoretical literature, conceptual framework of the study was developed as demonstrated in Figure 2.1.

2.4. Conclusions and Knowledge Gap

Tax audit practice is a current issue for both developing and developed countries. In the theoretical review, to the knowledge of the researcher, there is no standard as to the percentage of audit methodologies to be conducted in a given tax authority. In addition, there is no adequate literature regarding the appropriate audit examination techniques to be used for checking the accuracy of tax returns in line with the level of economy and technological advancement.

The empirical studies that have been reviewed in the preceding section (like study conducted by Gebeyehu, 2008; Getaneh, 2011; Netsanet, 2014; and Atisbha, 2016) focused on the different audit strategies that affect tax compliance behavior, income tax in particular, and the use of sampling tax audit strategy for improving the tax audit coverage. In addition, most prior studies regarding tax audit issues tried to examine the possible audit strategies including the use of audit information for the purpose of compliance improvement and fraud detection, and the impact of component reporting requirements on taxpayer incentives to misstate the tax liability.

However, as far as the knowledge of the researcher is concerned, it is possible to conclude that although there have been some studies on tax audit related issues both in developed and developing countries, Ethiopia in particular, the studies did not explore challenges in tax audit thoroughly

though some has been said about the practices. Most of those studies had made a little effort to address on issues related to practices, challenges of tax audit, and major issues that focus on competences of tax auditors has not been well elaborated.

Based on these gaps in the literature together with the problems stated in section one of chapter one, and in order to attain major objective of the study, the following research questions will be addressed: How tax audit are practices in Oromia Revenue Authority with respect to: the types of tax audit frequently performed; Tax audit case selection methods used; Audit techniques applied; frequency of audit performed; and the adequacy of tax audit resources. Furthermore questions that associated with extent of tax auditors' proficiency and competency; and major challenges of tax audit practices in Oromia Revenue Authority will be raised.

With this end, the next chapter discusses research methodology and specific research methods that are applied for the study along with proper justification for the selection of appropriate samples and data collection instruments.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter presented research design that was used for this study. The chapter was organized in four sections. In the first section (3.1), research objective and basic research questions are presented as a means to connect the research questions to the particular research methodology adopted for this study. In the second section (3.2), different research approaches available to a researcher in general were discussed. Then in the third section (3.3), research methods used; which includes such things like approaches and strategy of inquiry used; with proper justification for adopting a certain method was explained. Finally, in the fourth section (3.4), summary of the link between research questions and data sources including conclusions of the chapter were presented.

3.1. Research Objective and Research Questions

The main objective of this study was to assess the practices and challenges of tax audit in Oromia Revenue Authority with particular emphases on the types of tax audit frequently performed; tax audit case selection methods used; audit techniques applied; frequency of audit performed; adequacy of tax audit resources; and extent of tax auditors' proficiency and competency.

Based on the above research objective the following specific research questions were developed:

RQ 1. How is the tax audit practices in Oromia Revenue Authority; with respect to:

- *The types of tax audit frequently performed;*
- *Tax audit case selection methods used;*
- *Audit techniques applied;*
- *Frequency of audit performed; and*
- *The adequacy of tax audit resources?*

RQ 2. What is the extent of tax auditors' proficiency and competency?

RQ 3. What are the major challenges of tax audit practices in Oromia Revenue Authority?

In order to attain objective of the study and properly respond the research questions, appropriate research approaches were adopted as discussed in the subsequent sections of the chapter.

3.2. Research Approaches

Research approach could be qualitative, quantitative or mixed depending on the nature of the study. Qualitative research approach explores attitudes, behaviors and experiences (Dawson 2002). The researcher collects open-ended emerging data with the primary intent of developing themes from

the data (Creswell 2007). Apart from this, it facilitates responses, and provides data in-depth with leading respondents (Dawson 2002). It is capable to generate a theory by addressing issues which cannot be quantified.

Therefore, the purpose of the qualitative aspect of this study is to deeply understand tax audit practices and challenges at the Oromia Revenue Authority. Thus, considering the advantages of its flexibility in which new questions could be forwarded during the interview session, semi-structured questions were prepared and used for this study. The qualitative data that were obtained from interview responses were presented and narrated in separated section of Chapter Four after the analysis of quantitative data illustrated in tables and graphs.

On the other hands, quantitative research generates statistical data through the use of large scale survey research, using methods such as close-ended questionnaires and/or structured interviews (Dawson, 2002). Moreover, Creswell (2009) noted that quantitative approach employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield numeric data that can be analyzed using statistical procedures. Once the survey data have been collected, they were then analyzed so that the causal connection specified by the hypothesis or research questions can be verified or answered (Scott and Morrison, 2006). Thus, it is a means for testing objective theories through examining the relationship among variables. It minimizes bias from the researcher's influence and employs large sample size. Though, the results can be believed on and the results can be generalized to larger population. So that, it may has limited scope.

Mixed approach is the blend of both qualitative and quantitative approaches. It employs strategies of inquiry that involves collecting data either simultaneously or sequentially to best understand the research problem. The data collection involves gathering both numeric information and text information (Creswell, 2009). Mixed approach includes the use of theory deductively in theory testing and verification, or inductively in an emerging theory or pattern. Therefore, the combination provides an expanded understanding of the research problems. It utilizes the strengths and overcomes the weaknesses of the two continuum approaches.

3.3. Research Methods Used

In order to correctly respond the research questions stated in the previous section, the researcher used both qualitative and quantitative approach (mixed approach) in collecting and analyzing data as discussed in the following section. Thus, since the purpose of this study was to investigate practices and challenges of tax audit at Head Office of Oromia Revenue Authority, the study was designed to implement mixed approach using qualitative and quantitative data.

In this regards, as described by Kothari (2004), the design of a study using mixed approach involves the use of qualitative and quantitative approaches, and the mixing of both approaches in a study. Using mixed approach is more than simply collecting and analyzing both kinds of data; it involves the use of both approaches in tandem so that the overall strength of the study is greater than either qualitative or quantitative research. In mixed approach, the researcher bases the inquiry on the assumption that collecting diverse types of data best provides an understanding of a research problem.

Thus, this study was applied mixed approach to describe and evaluate the practices and challenges of tax audit in the study area. The applications of both approaches enable the researcher to obtain adequate, relevant and reliable data to the issue understudy.

3.3.1. Quantitative Aspect of the Study

A Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Such approach involves the generation of data in measureable form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Kothari, 2004).

In a quantitative research, the problem is best addressed by understanding what factors or variables influence an outcome. In addition, the researchers sometimes advance a theory to test, and they will incorporate substantial reviews of the literature to identify research questions that need to be answered. A quantitative research may be written from the impersonal point of view and in the past tense, to convey objectivity (Creswell, 2009).

The focus of quantitative research is up on patterns, regularities, causes and consequences in which there is an application of the principles of positivism, that the patterns of the social world have their own 'real 'existence. Survey design is a means of gathering information, usually through self-report using questionnaires or interviews. Its purpose is to generalize from a sample to a population so that inferences can be made and it is also economical and rapid turnaround in data collection. In general, survey design was used to make inference from sample to the population.

This survey conducted by means of self-administered questionnaire which would be distributed to the Tax payers and Tax Auditors of Oromia Revenue Authority. The responses of those respondents help to understand the Practices and Challenges of Tax Audit at head office of the Authority.

3.3.1.1. Sampling Design

According to the data obtained from Head Office of Oromia Revenue Authority (April, 2017), there are about 33 Tax Auditors and 547 Taxpayers under the supervision of the Head Office. Therefore, the major target population of this study were those Tax Auditors working in Oromia Revenue Authority and the Taxpayers who pay a tax at the Head Office level of Oromia Revenue Authority during 2016/17 fiscal year.

Sample design is a definite plan for obtaining a sample from a given population. Conducting a study on the complete enumeration of all population or census survey is difficult to cover due to different constraints especially if the inquiry is large (Cohen *et al.*, 2007). In sampling analysis, if the sample size is too small, it may not serve to achieve the objectives and if it is too large, we may incur huge cost and waste resources. As a general rule, one can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small.

Therefore, in order to proportionally include appropriate number of Taxpayers, the sample size were determined using the following formula developed by Kothari (2004:179).

$$n = \frac{Z^2 * p * q * N}{(e^2(N - 1)) + (Z^2 * p * q)}$$

Where:

n= required sample size

Z^2 = is the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level. The value for Z is found in statistical tables which contain the area under the normal curve. e.g., $Z=1.96$ at 95% confidence level; and $Z^2=3.841$).

N= the population size (N=547)

P= the population proportion (assumed to be 0.5, this would provide the maximum sample size)

e = is the desired level of precision or margin of error (5% error or 0.05)

q= 1-P

Thus;

$$n = \frac{(3.841 * 0.5) * (1 - 0.5) * 547}{((0.05^2) * (547 - 1)) + (3.841 * 0.5) * (1 - 0.5)} = 225.892$$

Accordingly, among 547 Taxpayers of the Authority found at Head Office level, 226 of them were identified as a sample size to respond to the questionnaire, as illustrated in Table 3.1.

The number of sample respondent from Taxpayers was selected from the target population using simple random sampling techniques to respond the questionnaire. This sampling technique was used because it assures to be able to represent not only the overall population, but also key groups of the population; and it gives each possible sample combination an equal probability of being picked up and to have an equal chance of being included in the sample (Creswell, 2009).

Furthermore, Tax Auditors of the Authority and members of top level management of Oromia Revenue Authority were selected as a sample purposively using Census sampling technique to respond the questionnaire and interview respectively. As stated by Kothari (2004), Census sampling technique enables to select all existing respondents and is takes place when the researcher included all members of the population to the study; usually if the number population is small. Thus, those groups were selected for this study as sample respondents; because they are small in number and their positions are important in describing the practices and challenges of tax audit at Head Office of Oromia Revenue Authority. This helped the researcher to get significant information from them for the study.

Table 3.1: Target Population, Sample Size and Sampling Techniques

Respondents	Population	Sample Size		Completed Questionnaires		Sampling Techniques
		Number	%	Number	%	
Tax Payers	547	226	41.32	213	94.25	Simple random
Tax Auditors	33	33	100.00	32	96.97	Census
Total	580	259	44.66	245	94.59	

Among the questionnaires initially distributed to a total of 259 respondents (226 Taxpayer and 33 Tax Auditors); 213 (94.25%) Taxpayers and 32 (96.97%) Tax Auditor (a total of 245 or 94.59% respondents) had appropriately filled and returned. Thus, interpretation of the data and analysis of the results and discussions were based on the responses collected and organized from appropriately filled and returned questionnaires.

3.3.1.2. Instrument design, surveys' administration and data analysis

In this study Two sets of survey instruments were used; one for the taxpayers and the other one for the tax auditors survey. The survey used semi structured instruments where both closed and open ended questions were included. Initially the questionnaire was prepared in English language, and then translated to Amharic languages to make the respondents (particularly Taxpayers) easily understood the questions and respond them correctly.

The instruments for Tax Auditors had four parts. The first part asks questions about respondents' profile. Part two contains questions about Tax Audit practices. In the third part questions related to Tax Auditors proficiency and competency were raised. The fourth part of the questionnaire encompasses about challenges of Tax Audit practices at Head Office of Oromia Revenue Authority. Whereas, the instruments for Tax Payers were categorized in to three parts; excluding questions

related to Tax Auditors proficiency and competency. Both instruments used a 5 point Likert scale. The instruments were initially developed in English and then translated to Amharic language (particularly for Taxpayers). These instruments are presented in Appendix A-C.

In conducting the surveys, this study used self-administered questionnaire approach where questionnaires were distributed in person to selected respondents. The researcher along with a research assistant distributed the survey instruments and collected them back.

The data collected for this study were checked from collection to data entry before they were ready for analysis. At the beginning the data collected from all sources were checked and organized with respect to basic research questions and objectives of the study. They then analyzed quantitatively and qualitatively.

The quantitative data were tabulated and processed using Statistical Package for Social Sciences (SPSS V-20). It was preferred to use in this study, since it has the capacity and flexibility to process quantitative data and generates an ultimate range of simple and sophisticated statistical results (Langdridge, 2004). So, the researcher believed that using SPSS was appropriate in processing and analyzing the data collected for this study. Moreover, for visual presentation of the results of the study, quantitative data collected from all sources and processed through SPSS were organized and illustrated in tables and graphs.

The analyses of these quantitative data were made using descriptive statistics, like frequency, percentage, mean, standard deviations and ranges. Furthermore, analysis and discussions of the data were carried-out following each tables and graphs.

Validity and Reliability Test

According to Ann et al., (2012:81-82), the concept of validity is used to judge whether the data collection instrument used in any research accurately measures what it intended to measure. Thus, validity is focus to a criterion for the integrity of an instrument used for data collection in terms of accuracy of inferences and trustworthiness. The results of this formula commonly known as Cronbach's alpha coefficient could be used to determine the reliability of an instrument. Whereas reliability of is referred as the extent to which the instrument yields consistent result when the characteristics being measured has not changed. So, in order to assure data quality, the instruments prepared for data collection were validated and tested at pilot level for its reliability before used as data collection tool.

Primarily, the validity of the instruments was tested by two instructors of the department including the research advisor to judge the items on their appropriateness and clarity of the contents. The comments forwarded from these professionals were used to make an amendment on some items of the questionnaire. Then, the reliability of the questionnaire was tested through pilot study. In the pilot study the questionnaires were distributed to 20 respondents randomly selected to respond the questionnaire from Tax auditors and Taxpayers. Then, to test the reliability level of the questionnaire, a Cronbach's alpha coefficient was calculated.

Concerning the acceptance level of Cronbach's alpha results, Bryman (1990) suggest that, the results of reliability level is acceptable if it is 0.67 or above. Besides, Cohen *et al.* (2007:506) suggested that: >0.90 = very high reliable; $0.80-0.89$ = highly reliable; $0.70-0.79$ = reliable; $0.60-0.69$ = marginally reliable; and <0.60 = lowly reliable or unacceptable.

Thus, to determine the acceptability of reliability level of the questionnaire; the calculated Cronbach's alpha coefficients for each items of the instrument was compared with the above suggestions. Accordingly, the calculated Cronbach's alpha coefficient for all items of the questionnaire was found at 0.871. This confirmed that, the reliability level of the questionnaire was found at High Reliability level.

3.3.2. Qualitative Aspect of the Study

The purpose of the qualitative aspect of this study is to deeply understand the tax audit practices and challenges at the Oromia Revenue Authority. Accordingly, qualitative data was collected using the open ended questions included in the two survey instruments and also in-depth interviews held with three Officials: Deputy Head, Tax Audit Director and Tax Auditors Coordinator of Oromia Revenue Authority.

Interviews were used to collect data from primary sources. They were used to gather data about the thoughts, outlook and beliefs that the interviewees had about tax audit practices and challenges in the Authority. The interview permits greater depth of response which was not possible through any other means (Creswell, 2009). Thus, the purpose of using interview in this study was to collect more supplementary opinion and information so as to stabilize the data collected through the questionnaire. In addition, data were acquired through review of relevant documents held by the Oromia revenue authority. These documents include plans, reports and others similar official documents.

Thus, considering the advantages of its flexibility in which new questions could be forwarded during the interview session, semi-structured questions were prepared and used for this study. The interview session were administered with three top level management of Oromia Revenue Authority on face-to-face and one-to-one bases by the researcher. This enabled the researcher to focuses on some specific issues to be raised for different interviewee’s separately during the interview session. Thus, the qualitative data that were obtained from interview responses were presented and narrated in separated section of Chapter Four after the analysis of quantitative data illustrated in tables and graphs.

3.4. Conclusion and Link between Research Questions and Data Sources

This chapter discussed about the methodological approaches adopted in the study. As shown a mixed research approach dominated by the quantitative approach was adopted. As part of the quantitative approach the study used survey design where survey of taxpayers and tax auditors was conducted. Table 3.2 summarizes the link between research questions and different data sources employed in the study.

Table 3.2: Link between Research Questions and Data Collection Instruments

Nº	Research Questions	Data Sources
1	RQ1: How tax audit are practice in Oromia Revenue Authority with respect to:	Tax Auditors Q7 to Q18 Taxpayers’ Q7 to Q11 Interviews
	Types of tax audit frequently performed	Tax Auditors Q9 and Q10 Interviews
	Tax audit case selection methods	Tax Auditors Q11 and Q12 Interviews
	Audit techniques applied	Tax Auditors Q13 and Q14 Interviews
	Frequency of audit performed	Tax Auditors Q15 and Q16 Taxpayers’ Q9 to Q11 Interviews
	The adequacy of tax audit resources	Tax Auditors Q17 and Q18 Interviews
2	RQ2: What is the extent of tax auditors’ proficiency and competency?	Tax Auditors Q19 and Q20 Interviews
3	RQ3: What are the major challenges of tax audit practices in Oromia Revenue Authority?	Tax Auditors Q21 to Q23 Taxpayers’ Q12 to Q14 Interviews

CHAPTER FOUR

4. RESULTS AND DISCUSSION

This chapter presents results and discussions based on the analysis done on the data collected from the respondents. Then, the results of the study are discussed by using the findings obtained from different source results: questionnaire results, and interview results. The discussion attempts to accomplish the objectives of the study, and answer the research questions.

So, the results and discussion of the data in this chapter were divided in to three parts. The first part of the chapter presents survey results and interview responses administered with Officials. In the second part of the chapter discussions made on major findings of the study were presented. Finally, in the third part of the chapter, concluding remarks were presented briefly.

4.1. Results

In this part of the chapter survey results and interview responses administered with Officials were presented considering objectives of the study and research questions.

4.1.1. Survey Results

The results presented in this part of the chapter were divided in to four parts. The first part presents about background information of the respondents. In the second part issues related to tax audit practices with respect to: types of tax audit frequently performed; tax audit case selection methods used; audit techniques applied; frequency of audit performed; and the adequacy of tax audit resources were presented and analyzed in detail. Next to this, in the third part, issues related to the extent of tax auditors' proficiency and competency were presented. Finally, in the fourth part major challenges of tax audit practices at Head Office of the Region were presented.

4.1.1.1. Respondents' Profile

In this part of the chapter, information collected regarding background of the respondents, which includes gender, age, educational status, experience and current job position of the respondents were presented using the data illustrated in Tables.

Table 4.1: Gender Distribution of Respondents'

Gender	Tax Payers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Male	165	77.46	23	71.88	188	76.73
Female	48	22.54	9	28.13	57	23.27
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

With regards to Gender; as illustrated in Table 4.1, the number of male respondents was higher than female. In similar manner, percentage share of male respondents from Taxpayer (77.46%) was almost equal to that of Tax auditors (71.88%).

The number of female respondents accounts only 22.54% of Taxpayers and 28.13% of Tax auditors participated in this study. This showed that the participation of female was very low when compared to male as Taxpayer and Tax Auditor in the study area.

Table 4.2: Age Distribution of the Respondents'

Age Groups	Tax Payers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Less than 30 Years	31	14.55	6	18.75	37	15.10
30-40 Years	98	46.01	17	53.13	115	46.94
41-50 years	67	31.46	8	25.00	75	30.61
Above 50 year	17	7.98	1	3.13	18	7.35
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

In terms of age, the data illustrated in Table 4.2 showed that, the age of most respondents (46.94% of Taxpayer and 53.13% of Tax Auditors) was found between an age group of 30-40 years. Next to this, 30.61% of Taxpayers' and 25% of Tax auditors' age was found between 41-50 years. On the other hands, the number of respondents above 50 years old accounts only 7.98% (That is, 7.35% of Taxpayer and 3.13% of Tax Auditors).

In general, the data of the figure showed that, majority of the respondents' age was found between 30-50 years. This implies that, in terms of age, respondents were matured.

Table 4.3: Educational Background of the Respondents

Level of Education	Taxpayers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Primary School Education	9	4.23	0	0.00	9	3.67
Secondary School Education	22	10.33	0	0.00	22	8.98
Certificate	11	5.16	0	0.00	11	4.49
Diploma	60	28.17	0	0.00	60	24.49
First Degree	104	48.83	25	78.13	129	52.65
Master's Degree	6	2.82	6	18.75	12	4.90
Others	1	0.47	1	3.13	2	0.82
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

Concerning educational background of the respondents, the results illustrated in Table 4.3 indicated that, about half of the Taxpayers (48.83%) participated in this study had a Bachelor's degree level of education. Next to this 28.17% of them were with diploma level of education. Moreover, the data of the Table showed that, the number of Taxpayers with Certificate and Secondary School Education accounts 5.16% and 10.33% respectively. Yet, few Taxpayers (4.23%) educational status was found at completion of primary school education (Grade 1-8).

In relation to Tax Auditors' educational background, the data of the Table showed that, majority of them (78.13%) were with bachelor degree level of education. The remaining 18.75% of Tax Auditors had Master's degree level of education and 3.13% of the Tax Auditors educational status was not identified. This implies that, in terms of educational status, almost all of the respondents were educated and had sufficient knowledge to respond the questionnaire.

Table 4.4: Experiences of the Respondents

Years	Experiences of Taxpayers' with ORA		Tax Auditors' Work Experiences		Total	
	Count	%	Count	%	Count	%
1-5 years	54	25.35	6	18.75	60	24.49
6-10 years	111	52.11	14	43.75	125	51.02
11-15 years	30	14.08	10	31.25	40	16.33
Above 15 years	18	8.45	2	6.25	20	8.16
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

With regard to work experiences of the respondents; the data illustrated in Table 4.4 showed that, majority of the respondents (51.02%), that is, 52.11% of Taxpayers and 43.75% of Tax Auditors had a work experiences of 6-10 years. Next to this, about one-fifth of the Taxpayers (25.35%) had a work experiences with Oromia Revenue Authority for 1-5 years. On the Other hands, about one-third of Tax Auditors (31.25%) had a work experiences of 11-15 years.

Moreover, as can be seen from the Table, few respondents (8.45% of Taxpayers and 6.25% of Tax Auditors) were experienced for more than 15 years.

In general, the data illustrated in the Table showed that, the experiences of most respondents was lie above five years (75.51%); implying respondents' capability to respond the questionnaire in terms of their experiences was sufficient.

Table 4.5: Job Position of the Respondents

Respondents	Current Job Position	Count	%
Taxpayers	Owner	28	13.15
	Owner and Manager	58	27.23
	Manager	41	19.25
	Accounts/Finance Head	84	39.44
	Others	2	0.94
	Total	213	100
Tax Auditors	Tax Auditor	25	78.13
	Tax Investigator	2	6.25
	Tax Assessors	1	3.13
	Tax Audit Team-leader	3	9.38
	Others	1	3.13
		32	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

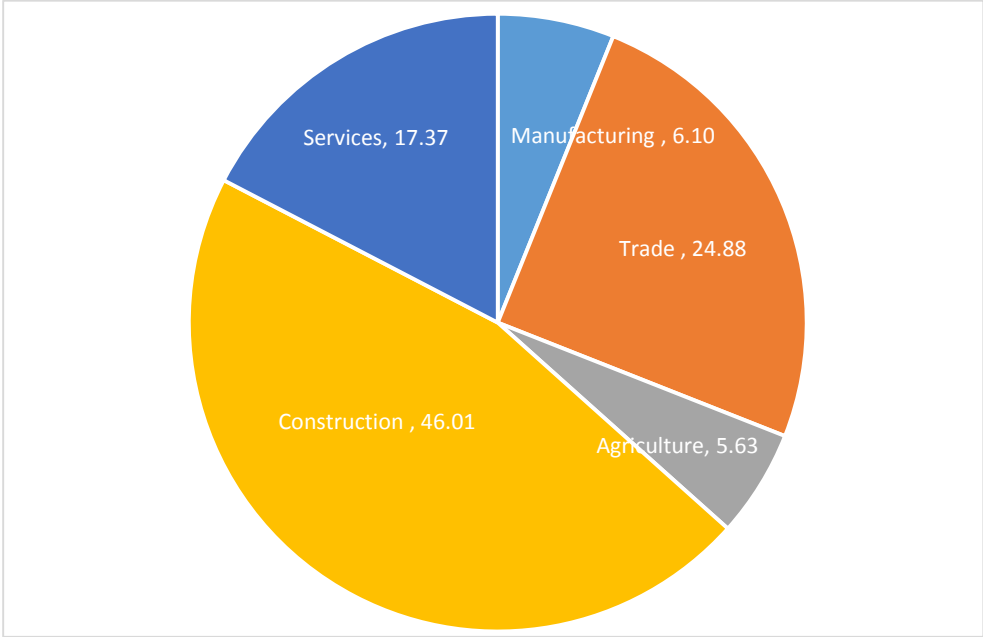
The data in Table 4.5 illustrated current job position of the respondents. According to the data of this Table, out-of Taxpayers participated in this study, 39.44% of them were currently working as an Accounts or Finance Head of the Taxpayers' business firm. Moreover, 27.23% of them were currently working as Owner and Manager of the firms. Furthermore, those respondents known only as Owners of the business firms accounts 13.15%. Accordingly, the participation of Owners of the Business firms in this study took highest share (49.38%, that is 13.15% as Owner and 27.23% as Owner and Manager) from the respondents categorized as Taxpayers. Yet the number of managers accounts 19.25% of the respondents categorized under Taxpayer.

This implies that, respondents participated in this study, particularly Accountants, Head of Finance and Management of the business firms were appropriate in that, they know the issue of Accounting and finance of the firm; they are responsible for financial transaction of the firm; they have a direct relationship with government offices responsible for Tax issues; and they are accountable and be able to prepare and approve Income statements and Balance Sheets of the business firms.

With regards to Tax Auditors, the data of the Table clearly showed that, 78.13% of them were those respondents assigned in Oromia Revenue Authority as Tax Auditor. In Addition 9.38% of them were officers assigned as Tax Audit Team Leader. The remaining few respondents were from Tax Investigator (6.25%) and Tax Assessors (3.13%).

Overall, according to the data of this Table, more than 86% of those respondents (Tax Auditors group) were those individuals assigned as Tax Auditor and Tax Audit Team Leader at Head Office of Oromia Revenue Authority. This indicated, the participation of appropriate respondents from Head Office of Oromia Revenue Authority to respond the questionnaire.

Figure 4.1: Business Types of the Taxpayers (%)



Source: Primarily data collected from field Survey- Taxpayers (September, 2017)

The data illustrated in Figure 4.1 showed that, among all 213 business types of the Taxpayers participated in this study, those Taxpayers from Construction sector accounts largest percentage share (46.01%). Following this, Taxpayers from Trade (24.88%) and Service sector (17.37%) were found at 2nd and 3rd levels respectively. The highest number of Taxpayer from Construction sector

may be associated with the notion that, construction industry is highly developing and increasing at present time in the country and the Region.

Besides, very few Taxpayers were participated from Manufacturing Industry (6.10%) and Agricultural (5.63%) sectors. Such small number of Taxpayers from Manufacturing Industry and Agricultural sectors at Head Office level of ORA, may be associated with that, most of the time those engaged on Manufacturing Industry are assigned to pay a tax at Federal level; and those involved on Agriculture were usually assigned to pay a tax at Local level.

In this regards, according to the data obtained from Oromia Revenue Authority information Desk, those investors licenced at Regional level and worked at different zones and district of Oromia are assigned to pay a tax at Head Office of Oromia Revenue Authority.

4.1.1.2. Tax Audit Practices

In this part respondents' responses regarding Tax Audit practices at Head Offices of Oromia Revenue Authority were presented. It basically focused on the types of tax audit frequently performed; Tax Audit case selection methods used; Audit techniques applied; frequency of audit performed; and the adequacy of tax audit resources.

Table 4.6: Respondents' View on the Ultimate goals of Tax Audit Program

Items	Taxpayers (N=213)		Tax Auditors (N=32)		Total	
	Mean	SD	Mean	SD	Mean	SD
Increasing government tax revenue	3.63	1.20	4.00	1.32	3.68	1.22
Increasing the compliance level of Taxpayers' to the tax laws	3.38	1.24	4.09	0.64	3.47	1.20
Creating deterrent effect on non-compliant Taxpayers	3.37	1.27	3.09	1.44	3.33	1.29
Detecting tax evasion and avoidances	3.61	1.18	3.94	1.05	3.65	1.17
Training the Taxpayers	2.24	1.44	2.63	1.36	2.29	1.43
Overall Results	3.25	1.36	3.55	1.32	3.29	1.36

Source: Taxpayers' and tax auditors Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

With regards the purposes of Tax Audit programs respondents were asked to rate the ultimate goals of the tax audit program at Head Office of Oromia Revenue Authority. Accordingly, the responses of both groups of the respondents were illustrated in Table 4.6 including five items (For further information see Appendix E).

As seen from the table, the overall practices of Oromia Revenue Authority, at Head Office to achieve ultimate Goals of Tax Audit was found at moderate level ($\mu=3.29$, $\sigma=1.36$); without significance differences between Taxpayers' and Tax Auditors in responding all items illustrated in the Table.

However, among the five items listed in the Table; item number one (Increasing government tax revenue: with $\mu=3.68$, $\sigma=1.22$); and item number four (Detecting tax evasion and avoidances: with $\mu=3.65$, $\sigma=1.17$) were identified as the top-two objectives in that the practices of Tax Audit at Head Office level of Oromia Revenue Authority was contributed more than the remaining other goals of Tax Audit listed in the Table.

On the other hand, the practices in the Region was less contributed for the success of Tax Audit objectives regarding Training the Taxpayers ($\mu=2.29$, $\sigma=1.43$); and Creating deterrent effect on non-compliant Taxpayers ($\mu=3.33$, $\sigma=1.29$).

Table 4.7: Major Activities Usually Performed by Tax Auditors during Tax Audit Period

Items	Taxpayers		Tax Auditors		Total	
	Mean	SD	Mean	SD	Mean	SD
Detecting noncompliance behavior of individual taxpayer	2.70	1.39	3.09	1.20	2.76	1.37
Gather information on the health of the tax system including compliance behavior	4.01	1.27	4.22	0.87	4.04	1.23
Training Taxpayers	2.33	1.41	2.66	1.07	2.37	1.37
Interpreting complex tax rules and regulations for Taxpayers	3.09	1.49	3.03	1.23	3.09	1.45
Identify areas of tax law that require clarification and amendment	3.21	1.37	3.63	0.75	3.26	1.31
Search for unregistered Taxpayers	3.30	1.29	3.59	1.29	3.34	1.29

Source: Taxpayers' and tax auditors' Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

With regards to major activities to be performed by Tax Auditors at Head Office of the Region; Taxpayers and Tax Auditors who participated in this study were asked to rate extent of practices of major activities usually performed by them during tax audit period. More specifically, six major activities were identified and presented for respondents to rate the practices at Head Office level.

According to the data illustrated in Table 4.7 and Appendix F, both groups of respondents were rated all items synonymously; and statistically significance differences was not observed between them. The data illustrated in the table showed moderate mean score for majority of Tax Audit activities identified by the respondents. Only one item was rated by respondents about higher level of practices at the Head Offices of Oromia Revenue Authority.

Accordingly, the data of this table showed that, the practices of gather information on the health of the tax system including compliance behavior ($\mu=4.04$, $\sigma=1.23$) was better performed by Tax Auditors of the Region than other activates expected from the Auditors. Next to this, as illustrated in the Table, an activities of Tax Auditors of the Region was relatively better in searching for unregistered Taxpayers ($\mu=3.34$, $\sigma=1.29$).

On the other hand, respondents rating results illustrated in the table showed that out of the six items listed in the table two of them have rated as they were not sufficiently performed by Tax Auditors of Oromia Revenue Authority at Head Office level. These includes: providing training for Taxpayers ($\mu=2.37$, $\sigma=1.37$); and detecting noncompliance behavior of individual taxpayer ($\mu=2.76$, $\sigma=1.37$). This means, Tax Auditors of the Region are not made sufficient efforts in creating Taxpayers' awareness that might help Oromia Revenue Authority to increase voluntary compliance of Taxpayers and to mitigate future compliance risks at its Head Office level. However, Tax Auditors were strong in gathering and collecting information on health of the tax system; which will be a supportive task for Tax Auditors of the Region at Head Office level.

Table 4.8: Types of Tax Audit Usually Practiced in Oromia Revenue Authority (by Tax Auditors)

Items	Count	Mean	SD	Min.	Max.
Desk Audit	32	4.03	0.967	2	5
Field Audit	32	4.19	0.821	2	5
Comprehensive Audit	32	4.25	0.440	2	5
Issue audit	32	3.50	0.672	2	5
Advisory audit	32	3.00	0.718	2	4
Registration Audit	32	2.91	1.279	1	5
Refund Audit	32	2.63	1.212	1	5
Fraud investigation	32	3.75	0.916	1	5

Source: Tax auditors' Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

In the questionnaire, Tax Auditors who participated from Head Office of the Region were asked to rate extent of practices of the types of Tax Audit at Head Office of Oromia Revenue Authority; and their responses were illustrated in Table 4.8.

According to the data of this Table, Comprehensive Audit ($\mu=4.25$, $\sigma=0.44$); Field Audit ($\mu=4.19$, $\sigma=0.82$); and Desk Audit ($\mu=4.03$, $\sigma=0.97$) were rated by the respondents 1st to 3rd level respectively.

This indicated that, the practices of Tax Audit at Head Office of the Region was primarily emphasized on a comprehensive examination of all information relevant to the calculation of a taxpayer's tax liability for a given period. Next to this Type of Tax Audit, the practices of Tax Audit at Head Office of Oromia Revenue Authority most of the time gave attention to a detailed examination of taxpayer's books and records to determine whether the correct amounts were reported on the tax returns. In such type of Tax Audit (Field Audit).Furthermore, the practices of Tax Audit at Head Office of Oromia Revenue Authority put emphasis on Desk audit which usually carried out annually and primarily based on a review of income tax and VAT returns, or basic ratios comparing with previous periods or other Taxpayers in similar industries; and the crosschecking of information included in the taxpayer files.

On the other hands among the eight types of Tax Audit listed in Table 4.8, Registration Audit ($\mu=2.91$, $\sigma=1.28$); and Refund Audit ($\mu=2.63$, $\sigma=1.21$) were not sufficiently practiced at Head Office of Oromia Revenue Authority as others. This indicated that, undertaking a pre-refund audit to verify the taxpayer's entitlement to a refund prior to processing a first refund claim particularly for new registrants were not get proper attention at Head Office of Oromia Revenue Authority. Moreover, the practices of Oromia Revenue Authority at Head Office level does not gave attention for performing Registration Audit, which is an unannounced visits to taxpayer's premises for new enterprises to detect businesses operating outside the tax system. That is, the practices of Tax Audit at Oromia Revenue Authority was not properly focused to ensures that the taxpayer has a basic understanding of their obligations; keeps appropriate records; and issues proper invoices required by law.

Regarding the criteria usually used for Tax Audit selections, Tax Auditors were asked to identify those criteria dominantly practiced at Head Office of Oromia Revenue Authority. According to their responses illustrated in Table 4.9, Amount of annual profit declared by Taxpayers and possible amount of tax to be collected ($\mu=4.41$, $\sigma=0.61$); evasion and fraud related information on Taxpayer ($\mu=4.38$, $\sigma=0.91$); long years of establishment of Taxpayers business firm ($\mu=4.19$, $\sigma=0.86$); presences of Taxpayers associated compliance risks ($\mu=4.16$, $\sigma=0.68$); frequency of Taxpayers complain on tax related issues ($\mu=4.13$, $\sigma=1.01$); and Taxpaying trends of the Taxpayers ($\mu=4.09$, $\sigma=0.64$) were identified as the top-six major selection criteria practiced at Head Office of Oromia Revenue Authority.

Table 4.9: Responses of Tax Auditors on Tax audit Selection Criteria Usually Practices in Oromia Revenue Authority (*For further information see Appendix H*)

Items	Count	Mean	SD	min	Max
Amount of capital and high tax potential of the Taxpayer	32	3.88	1.18	1	5
Long years of establishment of Taxpayers business firm	32	4.19	0.86	2	5
Amount of annual profit declared by Taxpayers and possible amount of tax to be collected	32	4.41	0.61	3	5
Number of Human resources in the Taxpayers business firm	32	3.69	1.23	1	5
Taxpaying trends of the Taxpayers: through Statistical techniques using prior tax audit results in conjunction with taxpayer data	32	4.09	0.64	3	5
Level of taxpayer's cooperation to give essential information necessary for performing an audit	32	3.94	0.88	3	5
Presences of Taxpayers associated compliance risks	32	4.16	0.68	3	5
Frequency of Taxpayers complain on tax related issues	32	4.13	1.01	2	5
Availability of required resource for tax audit	32	3.34	0.97	2	5
Evasion and fraud related information on Taxpayer	32	4.38	0.91	2	5
Through screening and case review; using criteria set for this purposes	32	3.91	0.93	1	5
Through data mining techniques that identifies patterns of noncompliance in the past and current circumstances	32	3.63	0.79	3	5
Proportionality of the types and number of business sectors of the Taxpayers	32	3.09	1.23	1	5
When Taxpayers reported tax returns less than previous period return	32	3.06	0.88	2	4
Automated risk scoring system that identifies risk of noncompliance of the Taxpayers	32	3.56	0.91	1	4
Relationship of the Taxpayers has with officials of the Authority (beneficial relationship and nepotism)	32	2.72	0.99	1	5
Using simple random sampling technique without any analysis	32	2.69	1.23	1	4
Simply by orders given from officials of the authority	32	2.81	0.90	1	4
Audit knowledge of Taxpayers behavior and environment	32	3.44	1.13	1	5

Source: Tax auditors' field Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

Moreover, Tax Audit selection criteria like: level of taxpayer's cooperation to give essential information needed for performing an audit ($\mu=3.94$, $\sigma=0.88$); through screening and case review; using criteria set for this purposes ($\mu=3.91$, $\sigma=0.93$); and amount of capital and high tax potential of the Taxpayer ($\mu=3.88$, $\sigma=1.18$) were also frequently practices at Head Office of Oromia Revenue Authority.

On the other hand, among nineteen items listed in Table 4.9, issues like proportionality of the types and number of business sectors of the Taxpayers ($\mu=3.09$, $\sigma=1.23$); Taxpayers reported tax returns less than previous period return ($\mu=3.06$, $\sigma=0.88$); simply by orders given from officials of the authority ($\mu=2.81$, $\sigma=0.90$); informal relationship of the Taxpayers has with officials of the Authority ($\mu=2.72$, $\sigma=0.99$); and using simple random sampling technique without any analysis

($\mu=2.69$, $\sigma=1.23$) were not frequently used as Tax Audit selection criteria at Head Office of Oromia Revenue Authority when compared to the remaining criteria listed in Table 4.9.

These clearly showed that the criteria used to select Taxpayers business firm for Tax Audit were focused on information come from Taxpayers than systematically organized strategies designed by Head Office of Oromia Revenue Authority. This indicated weak consideration of critical aspects of Tax Audit issues from Head Office of Oromia Revenue Authority sides.

Table 4.10: Tax audit Techniques Usually Practiced in Oromia Revenue Authority (*for further information see Appendix I*)

Items	Count	Mean	SD	min	Max
Analytical Review: A review of financial statements and returns are often completed during the preliminary stages of the audit. They are used to test the accuracy of Taxpayers' reported sales, cost of sales, or ending inventory	32	4.09	1.00	1	5
Field Examination: This include on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business	32	2.31	1.33	1	5
Record Examination: This include the examination of books and documents conducted at the taxpayer's business office or branches, counterpart examinations and examination of savings and deposit accounts	32	3.41	1.19	1	5
Investigative Approach: Such an approach uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources. It requires judgment, imagination and using information outside the accounting records to perform the audit	32	2.19	1.20	1	5
Counterpart Examination: It is an examination performed based on third party information to verify the taxpayer's income, for example: Financial institutions and public companies information on interest and dividends matched with what Taxpayers report in their tax return	32	3.66	1.43	1	5

Source: Tax auditors' field Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

The data illustrated in Table 4.10 showed that, all Tax audit techniques were to some extent practiced at Head Office of Oromia Revenue Authority. However, the practices of using Analytical Review, that is, reviewing financial statements and returns to test the accuracy of Taxpayers' reported sales, cost of sales, or ending inventory ($\mu=4.09$, $\sigma=1.00$); and Counterpart Examination, a technique of examination performed based on third party information to verify the taxpayer's income ($\mu=3.66$, $\sigma=1.43$) were relatively practiced higher than the remaining three Tax Audit techniques.

Moreover, the data of the Table also indicated that, a Tax audit Techniques known as Record Examination: which include the examination of books and documents conducted at the taxpayer's

business office or branches ($\mu=3.41$, $\sigma=1.19$) was also moderately practices at Head Office of Oromia Revenue Authority.

On the other hands, a technique known as Field Examination, which include on sight survey of the current conditions of the taxpayer’s business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business ($\mu=2.31$, $\sigma=1.33$); and Investigative Approach: an approach that uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources using information outside the accounting records to perform the audit ($\mu=2.19$, $\sigma=1.20$) were not practiced as other Tax Audit techniques at Head Office of Oromia Revenue Authority.

Table 4.11: Practices of Using Tax Audit Schedules/Timeframe for All Taxpayers

Responses	Taxpayers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Yes	59	27.70	14	43.75	73	29.80
No	154	72.30	18	56.25	172	70.20
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors’ field Surveys and own computation (September, 2017)

A plan is a set of action in the future. It consists of a detailed proposal to perform something in the scheduled timeframe. So, Tax Audit activities should be scheduled to effectively perform the intended objectives of the organization and to work Tax Audit activities in accordance with rules and regulations. However, the practices at Head Office of Oromia Revenue Authority was very much different from such facts and principles.

According to the data illustrated in Table 4.11, more than one-third of the respondents (70.20%) were not agreed the presence of schedules for Taxpayers that requires Tax audit works to be started and completed within a predetermined timeframe. In this regards, there was certain differences between the two groups of respondents; in that, the percentage of Taxpayers was (72.30%) much higher than that of Tax Auditors’ (56.25%) in refusing the presence of Tax Audit schedules.

On the other hands, out of all respondents, only 29.80% of them were agreed the presence of such schedules at Head Office of Oromia Revenue Authority. This indicated that, most of the time Tax Audit activities were done without schedules, unplanned and carried out arbitrarily. That is, there

was no time consideration by Tax Auditors of Oromia Revenue Authority when going in to Tax Audit activities of the Taxpayers.

Regarding frequency of Tax Audit to be carried-out at business firms of a Taxpayers; respondents were asked to rate the actual practices at Head Office of Oromia Revenue Authority; and the responses of the respondents were illustrated in Table 4.12.

Table 4.12: Frequency of Tax Audit performed at Taxpayers Business Firms

Items	Taxpayers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Every businesses firm was audited once a year	26	12.21	6	18.75	32	13.06
Every businesses firm was audited once within two years	37	17.37	8	25.00	45	18.37
On average any businesses firm was audited once within three years	89	41.78	10	31.25	99	40.41
A minimum every businesses firm was audited once within five years	40	18.78	7	21.88	47	19.18
It is difficult to describe its frequency; they were selected randomly	21	9.86	1	3.13	22	8.98
Total	213	100	32	100	245	100

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

According to the results illustrated in this Table, most of the respondents (40.41%) responded that, on average a Taxpayers' businesses firm was audited once within three years. Moreover, 19.18% of the respondents were responded as the businesses firm was audited once within five years. Additionally, 18.37% of the respondents were indicated as Taxpayers businesses firm was audited once within two years.

On the other hands, as illustrated in Table 4.12, those respondents who agreed the frequency of Tax Audit of the businesses firm once every fiscal year accounts only 13.06% of all respondents participated in this study. This was responded by 12.21% of Taxpayers and 18.75% of Tax Auditors.

In general, about 80% of both group the respondents were responded as the frequency of Tax Audit performed at every business firms' of the Taxpayers was every two or three years; even more than five years. Yet, significant number of respondents (8.98%) were also responded as it was difficult to describe the frequency; they were selected randomly.

Table 4.13: Tax Auditors Responses for Items Related to Tax Audit Resources

Items	Count	Mean	SD	Min	Max
There were well organized structure and suitable office for Tax audit functions	32	4.03	1.12	1	5
Tax audit has enough human resources to perform audits on all Taxpayers	32	2.91	1.30	1	5
There are enough material and equipment required for tax audit program	32	4.22	1.16	1	5
Required budget for Tax audit was sufficiently allotted every year	32	3.53	1.27	1	5
Computers and appropriate digital technology required for tax audit are accessed at Head Office of the Authority	32	4.28	1.08	1	5

Source: Tax auditors' field Surveys and own computation (September, 2017)

Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

With regard to the availability of resources required for tax audit, the data illustrated in Table 4.13 showed tax auditors rating results. According to the responses of tax auditors, Oromia Revenue Authority was arranged and organized tax audit function with computers and appropriate digital technology required for tax audit at Head Office level ($\mu=4.28, \sigma=1.08$). Moreover, tax auditors also rated highest mean score ($\mu=4.22, \sigma=1.16$) regarding the availability of enough materials and equipment's required for tax audit programs at Head Office of Oromia Revenue Authority. In a similar manner, issues regarding availability of organized structure and suitable office for tax audit function was also rated higher mean score by Tax Auditors' ($\mu=4.03, \sigma=1.12$).

On the other hands, as can be seen from the table, the issue of having sufficient human resources needed for tax audit at regional level ($\mu=2.91, \sigma=1.30$) was not fully available to perform tax audit activities at all Taxpayers' business firms. In addition, regarding the allocation of required budget for tax audit activities was rated by the respondents 3.53 mean value ($\sigma=1.27$); indicating about moderate level of budget allotted every year for tax audit activities of the region.

In general, the data of the table clearly indicated that, the Authority had faced a problem in having enough human resources (particularly Tax Auditors) than office facilities, equipment's and digital technology required for tax audit at Head Office level of Oromia Revenue Authority.

Regarding overall practices of Tax audit, both group of respondents were further asked to evaluate the current practices carried-out at regional level: Head Office.

As can be seen from the data of Table 4.14, majority of Taxpayers were responded as the practices were Poor (45.07%) and Very Poor (21.13%). Moreover, 20.66% of them were rated 'Satisfactory'. On the Other hands, only 4.23% and 8.92% of the Taxpayers were rated the practices of Tax audit of the Region Excellent and Very Good respectively. In this regards, the mean score calculated for

Taxpayers' responses ($\mu=2.30$, $\sigma=1.03$) also revealed poor practices of Tax audit at Head Office of Oromia Revenue Authority as perceived by Taxpayers.

Table 4.14: Respondents Ratings on Overall Practices of Tax Audit in Oromia Revenue Authority

Responses	Taxpayers		Tax Auditors		Total	
	Count	%	Count	%	Count	%
Excellent	9	4.23	2	6.25	11	4.49
Very Good	19	8.92	4	12.50	23	9.39
Satisfactory	44	20.66	11	34.38	55	22.45
Poor	96	45.07	10	31.25	106	43.27
Very Poor	45	21.13	5	15.63	50	20.41
Total	213	100	32	100	245	100
Mean	2.30		2.63		2.34	
SD	1.03		1.10		1.05	

Source: Taxpayers' and tax auditors' Surveys and own computation (September, 2017)

Likewise, the responses of Tax Auditors illustrated in the Table also showed that, about one-third of them (34.38%) were rated overall practices of tax Audit at the regional level 'Satisfactory'. Whereas, large number of them were responded as the practices were Poor (31.25%) and Very Poor (15.63%). Those Tax Auditors who rated Excellent and Very Good were accounts only 6.25% and 12.50% respectively. The mean results ($\mu=2.63$, $\sigma=1.10$) of Tax Auditors rating also confirmed below satisfactory level of Tax Audit practices at Head Office of Oromia Revenue Authority.

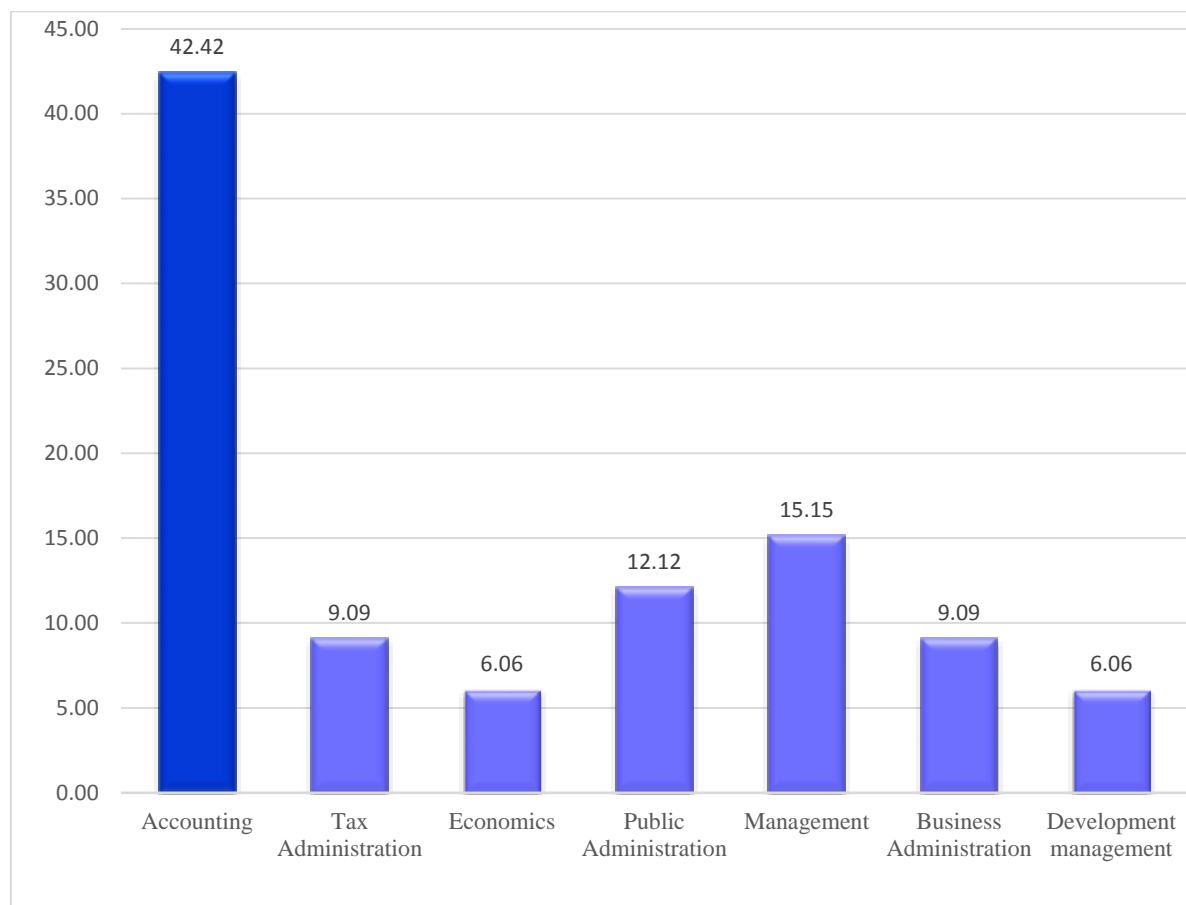
Furthermore, according to the responses of both groups of respondents, illustrated in the Table; majority of the respondents (43.27%) were rated current practices of Tax Audit at Head Office of the Region 'Poor'. In addition, 20.41% of them had rated 'Very Poor'. Only 4.49% and 9.39% of both groups of the respondents were rated the practices 'Excellent and Very Good' respectively.

Besides, the mean score calculated for both groups of the respondents illustrated in last row of Table 4.14 ($\mu=2.34$, $\sigma=1.05$) also showed as the practices of Tax audit at Head Office level of the Region was Poor. These clearly confirmed that, inefficiency of Tax audit practices at Head Office of the Region.

4.1.1.3. Tax Auditors' Proficiency and Competency

In this part data collected regarding extent of tax auditors' proficiency and competency were presented using figures.

Figure 4.2: Tax Auditors' Professional Qualification (Field of Studies)



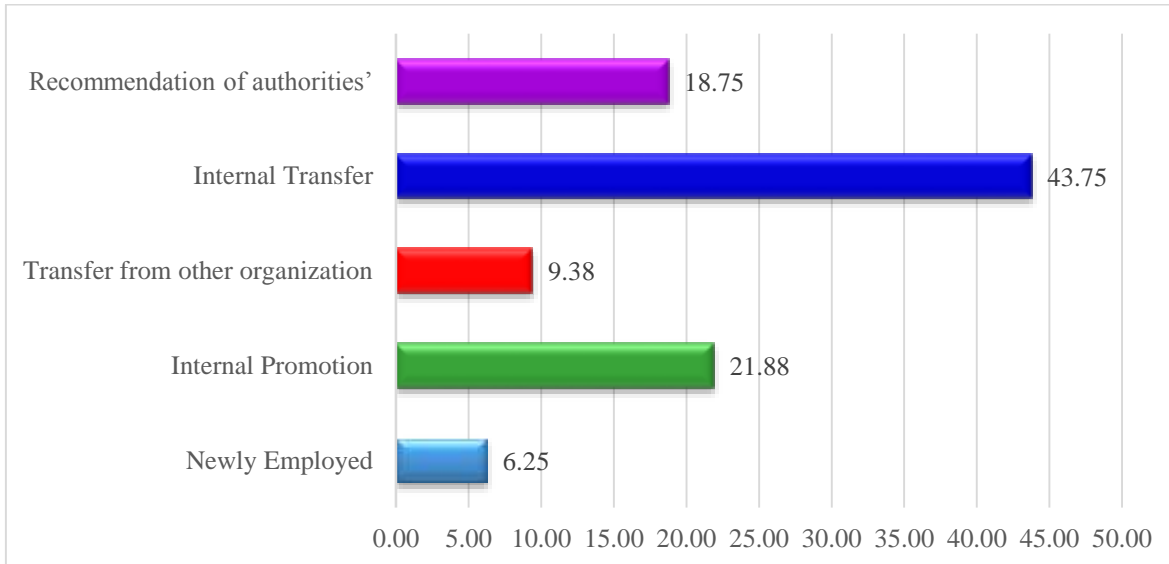
Source: Tax auditors' field Surveys and own computation (September, 2017)

With regards to professional qualification (field of studies) of individuals assigned as Tax Auditor, Accounting was strongly recommended. However, according to the data illustrated in Figure 4.2, the practices in Oromia Revenue Authority is very much different from this facts. More than half of the Tax Auditors (57.58%) were from non-Accounting field of studies. Those Tax Auditors qualified with Accounting field of studies accounts only 42.42% of the Tax auditors currently working at Head Office of Oromia Revenue Authority. In addition, few number of Tax Auditors were also qualified with Tax Administration (9.09%) field of studies.

The remaining Tax Auditors were studied Management (15.15%), Public Administration (12.12%), Business Administration (9.09%), Economics (6.06%) and Development Management (6.06%).

In this regards, according to information obtained from Oromia Public Service and Human Development Bureau, a Job specification for Financial Auditors requested qualification in Accounting and relevant work experiences in the areas of Auditing.

Figure 4.3: Mode of Assignment of Tax Auditors' to Current Job Position (%)



Source: Tax auditors' field Surveys and own computation (September, 2017)

In the questionnaire, Tax Auditors were asked to respond how they were assigned to current job position. Accordingly, respondents results illustrated in Figure 4.3 showed that, majority of Tax Auditors were assigned to their current jobs through internal transfer (43.75%). Moreover, some of them were assigned by recommendation of Authorities of the Region (18.75%) and internal promotion (21.88%) held at Oromia Revenue Authority.

As can be seen from the Figure, the number of Tax Auditors newly employed and assigned at the job position accounts only 6.25% of all Tax Auditors participated in this study. This indicated that, the practices of getting and having new Tax Auditors at Head Office of Oromia Revenue Authority was negligible. However, the Head Office was strongly practiced internal transfer in this regards.

Table 4.15: Training Offered for Tax Auditors Regarding Tax Audit Related Issues

Responses	Count	%
Yes	13	40.63
No	19	59.38
Total	32	100

Source: Tax auditors' field Surveys and own computation (September, 2017)

On the basis of facts associated with training activities in an organization, respondents were asked to respond whether they attended or not any training program related to their current job position

(Tax Audit) by Head Office of Oromia Revenue Authority in the recent past two years; and their responses were illustrated in Table 4.15.

As illustrated in this Table, majority of the respondents (59.38%) were responded that they did not attended any training programs related to their job during the past two years of their services at Head Office of the Region. Only 40.63% of them agreed their participation on one or more Tax Audit related training programs during the years mentioned above.

These respondents who responded their participation of training programs were further asked to indicate topics of training and years of the program they were attended in the recent past two years. With regard to topics of the training they received during the stated years; they mentioned topics like utilization of Tax Audit manuals, Auditing using SIGTAS software, Program Budgeting, and Balanced Scored Cared. Concerning years of their participation on training programs of the Office; most of the respondents were not specified years of their attendance of the training programs. Nevertheless, those who stated the years were responded as they were attended most of the trainings during 2011/12 to 2013/14 budget years.

In general, the data illustrated in Table 4.15 and the above mentioned responses of these respondents agreed their participation on training programs during the last two years shows that the participation of Tax Auditors of the Region on different training programs was very low.

Table 4.16: Tax Auditors' Self Evaluation Results on their Competency (*For further information see Appendix J*)

Items	Count	Mean	SD	Min	Max
Understanding and knowledge of Tax related rules and regulation	32	3.41	0.87	2	5
Experience and capacity on Tax audit functions	32	3.06	0.91	1	5
Positive attitude towards Taxpayers	32	2.44	1.01	1	4
Team-work and working in collaboration among themselves	32	3.75	0.92	2	5
Effort made to improve their knowledge and skills	32	3.44	0.91	2	5
Properly serving and solving problems of Taxpayers	32	2.28	1.05	1	5
Impartiality and neutrality of Tax auditors	32	2.72	1.25	1	5
Overall Results	32	3.01	1.11	1	5

Source: Tax auditors' field Surveys and own computation (September, 2017)

Scales: 5=Excellent, 4=Very Good, 3=Good, 2=Poor, and 1=Very Poor

An employee who would be assigned on Tax Audit job position is expected to have behavior and competency like: sufficient understanding and knowledge on tax related rules and regulation;

positive attitude towards Taxpayers; team-work and working in collaboration; making continuous effort to improve their knowledge and skills; appropriately serving and solving Taxpayers' problems; and free from partiality and neutrality at work place (ORA's Employees Management Regulation Reg. No., 160/2012).

With regards to this, the responses of the respondents illustrated in Table 4.16 showed Moderate level of Tax Auditors' competency ($\mu=3.01$, $\sigma=1.11$) in performing their current jobs at Head Office of Oromia Revenue Authority. However, they are relatively better with regards to working in collaboration among themselves ($\mu=3.75$, $\sigma=0.92$); effort they made to improve their knowledge and skills ($\mu=3.44$, $\sigma=0.91$); and their understanding of tax related rules and regulation ($\mu=3.41$, $\sigma=0.87$).

On the other hands, the least rating result was identified regarding properly serving and solving Taxpayers' problems ($\mu=2.28$, $SD=1.05$); attitude towards Taxpayers ($\mu=2.44$, $\sigma=1.01$); and Impartiality and neutrality of Tax auditors ($\mu=2.72$, $\sigma=1.25$).

These indicated Tax Auditors were agreed that, they are comparatively focused and had the ability to achieve personal matters than major issues related to their job position and objectives of the organization.

4.1.1.4. Major Challenges of Tax Audit Practices

In this part responses of the respondents regarding the third research question; that is, major challenges of tax audit practices at Head Office of Oromia Revenue Authority were presented. In this regard, 16 items as the possible challenges of tax audit practices were identified from extensive literature review were presented for the respondents to rate their severity at Head Office level of Oromia Revenue Authority. Accordingly, the rating results of both groups of the respondents were illustrated in Table 4.17 (*For further information see Appendix G*).

According to the data of this table, the maximum rating result ($\mu=4.208$, $\sigma=0.927$) was identified regarding the tradition of corruption; and the minimum mean score was ($\mu=3.008$, $\sigma=1.181$) regarding inadequacy of resource and facilities required for tax audit at the Region. However, as can be seen from the data of the table, statistically significant difference was not observed between two groups of respondents in responding the remaining 15 items.

Table 4.17: Major Challenges to the Practices of Tax Audit in Oromia Revenue Authority

Items	Taxpayers		Tax Auditors		Total	
	Mean	SD	Mean	SD	Mean	SD
Traditions of Corruption: Request for informal payments to get things done in the course of Tax assessment and Tax audit	4.27	0.93	3.78	1.16	4.208	0.927
Inflated estimation of tax amount on Taxpayers and unfair volume of tax among similar businesses in the same proximity	4.15	1.04	3.88	1.24	4.114	1.035
Not properly responding the compliance of Taxpayers on time by ORA	4.08	0.97	3.81	1.20	4.045	0.966
Taxpayers were consider illegal business practices as best way of doing business	3.92	1.10	4.06	0.84	3.939	1.098
Absences of reliable and up-to-date data and records keeping among Taxpayers	3.80	1.03	3.97	0.93	3.824	1.032
Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities	3.77	1.14	3.72	0.92	3.763	1.145
Negative attitude towards tax paying practices among Taxpayers	3.58	1.21	3.56	1.39	3.576	1.213
Limited capacity of management and leadership on the part of Oromia Revenue Authority on tax audit administration	3.48	1.25	3.56	1.34	3.494	1.250
Inconsistency and frequent changes of regulations and laws related to Tax audit practices	3.38	1.33	3.50	1.05	3.396	1.332
Weak understanding of tax related rules and regulations among Taxpayers	3.24	1.23	3.53	1.32	3.278	1.234
Interference of others on Tax Audit responsibilities	3.30	1.32	3.09	1.17	3.269	1.322
Taxpayers are not cooperative to give proper information for tax auditors	3.20	1.07	3.22	1.24	3.200	1.072
Lower level of Taxpayers' educational background	3.10	1.07	3.41	1.32	3.139	1.070
Improper work environment and poor office arrangements for Tax audit practices	3.07	1.20	3.41	1.32	3.114	1.201
Lack of clarity of policy, regulations and legal frameworks regarding Tax Audit	2.98	1.30	3.34	1.04	3.024	1.297
In adequacy of resource and facilities required for Tax Audit	2.97	1.18	3.25	1.39	3.008	1.181

Source: Taxpayers and tax auditors' field Surveys and own computation (September, 2017)

Scales: 5=Very Sever Challenge, 4=Sever, 3=Moderate, 2=Minor, and 1=Inconsiderable Challenge

This results illustrated in the Table indicated the following six items as highly severe challenges that strongly affect the practice of Tax Audit at Head Office level of Oromia Revenue Authority. They are: Traditions of Corruption: request for informal payments to get things done in the course of Tax audit ($\mu=4.208$, $\sigma=0.927$); Inflated estimation of tax amount on Taxpayers and unfair volume of tax among similar businesses in the same proximity ($\mu=4.114$, $\sigma=1.035$); Not properly responding the compliance of Taxpayers on time by Oromia Revenue Authority ($\mu=4.045$, $\sigma=0.966$); Taxpayers

were consider illegal business practices as best way of doing business ($\mu=3.939$, $\sigma=1.098$); Absences of reliable and up-to-date data and records keeping practices among Taxpayers ($\mu=3.824$, $\sigma=1.032$); and Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities ($\mu=3.763$, $\sigma=1.145$).

Moreover, the results illustrated in table 4.17 further showed that, negative attitude towards tax paying practices among Taxpayers ($\mu=3.576$, $\sigma=1.213$); limited capacity of management and leadership on the part of Oromia Revenue Authority ($\mu=3.494$, $\sigma=1.250$); and inconsistency and frequent changes of regulations and laws related to Tax audit practices ($\mu=3.396$, $\sigma=1.332$) were moderately affect the practice of the tax audit in the Region.

Besides, though their rating results indicted moderate level of their influence on the practice of tax audit at Head Office of the Region; the following challenges were identified as the least factors among the 16 items listed in the Table. They are: - Inadequacy of resource and facilities required for Tax Audit ($\mu=3.008$, $\sigma=1.181$); Lack of clarity of policy, regulations and legal frameworks regarding Tax Audit ($\mu=3.024$, $\sigma=1.297$); Improper work environment and poor office arrangements for Tax Audit practices ($\mu=3.114$, $\sigma=1.201$); and Lower level of Taxpayers' educational background ($\mu=3.139$, $\sigma=1.070$).

In addition to close-ended questions of the questionnaire respondents were further asked to state additional problems and obstacles that have been affecting the practice of tax audit at Head Office the Region. Accordingly, they responded that, the following issues were among mentioned major problem:- Lack of qualified human resource at Head Office level of Oromia Revenue Authority; Not properly utilized software required for tax audit purposes; Network problems, while paying a tax; Electric power faller and frequent disruption of power supply; Absence of strategy and systems at Oromia Revenue Authority that enable to treat Taxpayers complaints; Unable to differentiate those Taxpayers accomplish their responsibility and those did not governed by rule of a law; Lack of competence and unethical behavior observed among tax auditor; Impartiality and nepotism practices among tax auditors; Oromia Revenue Authority and tax auditors are not ready to support Taxpayers; and Mischievous practices of Taxpayers in declaring the tax.

4.1.2. In-depth Interview Results

The interview was administered with Deputy Head, Tax Audit Director and Tax Auditors Coordinator of Oromia Revenue Authority. An interview question were developed based on research

objectives and classified in to three major categories depending on specific research questions. So, interview responses were organized and presented classifying in to three groups as follows.

Under this part primarily interviewees' were asked major questions regarding Tax Audit practice at Head Offices of Oromia Revenue Authority. The questions were basically focused on the types of tax audit frequently performed; Tax Audit case selection methods used; Tax Audit techniques usually applied; frequency of audit performed; and the adequacy of tax audit resources. Accordingly, their responses were presented with the questions raised for the interviewees as follow.

The first question raised was "How do the officials describe the ultimate goals of tax audit program in Oromia Revenue Authority." They responded the question by saying, the audit program at Head Office level focused on large Taxpayers. Particularly, those business firms of the Taxpayers licensed at Regional level and worked at different zones and district of the Region are assigned to pay a tax at Head Office level. They argued that those Taxpayers has large tax potential, has massive impact on investment and other economic development of the Region and the Country at large. They further stated that, since such Taxpayers can contribute a highest amount of tax revenue as well as have complex structure, and multiple operating entities; they are assigned to pay a Tax at Head Office of the Region.

As a result, the purpose of tax audit is primarily to properly collect government tax revenue; to increasing the compliance level of Taxpayers' to the tax laws; and to detecting tax evasion and avoidances among Taxpayers. Further, the responses of the interviewees' showed that Head Office of Oromia Revenue Authority used tax audit as a compliance enforcement tool to collect unpaid taxes from Taxpayers and to encourage Taxpayers to voluntarily discharge their tax obligations.

The interview respondents further stated that the issue of Taxpayers' awareness creation is unquestionable to increase voluntary compliance and to mitigate compliance risks. However, though, they tried to create tax awareness through electronic media, printed materials, websites, and few face-to-face discussion forum; with Taxpayers they responded as they did not strongly emphasize on supporting Taxpayers and offering training to them as the ultimate goals of tax audit program in Oromia Revenue Authority.

Another question raised in relation to the practices of Tax Audit was "what are the major activities tax auditors usually perform during tax audit period?" The interview respondents stated that, tax auditors of the Head Office had basically gather information from business firms of the Taxpayers and third parties such as banks, and generally enforce payment of tax. Moreover, they stated activities like: gathering information on the health of the tax system including compliance behavior;

searching unregistered Taxpayers; and detecting noncompliance behavior of individual taxpayer as an activities tax auditors frequently perform during tax audit periods. According to the responses of those Officials, the noncompliant Taxpayers are penalized and enforced to pay the evaded tax with penalty and interest so as to maximize their future compliance as well as to educate others to comply by publicizing such enforcement.

Concerning Types of tax audit frequently performed; the interviewees were asked to respond; “What types of Tax Audit are usually performed by Tax Auditors at Head Office of Oromia Revenue Authority?”

Accordingly, they responded as Comprehensive Audit; Field Audit; and Desk Audit were frequently performed by Tax Auditors at Head Office of Oromia Revenue Authority. They further explain that, the practices of Tax Audit at Head Office of the Region was primarily emphasized on a comprehensive examination of all information relevant to the calculation of a taxpayer’s tax liability for a given period. In such type of Tax Audit, the objective is to determine the correct tax liability for a tax return as a whole.

Moreover, in the practices of Field Audit type of Tax Audit, most of the time attention was given to a detailed examination of taxpayer’s books and records to determine whether the correct amounts were reported on the tax returns. Furthermore, as to the responses of the interviewees, the practices of Tax Audit at Head Office of Oromia Revenue Authority put emphasis on Desk audit which primarily based on a review of income tax and VAT returns, or basic ratios comparing with previous periods or other Taxpayers in similar industries; and the crosschecking of information included in the taxpayer files.

The interview results also revealed that Oromia Revenue Authority sometimes conducts Fraud investigation audit at Head Office level based on the information that comes from various sources with evidence regarding the deliberate evasion and serious fraud.

On the contrary, the interview respondents were agreed that, among the known types of Tax Audit, registration Audit and Refund Audit were not sufficiently practiced at Head Office of Oromia Revenue Authority. This means, undertaking a pre-refund audit to verify the Taxpayers’ entitlement to a refund prior to processing a first refund claim were not get proper attention at Head Office of Oromia Revenue Authority. Moreover, they did not gave attention for performing an unannounced visits to taxpayer’s premises for new enterprises to detect businesses operating outside the tax system. That is, the practices of Tax Audit at Oromia Revenue Authority was not properly focused

to ensures that the taxpayer has a basic understanding of their obligations; keeps appropriate records; and issues proper invoices required by law.

In relation to Tax audit case selection methods used; the Officials were asked to respond a question regarding the conditions and major criteria usually used by Oromia Revenue Authority to decide the need for tax audit of a certain Taxpayer.

As testified by the interview responses of the officials, the segments and sectors of Taxpayers have been selected based on their associated compliance risk for audit. The interview respondents further stated risk criteria that include: the trend of delay in tax payment, non-filing tax returns, nil tax declaration, showing abnormal and repetitive loss report, profits significantly deviated from previous periods, report of too deviated margin from the sector, over claimed deductions, unusual credit, and past case histories of Taxpayers’.

In addition, the interview results further confirmed that, the potential amount of tax revenue that might be found with the target taxpayer and the capability of that particular taxpayer to pay tax owed have been considered to perform an audit work.

The interviewees were further responded that, for the purpose of audit case selection, Oromia Revenue Authority has partially implemented automated tax return filing systems. As a result, the Head Office of Oromia Revenue Authority to some extents have been using case selection system or random selection and risk-based approach simultaneously.

Regarding Audit techniques applied at Head Office of Oromia Revenue Authority, the Officials were asked to describe which Tax Audit Techniques are usually applied by auditors of Oromia Revenue Authority auditor to collects audit evidence from Taxpayers. Accordingly, they were responded as all types of Tax Audit techniques were practiced at Head Office of the Region. Nevertheless, the practices of reviewing financial statements and returns of the Taxpayers to test the accuracy of reported sales, cost of sales, or ending inventory; a technique that focuses on examining a third party information to verify the taxpayer’s income were relatively practiced at Head Office of Oromia Revenue Authority.

Nevertheless, according to interview responses the Officials, on sight survey of the current conditions of the taxpayer’s business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business; and an approach that uses information obtained through observation, discussion, documents or records obtained from either

the taxpayer or other sources were not usually practices as other Tax Audit techniques at Head Office of Oromia Revenue Authority.

In relation to the frequency of Tax Audit performed at Head Office of Oromia Revenue Authority, those respondents selected for interview were asked a question that emphasized on existence and utilization of schedules for all Taxpayers that necessitates Tax audit works to be started and completed within a predetermined timeframe.

However, the officials were not strongly approved the practices frequent utilization of schedules for all Taxpayers that requires Tax audit works to be started and completed within a predetermined timeframe. Nevertheless, they responded that, there were a practices of having and using annual plan for Audit activities at department and work unit levels.

Since planning requires a detailed proposal of activities to be perform in scheduled timeframe; it demanded Oromia Revenue Authority's tax Audit activities at Head Office to be planned showing the times when they are intended to be done at Taxpayers business firms. In this regard, however, the Officials were not surely responded as the practices of carrying-out Tax Audit of the Taxpayers on scheduled manner efficient.

Moreover, those Officials were asked "How frequently Tax Audit was performed at every business firms of the Taxpayer by Tax auditors of Oromia Revenue Authority?" In their responses, they could not indicated specific time-frame and frequencies by which every Taxpayers' business firm was audited. They said that, as much as possible some of them were audited annually or once within two years. They also replied, as it was difficult to describe the frequency of Tax Audit practices carried-out at business firms of every Taxpayers. This indicated the agreements of interview respondents that, most of the time Tax Audit activities were done at Taxpayers business firm without having and using schedules haphazardly.

With regard to the availability of resources required for tax audit, the responses of Officials for interview questions did not showed scarcity and shortages in this regards. According to the responses of those Officials, Oromia Revenue Authority was arranged and organized tax audit function using appropriate software required for tax audit at Head Office level. Moreover, they responded that, materials and equipment' required for tax audit programs at Head Office of Oromia Revenue Authority were sufficiently availability. On the other hands, they reflected that, the issue of having sufficient human resources needed for tax audit at regional level was not fully available to perform tax audit activities at all Taxpayers' business firms.

Regarding proficiency and competency of tax auditors, interviewees were asked to explain the competency of Tax Auditors currently working at Head Office of Oromia Revenue Authority.

According to the results of interview responses, tax auditors were employed and assigned at Head Office of Oromia Revenue Authority basically on their level of education and experiences (audit related work experience is more preferable to assign them on Auditing job position). Additionally, the interviewees were also stated that, every recruited Tax auditor's should have good ethical behavior. Moreover, they stated that, most of the time they were assigned to current job position through internal transfer and promotion than recruiting new Tax Auditor from labor market.

According to the responses of those Officials, most of the time, a person assigned on Tax Auditor job position is expected to graduate in Accounting field of studies. However, when individuals with Accounting was not available, the Office was forced to assign others who was qualified in the field of studies like Public Administration, Management, Business Administration, Development Management, and other graduates on Tax Audit job position.

Those interviewees further stated that, at the time of assignment, all individuals employed and assigned on Tax Audit Job position are expected to attend training regarding government policies and strategies, tax related rules and regulations, and certain basic theories of audit for a week. Nevertheless, the officials revealed that there is no a well-established strategies that make Tax Auditors competent and efficient on their job on continuous bases.

Regarding Tax auditors' ability, they said that, tax auditors have not standardized knowledge regarding clarification of unclear tax rules and regulations, and are incoherent in giving information regarding identical tax issues. In addition, tax auditors lack willingness to give advising services to Taxpayers rather they simply intimidate them by raising the consequence of not being compliant.

With regards to extent of competency of the Auditors, the responses of the Officials disclosed Moderate level of their competency in performing Tax Audit jobs at Head Office of Oromia Revenue Authority. However, they agreed that, Tax Auditors were relatively made an attempt to work in collaboration among themselves; and made effort to improve their knowledge and skills. The responses of those interviews, however, not denied that, Tax Auditors currently working at Head Office of Oromia Revenue Authority, were mostly focused to achieve their own personal matters than major issues related to their job position and the attainment of objectives of the organization.

With regards to challenges that influence the practices of Tax Audit at Head Office of Oromia Revenue Authority; the interviewees were asked to identify the major once. Accordingly they

identified the following as the most critical challenges that has been influencing the success of Tax Audit practices at Head Office of Oromia Revenue Authority.

- Wrong perception of Taxpayers on the estimation of tax amount; they perceived as it was inflated and unfair among similar businesses in the same proximity
- Taxpayers were consider illegal business practices as best way of doing business
- Absences of reliable and up-to-date data and records keeping among Taxpayers
- Weak coordinated efforts among sector offices of the Region engaged on Tax audit related responsibilities
- Negative attitude towards tax paying practices among Taxpayers
- Rumor on traditions of Corruption among Tax Auditors and Taxpayers
- Weak understanding of tax related rules and regulations among Taxpayers
- Taxpayers are not cooperative to give proper information for tax auditors
- Lack of competence and unethical behavior observed among Taxpayers
- Lack of qualified human resource from labor market (particularly Tax Auditors)
- Frequent disruption of Electric power supply

According to the responses of those Officials, most of the challenges encountered Tax Audit practices at Head Office of Oromia Revenue Authority were associated with Taxpayers than Tax Auditors, Organizational set-up of Oromia Revenue Authority, and Tax related rules and Regulations.

4.2. Discussion

This section presents the analysis and interpretation of the results having the necessary data collected and presented in section 4.1 to come up with meaningful patterns. Accordingly, the results obtained under different methods are jointly analyzed to address each research question.

As stated in the literature review, a tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax liability and fulfilled other obligations. These issues will include any indications of significant unreported income or potentially over-claimed deduction items that may be apparent from an examination of a taxpayer's tax return and other information (OECD 2006a). So, Tax Audit become a bridge that is believed to connect Taxpayers with the tax authority. And it could also fill the gap by exposing tax evaders and teaching those that have knowledge gap on the tax laws. Thus, the major purpose of this study was to assess the practices and challenges of tax audit at Head Office of Oromia Revenue Authority.

In order to achieve the objective of the study, a primary data were collected from Taxpayers, Tax Auditors and Officials from Head Office of Oromia Revenue Authority using questionnaire and interview. The questionnaires were initially distributed to a total of 259 respondents and 245 (94.59%) of them were appropriately filled and returned. Moreover, the interview was administered with Deputy Head, Tax Audit Director and Tax Auditors Coordinator of Oromia Revenue Authority. Among those respondents the number of female respondents accounts only 22.54% of Taxpayers and 28.13% of Tax auditors. With regards to their age, majority of the respondents were found between 30-50 years old. Concerning their educational backgrounds most of them (78.13%) were with bachelor degree level of education. Moreover, most of the respondents' work experiences was lie above five years (75.51%). Concerning their business types, the result indicated that, those Taxpayers from Construction sector accounts largest percentage share (46.01%); followed by Trade (24.88%) and Service sector (17.37%). In this regards, according to the data obtained from Oromia Revenue Authority information Desk, those investors licenced at Regional level and worked at different zones and district of Oromia are assigned to pay a tax at Head Office level. Consequently, the highest number of Taxpayer from Construction sector may be associated with the notion that, construction industry is highly developing at present time in the country and the Region.

4.2.1. Tax Audit Practices

At the initial parts of the questionnaire and interview respondents were asked to reflect their view about the ultimate goals of carrying-out Tax Audit at Head Office of the Authority. Accordingly, the findings of this study indicated that, overall practices of Oromia Revenue Authority to achieve ultimate goals of Tax Audit at Head Office was found at moderate level ($\mu=3.29$). However, among the items included as major objectives of Tax Audit; increasing government tax revenue, and detecting tax evasion and avoidances were identified as the top-two objectives contributed more than the remaining other goals of Tax Audit practices at the Authority. On the other hand, the practices in the Region was less contributed for the success of Tax Audit objectives in offering training for Taxpayers, and creating deterrent effect on non-compliant Taxpayers.

Moreover, interview responses also showed that, the purpose of tax audit is primarily to properly collect government tax revenue; to increase the compliance level of Taxpayers' to the tax laws; and to detect tax evasion and avoidances among Taxpayers. Further, interview responses showed that, the Head Office used tax audit as a compliance enforcement tool to collect unpaid taxes from Taxpayers and to encourage Taxpayers to voluntarily discharge their tax obligations.

In relation to this, as stated by Barreca and Ramachandran (2004), the purpose of tax audit is to check the evasion of tax and ensure compliance in accordance with the laws and regulations. Moreover, as indicated on Tax Audit Booklet of the Authority, taxation has been used for the purpose of raising as much revenue as possible to meet the ever-expanding public expenditure needs of the government. It is also used as a mechanism for reduction of inequalities in income distribution, promotion of capital investment and trade, encouraging certain industries depending on how suitable for country's economic development program (Lemmesa, et.al, 2012).

Another question raised for the respondents was concerned about major activities carried out by the Tax Auditors at the Authority while conducting a tax audit. With regards to this, the findings of this study showed moderate level of performance for majority of Tax Audit activities identified by the respondents. Only one item was rated by respondents about higher level of practices at the Head Offices of the Authority. Accordingly, the practices of gather information on the health of the tax system including compliance behavior ($\mu=4.04$) was better performed by Tax Auditors of the Region than other activates expected from the Auditors. Next to this, an activities of Tax Auditors of the Region was relatively better in searching for unregistered Taxpayers ($\mu=3.34$).

On the other hand, the results showed that out of all items identified by respondents; providing training for Taxpayers ($\mu=2.37$); and detecting noncompliance behavior of individual taxpayer ($\mu=2.76$) were rated as they were not sufficiently performed by Tax Auditors of the Authority at Head Office level. This means, Tax Auditors of the Region are not made sufficient efforts to create Taxpayers' awareness that might help Oromia Revenue Authority to increase voluntary compliance of Taxpayers to mitigate future compliance risks at its Head Office level. This may lead to lower level of Taxpayers' awareness and to be incapable to understand the stated tax rules and regulations as well as the forms and instructions provided by Head Office of the Authority.

Moreover, an interview responses also indicated similar answer with respondents of the questionnaire. They said that, Tax Auditors were strong in gathering and collecting information on health of the tax system than other tasks of Tax Audit expected to be practiced at Head Office of the Region.

In relation to this as argued by Sarfo (2015), Tax Auditors at any level is expected to perform major activates like: detecting noncompliance behavior of individual taxpayer; gather information on the health of the tax system including compliance behavior; providing training for Taxpayers; explaining complex tax rules and regulations for Taxpayers; and other similar tasks. Besides these fundamental roles, tax auditors also have to interpret complex provisions of the tax laws, carry out

thorough examination of the records of the taxpayer, as well as engage in numerous interactions with them, since the auditors represent the tax revenue body. However, the practices at Head Office of the Authority had not showed efficient performance in implementing those activities.

In relation to types of Tax Audit, Tax Auditors who participated from Head Office of the Region were rated Comprehensive Audit ($\mu=4.25$); Field Audit ($\mu=4.19$); and Desk Audit ($\mu=4.03$) 1st to 3rd level respectively. This indicated that, the practices of Tax Audit at Head Office of the Region was primarily emphasized on a comprehensive examination of all information relevant to the calculation of a taxpayer's tax liability for a given period. Such auditing may cover all tax obligations over a number of tax periods, or extended to several years up to the limit provided in the law. According to the results of this study, next to this Type of Tax Audit, the practices of Tax Audit at the Authority most of the time gave attention to a detailed examination of taxpayer's books and records to determine whether the correct amounts were reported on the tax returns. In such type of Tax Audit (Field Audit), the audit is conducted at Taxpayers place of business, home, or at the office of their accountant, attorney, or other person who may represent them.

Furthermore, the practices of Tax Audit at Head Office of the Authority put emphasis on Desk audit which usually carried out annually and primarily based on a review of income tax and VAT returns, or basic ratios comparing with previous periods or other Taxpayers in similar industries; and the crosschecking of information included in the taxpayer files.

On the other hands among the types of Tax Audit identified in this study, Registration Audit ($\mu=2.91$); and Refund Audit ($\mu=2.63$) were not sufficiently practiced at the Authority. This indicated that, undertaking a pre-refund audit to verify the taxpayer's entitlement to a refund prior to processing a first refund claim were not get proper attention at the Authority. Moreover, the practices at Head Office level does not give attention for performing Registration Audit, which is an unannounced visits to taxpayer's premises for new enterprises to detect businesses operating outside the tax system. That is, the practices of Tax Audit at the Authority was not properly focused on those Taxpayers groups to ensures that the taxpayer has a basic understanding of their obligations; keeps appropriate records; and issues proper invoices required by law.

In addition, the responses obtained from interview also showed that, Comprehensive Audit, Field Audit, and Desk Audit were frequently performed by Tax Auditors at Head Office of Oromia Revenue Authority. They further explain that, the practices of Tax Audit at Head Office of the Region was primarily emphasized on a comprehensive examination of all information relevant to

the calculation of a taxpayer's tax liability for a given period. In such type of Tax Audit, the objective is to determine the correct tax liability for a tax return as a whole.

Concerning this according to OECD (2006a), given that audits can vary in terms of their scope and intensity revenue bodies should have a clear policy on the types and numbers of audits to be conducted, and the circumstances in which specific types of audits are to be carried out, so that audit officials understand what is expected of them.

Regarding the criteria usually used for Tax Audit selections, the results of this study indicated that, amount of annual profit declared by Taxpayers and possible amount of tax to be collected ($\mu=4.41$); evasion and fraud related information on Taxpayer ($\mu=4.38$); long years of establishment of Taxpayers business firm ($\mu=4.19$); presences of Taxpayers associated compliance risks ($\mu=4.16$); frequency of Taxpayers complain on tax related issues ($\mu=4.13$); and Taxpaying trends of the Taxpayers ($\mu=4.09$) were identified as the top-six major criteria practiced at Head Office of the Region.

On the other hand, issues like proportionality of the types and number of business sectors of the Taxpayers ($\mu=3.09$); Taxpayers reporting on tax returns less than previous period return ($\mu=3.06$); orders given from officials of the authority ($\mu=2.81$); informal relationship the Taxpayers has with officials of the Authority ($\mu=2.72$); and using simple random sampling technique ($\mu=2.69$) were not frequently used as Tax Audit selection criteria at Head Office of the Authority.

Furthermore, the results of interview administered with Officials also showed that, Taxpayers have been selected based on their associated compliance risk for audit. The interview respondents further stated risk criteria that include: the trend of delay in tax payment, non-filing tax returns, nil tax declaration, showing abnormal and repetitive loss report, profits significantly deviated from previous periods, report of too deviated margin from the sector, over claimed deductions, unusual credit, and past case histories of the Taxpayers'. The interview results further confirmed that, the potential amount of tax revenue that might be found with the target taxpayer and the capability of that particular taxpayer to pay tax owed have been considered to perform an audit work.

These clearly showed that the criteria used to select Taxpayers business firm for Tax Audit at the Office were focused on information obtained from Taxpayers rather than systematically organized strategies designed by the Authority.

In this regard, as stated by Barreca and Ramachandran (2004), it is critical to select audit candidates consistent with program objectives. Whatever the audit objectives have, the ability to narrow the

pasture of potential audit candidates is necessary to achieve program objectives and optimal use of audit resources. So, Tax audit effectiveness would not be realized under the selection of inappropriate audit candidates (Taxpayers' business firm). Hence, managing an effective auditing program involves decisions as to the selection of best audit case strategy or combination of strategies.

However, according to the findings of this study, the current practices of Tax Audit at Head Office of Oromia Revenue Authority was not significantly regarded as an important means of promoting excellences in Tax Administration and revenue collection of the Region.

In relation to Techniques of Tax audit, the findings of this study indicated that, all Tax audit techniques were to some extent practiced at Head Office of Oromia Revenue Authority. However, the practices of using Analytical Review, that is, reviewing financial statements and returns to test the accuracy of Taxpayers' reported sales, cost of sales, or ending inventory ($\mu=4.09$); and Counterpart Examination: a technique of examination performed based on third party information to verify the taxpayer's income ($\mu=3.66$) were relatively practiced higher than the remaining three Tax Audit techniques. Moreover, a Tax audit Techniques known as Record Examination: which include the examination of books and documents conducted at the taxpayer's business office or branches, and examination of savings and deposit accounts ($\mu=3.41$) was also identified as it was moderately practices at Head Office of the Authority.

On the other hands, a Tax Audit technique known as Field Examination, which include on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business ($\mu=2.31$); and Investigative Approach: an approach that uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources using information outside the accounting records to perform the audit ($\mu=2.19$) were not practiced as that of other Tax Audit techniques at Head Office of the Authority.

In similar manner, the responses of interview respondents also showed that, all types of Tax Audit techniques were practiced at Head Office of the Region. Nevertheless, the practices of reviewing financial statements and returns of the Taxpayers to test the accuracy of reported sales, cost of sales, or ending inventory; and a technique that focuses on examining a third party information to verify the taxpayer's income were relatively practiced more than other techniques.

In relation to this most authors agreed that, in responsible organizations a tax auditor applies various techniques to examine the books and records behind a return. The techniques to be used depend on

the taxpayer and the tax regime concerned. According to OECD (2006a), the techniques frequently used for audit examination purposes include analytical review, field examination, record examination, investigative approach, and counterpart examination. However, Biber (2010) noted that, an effective case plan can be cognizant of a range of investigative and analytical approaches that may vary depending upon the area of risk and the circumstances of the particular taxpayer.

In this regards the findings of this study indicated that, the practices of Oromia Revenue Authority at Head Office level did not proportionally focused on all types of Tax Audit techniques. Particularly on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records; and an approach that uses information obtained through observation, discussion, documents obtained from either the taxpayer or other sources were not usually practiced as other Tax Audit techniques by Head Office of Oromia Revenue Authority.

Concerning planning of tax audit activities; which consists of a detailed proposal of activities to be performed in the scheduled timeframe; the results this study showed that, the practices at Head Office of Oromia Revenue Authority was very much different from basic facts and principles. According to the results of this study, most of the respondents were not agreed the practices of using schedules for all Taxpayers that included the announcement of Tax audit works to be started and completed within a predetermined timeframe by tax auditors of the Authority. Only 29.80% of the respondents were agreed the presence of such schedules at Head Office. This indicated that, most of the time Tax Audit activities were done without schedules, unplanned and carried out arbitrarily.

Similarly, interview responses of the officials were not strongly approved the practices of frequent utilization of schedules for Tax audit works at taxpayers firms. Nevertheless, they responded that, there were a practices of having and using annual plan for Audit activities at department and work unit levels.

Overall, these showed that, the Authority failed to recall the fact that, every work units in any organization should have a set of actions that will be performed in the journey of achieving its goals and objectives; and Tax Audit activities be scheduled to effectively perform the intended objectives of the organization and to work Tax Audit activities in accordance with rules and regulations at Taxpayers business firms.

Regarding frequency of Tax Audit to be carried-out at every business firms of a Taxpayers; respondents' rating results of the actual practices at Head Office of Oromia showed that, on average a Taxpayers' businesses firm was audited once within three years (40.41%). Yet 19.18% of the respondents were responded as the businesses firm were audited once within five years. Only

13.06% of the respondents were agreed the frequency of Tax Audit carried-out at every businesses firm was once every budget year. In relation to this, an interview responses of the Officials was not indicated specific time-frame and frequencies by which every Taxpayers' business firm was audited. They responded that, as much as possible some of the taxpayers were audited annually or once within two years. They also replied, as it was difficult to describe the frequency of Tax Audit practices carried-out at business firms of every Taxpayers.

In this regard, as stated by Regional Government's internal regulation, formally any business firm of a Taxpayer should be audited every fiscal year. However, when the actual practices at Head Office of Oromia Revenue Authority is compared with such facts; greater discrepancy were observed. About 80% of the respondents were responded as the frequency of Tax Audit performed at every business firms' of the Taxpayers was every two or three; even more than five years. Subsequently, if Taxpayers business firm were not audited at the required timeframe, large amount of Government revenue may not collected at the time they should be collected from the Taxpayers. This intern may influence development practices of the country in general and the Region in particular.

With regard to the availability of resources required for tax audit, the responses obtained from questionnaire and interview indicated that, the Authority was arranged and organized tax audit function using appropriate digital technology required for tax audit at Head Office level. Moreover, respondents were rated highest scores regarding the availability of enough materials and equipment's required for tax audit programs at Head Office of the Authority. On the other hands, issues of having sufficient human resources needed for tax audit tasks at Head Office of the Region was a problem. It was not fully available to perform tax audit activities at all Taxpayers' business firms. Overall, the results of this study clearly indicated that, out of all resources the Authority faced short of human resources (Tax Auditors) than office facilities, equipment's and digital technology required for tax audit at Head Office level.

In general, overall practices of Tax audit at Head Office level of Oromia Revenue Authority was rated by Taxpayers "Poor and Very Poor". Only 4.23% and 8.92% of them were rated the practices Excellent and Very Good respectively. The mean results ($\mu=2.63$) of Tax Auditors rating also confirmed below satisfactory level of Tax Audit practices at Head Office of Oromia Revenue Authority. In sum, the overall mean score calculated for both groups of the respondents ($\mu=2.34$) further indicated as the practices of Tax audit at Head Office level of the Region was Poor. These Tax audit curried-out at Head Office of the region was poorly practiced; calling strong attention of all concerned bodies for its improvements.

4.2.2. Tax Auditors' Proficiency and Competency

Regarding proficiency and competency of tax auditors, respondents were asked to answer issues like professional qualification, mode of assignment, trainings offered for Tax Auditors, and actual competency of Tax Auditors currently working at Head Office of Oromia Revenue Authority.

With regards to professional qualification of Tax Auditor assigned at Head Office of the Authority, the results of this study showed that, more than half of them (57.58%) were from non-Accounting field of studies. Those Tax Auditors qualified with Accounting field of studies accounts only 42.42% of the Tax auditors currently working at Head Office of Oromia Revenue Authority. The remaining Tax Auditors were studied Management (15.15%), Public Administration (12.12%), Business Administration (9.09%), Economics (6.06%) and Development Management (6.06%).

In this regards, according to information obtained from Oromia Public Service and Human Resource Development Bureau, a Job specification for Financial Auditors requested qualification in Accounting and relevant work experiences in the areas of Auditing. However, contrary to this, majority of individuals were assigned as Tax Auditor in the region were with a qualification from a field of studies not directly related with their job (Tax Audit).

Moreover regarding mode of Assignment of the Tax Auditors', the results of this study indicated that, majority of Tax Auditors were assigned to their current jobs through internal transfer (43.75%). Additionally, some of them were assigned by recommendation of Authorities of the Region and through internal promotion held at Head Office of Oromia Revenue Authority. The results of this study further indicated that, the number of newly employed Tax Auditors and assigned at the job position accounts only 6.25% of all Tax Auditors. This indicated that, the practices of getting and having new Tax Auditors at Head Office of Oromia Revenue Authority was negligible.

Concerning trainings offered for Tax Auditors' working at Head Office of the Authority; the findings of this study confirmed that, majority of the respondents did not attended any training programs related to their job during the past two years of their services at the Office. Only 40.63% of them agreed their participation on one training program during the mentioned years. With regard to topics of the training, they mentioned topics like utilization of Tax Audit manuals, Auditing using SIGTAS software, Program Budgeting, and the application Balanced Scorecard.

In relation to this as argued by Armstrong (2009) training strategy should be considered as an integral part of the management process which in turn requires managers to review regularly with their teams performance in relation to agreed objectives. A training provided by employer is critical for employees to accomplish their jobs efficiently and to determine whether or not they would stay with

their current organization. Furthermore, a Civil Servants Proclamation No. 515/2007 (article 57) also stated that; a government institution must identify training needs of the institution and make the civil servants to receive the necessary training to improve their capability and attain better performance or to prepare them for higher responsibility.

But, the results of this study showed that, the participation of Tax Auditors of the Region on different training programs was very low; which denied the fact that, training activities in an organization should be an ongoing process that could be offered for new, old, transferred and promoted employees. Yet, interview results obtained from Officials responses also revealed that, there is no a well-established strategies that make Tax Auditors competent and efficient on their job through offering training on continuous bases.

With regards to competency and behavior of the Tax Auditors, Oromia Revenue Authority's employees management regulation (Reg. 160/2012) stated that, an employee who would be assigned on Tax Audit job position is expected to have a behavior and competency like: sufficient understanding and knowledge on tax related rules and regulation; positive attitude towards Taxpayers; team-work and working in collaboration with others; making continuous effort to improve their knowledge and skills; appropriately serving and solving Taxpayers' problems; and free from partiality and neutrality at work place.

Regarding this, the results of this study identified moderate level of Tax Auditors' competency ($\mu=3.01$) in performing their current jobs at Head Office of Oromia Revenue Authority. However, they are relatively better with regards to working in collaboration among themselves; and efforts they made to improve their knowledge and skills. On the other hands, the least rating result was identified regarding properly serving and solving Taxpayers' problems; and having positive attitude towards Taxpayers. Interview respondents also said that, tax auditors have not standardized knowledge regarding clarification of unclear tax rules and regulations, and are incoherent in giving information regarding identical tax issues. They also stated that, tax auditors lack willingness to give advising services to Taxpayers rather they simply intimidate them by raising the consequence of not being compliant. With regards to extent of competency of the Auditors, the responses of the Officials disclosed Moderate level of their competency in performing Tax Audit jobs at Head Office of Oromia Revenue Authority.

In general the responses obtained from the respondents indicated that, Tax Auditors were comparatively focused and had the ability to achieve personal matters than major issues related to their job position and objectives of the organization.

4.2.3. Major Challenges of Tax Audit Practices

With regards to challenges that influence the practices of Tax Audit at Head Office of Oromia Revenue Authority; the respondents were asked to identify the major one. Accordingly they identified the most critical challenges that has been influencing the success of Tax Audit practices at Head Office of the Authority. It includes: Traditions of Corruption; Inflated estimation of tax and unfair volume of tax among similar businesses in the same proximity; Not properly responding the compliance of Taxpayers on time; Taxpayers were consider illegal business practices as best way of doing business; Absences of reliable and up-to-date data and records keeping practices among Taxpayers; and Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities.

Moreover, the results further showed that, negative attitude towards tax paying practices among Taxpayers; limited capacity of management and leadership on the part of Oromia Revenue Authority; and inconsistency and frequent changes of regulations related to Tax audit practices were moderately affect the practices of the tax audit in the Region.

Besides, challenges like inadequacy of resource and facilities required for Tax Audit; lack of clarity of policy and regulations regarding Tax Audit; improper work environment and poor office arrangements for Tax Audit practices were recognized as the least factors among all items identified in this study. However, their rating results indicted moderate level of their influence on the practices of Tax Audit in the Region.

4.3. Concluding Remarks

The chapter has presented the results and analysis of the study along with the presentation of research objective and questions in three sections.

The first section has presented the outcomes of both qualitative and quantitative research methods adopted in the study separately. Specifically, the results of surveys with Tax Auditors and Taxpayers, and in-depth interviews conducted with officials of Oromia Revenue Authority were presented. The results obtained through these instruments were employed to investigate the practices and challenges of tax audit at Head Office of Oromia Revenue Authority with particular emphases on the types of tax audit frequently performed; tax audit case selection methods used; audit techniques applied; frequency of audit performed; adequacy of tax audit resources; and extent of tax auditors' proficiency and competency. The findings of all data collection methods were consistent with the exception of slight difference between survey and in-depth interview results regarding some challenges to the practices of Tax Audit at Head Office of Oromia Revenue Authority.

In the second section, the results of all methods were combined by pooling them together and analyzed concurrently in order to address the research objectives and basic research questions. The discussion were made in line with the literature review presented in chapter two and the realities in the study area.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with conclusions drawn from the findings of the study and recommendations forwarded in order to improve the practices and alleviate challenges of Tax Audit at Head Office of Oromia Revenue Authority.

The chapter is structured in three sections. The first section deals with conclusions; whereas the second section presents recommendations suggested to alleviate the problems identified in the study. The third part presents main ideas related to future research direction.

5.1. Conclusions

Based on major findings of the study; the following conclusions are made.

Regarding the practices of Tax Audit at Head Office of Oromia Revenue Authority, the findings of this study indicated that, overall practices to achieve ultimate Goals of Tax Audit was found at moderate level. The practices did not sufficiently contributed for the success of Tax Audit objectives in offering training for Taxpayers and creating deterrent effect on non-compliant Taxpayers. Moreover, Tax Auditors were not made sufficient efforts to create Taxpayers' awareness that might help Oromia Revenue Authority to increase voluntary compliance of Taxpayers to mitigate future compliance risks at its Head Office level. They usually focused on gathering and collecting information on health of the Tax system including compliance behavior of the Taxpayers. This indicated that, the current practices of Tax Audit at Head Office of Oromia Revenue Authority was not regarded as an important means of promoting excellences in Tax Administration and revenue collection of the Region.

In relation to the utilization of Tax Audit techniques, the findings of this study indicated that, the practices of Oromia Revenue Authority at Head Office level did not proportionally focused on all types of Tax Audit techniques. Particularly on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records; and an approach that uses information obtained through observation, discussion, documents obtained from either the taxpayer or other sources were not usually practiced as other Tax Audit techniques. Concerning planning and scheduling of Tax Audit at Taxpayers' business firm, the findings indicated that, most of the time Tax Audit activities were done without schedules, unplanned and carried out arbitrarily. These confirmed that, Oromia Revenue Authority fail to recall the fact that, every work units in any

organization should have a set of actions that will be performed in the journey of achieving its goals and objectives. Regarding frequency of Tax Audit to be carried-out at every business firms of a Taxpayers; the findings of this study identified as it was performed every two or three; even more than five years. If the Taxpayers business is not audited at regular at the end of fiscal years, they may exposed to higher level of penalty and does not allowed to correct certain errors on-time. Likewise, large amount of Government revenue may not collected at the time they should be collected from the Taxpayers. This intern may influence development practices of the country in general and the Region in particular.

In general, the findings of this study indicated that, the practices of Tax audit at Head Office level of the Region was poorly practiced. From these it is possible to conclude that, the practices at Head Office of Oromia Revenue Authority could not motivate Tax Audit performance have been takes place at Zone, City Administration and Districts of the Region. This may lead to the problems of deteriorating effect of Tax collection and Tax Administration practices at all level of the Region; which can resulted difficulty to achieve the major objective of taxation in the Region in particular and the Country at Large.

Regarding proficiency and competency of Tax Auditors, the findings of this study indicated that, most of them were from non-Accounting field of studies; and majority of them were assigned to their current jobs through internal transfer, and by recommendation of Authorities of the Region. The number of newly employed Tax Auditors accounts only 6.25% of all Tax Auditors. Moreover, majority of the Auditors did not attended any training programs related to their current job during the past two years of their services at Head Office of the Region. Yet, the results of this study revealed that, there is no a well-established strategies that make Tax Auditors competent and efficient on their job on continuous bases. As a results proficiency and competency level of Tax Auditors' was found at moderate levels. They were focused to achieve their personal matters than major issues related to their job position and objectives of the organization. If so, it is hard to expect efficient performances regarding Tax Audit practices at Head of the Region. From these it is possible to conclude that, assignment and work performance of Tax Auditors was at risk. If correction measure is not taken on time the current situation will strongly lead to weak performance on Tax Audit practices at Head Office of Oromia Revenue Authority.

Regarding challenges that influence the practices of Tax Audit at Head Office of Oromia Revenue Authority; the findings of this study identified factors related with Traditions of Corruption; inflated estimation of tax amount on Taxpayers; not responding the compliance of Taxpayers on time;

Taxpayers were consider illegal business practices as best way of doing business; and absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities. Moreover, the results showed that, negative attitude towards tax paying practices among Taxpayers; and limited capacity of management and leadership on the part of Oromia Revenue Authority were also affecting the practices of the Tax Audit in the Region. This indicated that Tax Audit practices at Head of the Region were associated with problems arises from multiple sources. From this one can concluded that there were ignorance to solve Tax Audit related problems and challenges on the part of Officials and Tax Auditors at Head Office of Oromia Revenue Authority. This strongly calls the attention of all concerned bodies to be aware of the consequences and make efforts to alleviate the problems. If not it will continue affecting Offices of the Region, the society, local and regional government in particular and the country at large.

5.2. Recommendations

On the bases of major findings of this study and the conclusions made; the following recommendations were forwarded to improve the practices of Tax Audit at Head Office of Oromia Revenue Authority.

- 1) ***Assigning competent and qualified individuals on Tax Audit job positions:*** According to the finding of this study, inefficiency and lack of competency among Tax Auditors of the office have been affecting efficiently performing duties and responsibilities to be accomplished by them at Head Office of Oromia Revenue Authority. Moreover, most of them were from non-Accounting field of studies; and majority of them were assigned to their current jobs through internal transfer, and by recommendation of Authorities of the Region. So, Oromia Revenue Authority have to work to assign those individuals competent and qualified on Accounting filed of studies on Tax Auditor job positions is highly recommended. Moreover, it is better if the Authority gave attention for the employment of new Tax Auditors from labor market by developing a ladder structure for Tax Auditors job position in collaboration with Oromia Public Service and Human Resource Development Bureau; which may encompasses Junior, Senior and other levels of Tax Auditors' job grades.
- 2) ***Organizing training and awareness creation programs:*** According to the findings of this study, majority of the Auditors did not attended any training programs related to their current job during the past two years of their services at Head Office of the Region. Yet, the results of this study revealed that, there is no a well-established strategies that make Tax Auditors competent and efficient on their job on continuous bases. As a results proficiency and

competency level of Tax Auditors' was found at moderate levels. They were focused to achieve their personal matters than major issues related to their job position and objectives of the organization. So, arranging capacity building training on topics related to the practices of Tax Audit is recommended for the Auditors. In Addition arranging experience sharing program with Federal and Regional Revenue Authority become important to improve the current practices of Tax Audit at the Region. Moreover, it is advisable providing education to the tax payers on continues bases to create awareness about their rights and obligations so as to build and develop a citizen who has better value for paying a tax.

- 3) ***Developing and Using Annual Schedule of Auditing for Taxpayers Business Firm:*** With regards to planning and scheduling of Tax Audit at Taxpayers' business firm, the findings of this study indicated that, most of the time Tax Audit activities were takes place without schedules arbitrarily. Moreover, regarding frequency of Tax Audit to be carried-out at every business firms of a Taxpayers, the findings of this study identifies as it was not performed regularly on scheduled manner. As a result, Taxpayers were frequently exposed to higher level of penalty they were not allowed to correct the errors on-time. Therefore, to overcome such deficiencies it is highly recommended if the Head Office of Oromia Revenue Authority strengthen the issue of Developing and using annual schedule of Auditing among Taxpayers Business Firm.
- 4) ***Integrating sector offices' efforts and Maximizing Transparency among them:*** As identified in this study, among major challenges Tax Audit practices at Head Office of Oromia Revenue Authority; Traditions of Corruption, inflated estimation of tax amount on Taxpayers, not responding compliance of Taxpayers on time, and absences of coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities (like Finance and Economic Development Bureau, Trade and Industry, General Audit, and Justice Bureau) were critical. In order to minimize such challenges and increase efficiency of Tax Audit practices at the Region; it is better if the efforts of sector offices engaged on Tax Audit related functions were integrated and level of Transparency among them was maximized by Oromia Regional State.
- 5) ***Arranging an Annual Forum:*** Scheduling discussion forum will increases understandings of major factors affecting the success of Tax Audit and facilitate strategic development among sector offices and Tax Payers in the Region. So, it is advisable if an annual forum on Tax Audit Practices is conducted at the Regional level with the participation of representatives from relevant federal, regional, and local offices; management organs and Tax Auditors from

the Authority; professionals from higher education institutes, consultants and researchers in the area of Tax Audit and Tax Administration.

5.3. Future Research Direction

Though the findings of this study identified major challenges that affect the practices of Tax Audit at Head Office of Oromia Revenue Authority, there may be other specific problems not assessed through this study. So, to identify such factors and to take proper actions on time; it is advisable if further research is conducted at Regional level including all City Administration and Districts of the Region on issues related to the implementation of Tax Audit.

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Appendices

Appendix A: Questionnaire to be filled by Tax Auditors
Addis Ababa University
College of Business and Economics
Department of Accounting and Finance
Questionnaire to be filled by Tax Auditors

Dear Participants

The title of this thesis is “TAX AUDIT IN OROMIA REVENUE AUTHORITY: PRACTICES AND CHALLENGES.” The name of the researcher is Tesfaye Bekele who is currently an MSc in Accounting and Auditing student in Addis Ababa University.

The aim of this project is to assess the practices and challenges of tax audit in Oromia Revenue Authority. This questionnaire is prepared to supplement the data obtained from other sources.

This survey questionnaire is being distributed to get relevant information from randomly selected respondents and participation is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible and your response will be recorded anonymously and strict confidentiality will be maintained.

For further information, please contact using the following address:

Tel. (mobile): +251 911993237

E-mail: bonsa2006@gmail.com

Thank you in advance for your cooperation and genuine response!

Part I: Background information of the Respondents

1. Gender: Male 1 Female 2
2. Age: Less than 30 years 1 31-40 years 2 41-50 years 3
Above 51 years 4
3. Educational Background:

	Qualification	Responses	Remarks
1	Certificate		
2	Diploma		
3	Bachelor's Degree		
4	Master's Degree		
5	Others (Specify)		

8.	In your view, the major activities tax auditors usually perform during a tax audit period are:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8.1	Detecting noncompliance behavior of individual taxpayer	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.2	Gather information on the health of the tax system including compliance behavior	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.3	Training taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.4	Interpreting complex tax rules and regulations for taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.5	Identify areas of tax law that require clarification and amendment	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.6	Search for unregistered taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.7	Others (please specify)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

2.2. The Types of Tax Audit Frequently Performed

9.	Among the following types of Tax Audit; please, indicate the extent of practices in Oromia Revenue Authority using the scales	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
9.1	Desk Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.2	Field Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.3	Comprehensive Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.4	Issue audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.5	Advisory audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.6	Registration Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.7	Refund Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.8	Fraud investigation	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
9.9	Other (please specify)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

10. What are the conditions usually used by Oromia Revenue Authority to select any types of Tax Audit?

2.3. Audit Case Selection

11.	In you view, the tax audit selection criteria usually used by the Oromia Revenue Authority are:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
11.1	Amount of capital and high tax potential of the tax payer	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.2	Long years of establishment of Tax payers business firm	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.3	Amount of annual profit declared by Tax payers and possible amount of tax to be collected	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.4	Number of Human resources in the Tax payers business firm	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.5	Taxpaying trends of the Tax payers: through Statistical techniques using prior tax audit results in conjunction with taxpayer data	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.6	Level of taxpayer's cooperation to give essential information necessary for performing an audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.7	Presences of Taxpayers associated compliance risks	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.8	Frequency of Taxpayers complain on tax related issues	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.9	Availability of required resource for tax audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.10	Evasion and fraud related information on tax payer	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
12.11	Through screening and case review; using criteria set for this purposes	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.12	Through data mining techniques that identifies patterns of noncompliance in the past and current circumstances	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.13	Proportionality of the types and number of business sectors of the tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.14	When taxpayers reported tax returns less than previous period return	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.15	Automated risk scoring system that identifies risk of noncompliance of the taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.16	Relationship of the tax payers has with officials of the Authority (beneficial relationship and nepotism)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.17	Using simple random sampling technique without any analysis	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.18	Simply by orders given from officials of the authority	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.19	Audit knowledge of taxpayers behavior and environment	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
11.20	Others (please specify)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

12. Would you please mention any other criteria and procedures used to identify taxpayers for tax Audit? _____

2.4. Tax Audit Techniques Applied

13.	Please state your level of agreement or disagreement to the following statement about the tax audit technique Oromia Revenue Authority uses	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
13.1	Analytical Review: A review of financial statements and returns are often completed during the preliminary stages of the audit. They are used to test the accuracy of Taxpayers' reported sales, cost of sales, or ending inventory	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.2	Field Examination: This include on sight survey of the current conditions of the taxpayer's business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.3	Record Examination: This include the examination of books and documents conducted at the taxpayer's business office or branches, counterpart examinations and examination of savings and deposit accounts	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.4	Investigative Approach: Such an approach uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources. It requires judgment, imagination and using information outside the accounting records to perform the audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
13.5	Counterpart Examination: It is an examination performed based on third party information to verify the taxpayer's income, for example: Financial institutions and public companies information on interest and dividends matched with what Taxpayers report in their tax return	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

14. Any other tax Audit Techniques Applied other than listed in the above table.

2.5. Frequency of Tax Audit Performed

15. Are there any schedules for all tax payers in Oromia Revenue Authority that requires Tax audit works to be started and completed within a predetermined timeframe?

A) Yes B) No

If your answer is “YES” are they completed within a predetermined timeframe?

A) Yes B) No

If it was not completed within a predetermined timeframe, what do you think the reason for its faller?

16. How frequently Tax Audit was performed for every business firms of the Tax payer by Oromia Revenue Authority Tax auditors and assessors?

- Every businesses were audited once a year 1
- Every businesses were audited once within two years 2
- On average all businesses were audited once within three years 3
- Taxpayers that were audited in the previous audit period and found no tax liability during an audit is not selected for the next audit 4
- It is difficult to describe its frequency; they were selected randomly 5
- Others (please specify) _____ 6

2.6. The Adequacy of Tax Audit Resources

17.	Please, show your level of agreement for the following items related to Tax Audit	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
17.1	There were well organized structure and suitable office for Tax audit functions	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
17.2	Tax audit has enough human resources to perform audits on all taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
17.3	There are enough material and equipment required for tax audit program	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
17.4	Required budget for Tax audit was sufficiently allotted every year	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
17.5	Computers and appropriate digital technology required for tax audit are accessed at Head office of the Authority	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

18. In general, how do you evaluate the current practices of Tax Audit in Oromia Revenue Authority; Head Office?

- A). Excellent B). Very Good C). Good
 D). Poor E). Very Poor

Part III: Tax Auditors' Proficiency and Competency

19. Do you attain any training offered by Oromia/Federal Revenue Authority regarding tax audit related issues in the recent past two years? A). Yes B). No

If your response is "YES", please state topics of training and the years

20.	How do you evaluate the competency of Tax Auditors at Oromia Revenue Authority in terms of items listed as follows?	<i>Very Poor</i>	<i>Poor</i>	<i>Good</i>	<i>Very Good</i>	<i>Excellent</i>
20.1	Understanding and Knowledge of Tax related rules and regulation	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.2	Experience and capacity on Tax audit functions	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.3	Attitude towards Tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.4	Team-work and working in collaboration among themselves	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.5	Effort made to improve their knowledge and skills	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.6	Properly Serving and solving problems of tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
20.7	Impartiality and neutrality of Tax auditors	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Part IV: Challenges of Tax Audit Practices

21.	How do you consider the following items as a challenge to the practices of Tax Audit in Oromia Revenue Authority?	<i>Inconsiderable Challenge</i>	<i>Minor Challenge</i>	<i>Moderate Challenge</i>	<i>Sever Challenge</i>	<i>Very Sever Challenge</i>
21.1	Limited capacity of management and leadership on the part of Oromia Revenue Authority on tax audit administration	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.2	In adequacy of resource and facilities required for Tax Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.3	Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

21.	How do you consider the following items as a challenge to the practices of Tax Audit in Oromia Revenue Authority?	<i>Inconside rable Challenge</i>	<i>Minor Challenge</i>	<i>Moderate Challenge</i>	<i>Sever Challenge</i>	<i>Very Sever Challenge</i>
21.4	Improper work environment and poor office arrangements for Tax audit practices	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.5	Lack of clarity of policy, regulations and legal frameworks regarding Tax Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.6	Inconsistency and frequent changes of regulations and laws related to Tax audit practices	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.7	Inflated estimation of tax amount on tax payers and unfair volume of tax among similar businesses in the same proximity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.8	Weak understanding of tax related rules and regulations among Tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.9	Negative attitude towards tax paying practices among tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.10	Lower level of tax payers' educational background	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.11	Tax payers were consider illegal business practices as best way of doing business	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.12	Absences of reliable and up-to-date data and records keeping practices among Tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.13	Tax payers are not cooperative to give proper information for tax auditors	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.14	Oromia Revenue Authority is not properly responding the compliance of Tax payers on time	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.15	Traditions of Corruption: Request for informal payments to get things done in the course of Tax assessment and Tax audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.16	Interference of others on Tax Audit responsibilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
21.17	Engaging on additional activities like service Audit out the schedules	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

22. In addition to what are listed in the above table, please write what you would consider as major challenges that influence the practices of Tax Audit in Oromia Revenue Authority.

23. What should be done to alleviate challenges related to Tax Audit practices in Oromia Revenue Authority? Please forward your suggestions.

Thank you for your devotion of time to respond this questionnaire!

Appendix B: Questionnaire to be Filled by Taxpayers (English)

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance
Questionnaire to be filled by Tax Payer

Dear Participants

The title of this thesis is “TAX AUDIT IN OROMIA REVENUE AUTHORITY: PRACTICES AND CHALLENGES.” The name of the researcher is Tesfaye Bekele who is currently an MSc in Accounting and Auditing student at the Addis Ababa University.

The aim of this project is to assess the practices and challenges of tax audit in Oromia Revenue Authority. This questionnaire is prepared to supplement the data obtained from other sources.

This survey questionnaire is being distributed to get relevant information from randomly selected respondents and participation is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible and your response will be recorded anonymously and strict confidentiality will be maintained.

For further information, please contact using the following address:

Tel. (mobile): +251 911993237

E-mail: bonsa2006@gmail.com

Thank you in advance for your cooperation and genuine response!

Part I: Background

1. Gender: Male 1 Female 2
2. Age: Less than 30 years 1 31-40 years 2
 41-50 years 3 51-60 years 4
3. Educational Background:
 Primary Education completed 1
 Secondary Education completed 2
 Certificate 3
 Diploma 4
 Bachelor's Degree 5
 Master's Degree and above 6
 Others (Please specify) _____ 7

4. Your current position:

- Owner 1
 Manager 2
 Owner and manager 3
 Accounts/Finance head 4
 Others (Please specify) _____ 5

5. How long has this business been paying taxes to Oromia Revenue Authority: head office?

- 1-5 years 1
 6-10 years 2
 11-15 years 3
 Above 15 years 4

6. Current business type:

- Manufacturing 1
 Trade 2
 Agriculture 3
 Construction 4
 Services 5
 Others _____ 6

Part II: Tax Audit Practices

2.1. Goals of tax audit and major activities tax auditors

7.	In your view the ultimate goals of the tax audit program at the Oromia Revenue Authority are:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
7.1	Increasing government tax revenue	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.2	Increasing the compliance level of taxpayers' to the tax laws	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.3	Creating deterrent effect on non-compliant taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.4	Detecting tax evasion and avoidances	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.5	Training the taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.6	Others (please specify)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

8.	In your view, the major activities tax auditors usually perform during a tax audit period are:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8.1	Detecting noncompliance behavior of individual taxpayer	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.2	Gather information on the health of the tax system including compliance behavior	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.3	Training taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.4	Interpreting complex tax rules and regulations for taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.5	Identify areas of tax law that require clarification and amendment	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.6	Search for unregistered taxpayers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.7	Others (please specify)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

2.2. Frequency of Tax Audit Performed

9. Are there any schedules for your business firm by Oromia Revenue Authority for Tax audit works? A) Yes B) No

If your answer is "YES" are they completed within a predetermined timeframe?

A) Yes B) No

If they did not completed within a predetermined timeframe, what do you think the reason for its faller? _____

10. On average, how frequently, do you think, each business is audited by Oromia Revenue Authority?

- Every business is audited once a year 1
- Every business is audited once within two years 2
- Every business is audited once within three years 3
- Every business is audited once in five years' time 4
- It is difficult to describe its frequency; they were selected randomly 5
- Others (please specify) _____ 6

11. In general, how do you evaluate the current practices of Tax Audit in Oromia Revenue Authority; Head Office?

- A) Excellent B). Very Good C). Good
- D). Poor E). Very Poor

Part III: Challenges of Tax Audit Practices

12.	How do you consider the following items as a challenge to the practices of Tax Audit in Oromia Revenue Authority?	<i>Inconsiderable Challenge</i>	<i>Minor Challenge</i>	<i>Moderate Challenge</i>	<i>Sever Challenge</i>	<i>Very Sever Challenge</i>
14.1	Limited capacity of management and leadership on the part of Oromia Revenue Authority on tax audit administration	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.2	In adequacy of resource and facilities required for Tax Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.3	Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.4	Improper work environment and poor office arrangements for Tax audit practices	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.5	Lack of clarity of policy, regulations and legal frameworks regarding Tax Audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.6	Inconsistency and frequent changes of regulations and laws related to Tax audit practices	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.7	Inflated estimation of tax amount on tax payers and unfair volume of tax among similar businesses in the same proximity	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.8	Weak understanding of tax related rules and regulations among Tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.9	Negative attitude towards tax paying practices among tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.10	Lower level of tax payers' educational background	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.11	Tax payers were consider illegal business practices as best way of doing business	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.12	Absences of reliable and up-to-date data and records keeping practices among Tax payers	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.13	Tax payers are not cooperative to give proper information for tax auditors	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.14	Oromia Revenue Authority is not properly responding the compliance of Tax payers on time	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

12.	How do you consider the following items as a challenge to the practices of Tax Audit in Oromia Revenue Authority?	<i>Inconsiderable Challenge</i>	<i>Minor Challenge</i>	<i>Moderate Challenge</i>	<i>Sever Challenge</i>	<i>Very Sever Challenge</i>
14.15	Traditions of Corruption: Request for informal payments to get things done in the course of Tax assessment and Tax audit	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.16	Interference of others on Tax Audit responsibilities	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

13. In addition to what are listed in the above table, please write what you would consider as major challenges that influence the practices of Tax Audit in Oromia Revenue Authority.

14. What should be done to alleviate challenges related to Tax Audit practices in Oromia Revenue Authority? Please forward your suggestions.

Thank you for your devotion of time to respond this questionnaire!

Appendix C: Questionnaire to be Filled by Taxpayers (Amharic)

አዲስ አበባ ዩኒቨርሲቲ

የቢዝነስ እና የኢኮኖሚክስ ኮሌጅ

የአካውንቲንግ እና ፋይናንስ ዲፓርትመንት

በግብር ከፋዮች የሚሞላ መጠይቅ

የተከበሩ ተሳተፊ፤

የዝህ ጥናትና ምርምር ርዕስ የግብር አዲት /tax audit/ አፈጻጸም እና ችግሮች በኦሮሚያ የገቢዎች ባለስልጣን ዋና መስሪያ ቤት የሚል ነው። ጥናቱን እያከናወነ ያለው ተማሪ ተስፋዬ በቀለ ሲሆን በአሁኑ ወቅት በአዲስ አበባ ዩኒቨርሲቲ በአካውንቲንግ እና አዲቲንግ የማስተርስ ድግሪ በመማር ላይ የሚገኝ ነው።

የጥናቱ ዋና ዓላማ በኦሮሚያ የገቢዎች ባለስልጣን ዋና መስሪያ ቤት እየተከናወነ ባለው የግብር አዲት /tax audit/ አፈጻጸም እና ችግሮች ላይ ጥናት ማካሄድ ነው።

ይህ መጠይቅ የተዘጋጀው ጥናቱን የሚያግዙ አስፈላጊ መረጃዎችን ለማሰባሰብ ነው። ከዚህ አንጻር ይህ መጠይቅ የሚሰራጨው በጥናቱ ሂደት ተደራሽ ለሚሆኑ የተወሰኑ ግብር ከፋዮች ሲሆን ለጥናቱ የተጠየቀውን አስፈላጊ መረጃ መስጠት በሙሉ ፈቃደኝነት ላይ የተመሰረተ ነው።

ስለዚህ ይህንን መጠይቅ በአግባቡ በማንበብ ለሁሉም ጥያቄዎች አግባብነት ያለውን ትክክለኛ ምላሽ በጥንቃቄ እንዲሰጡ የጥናቱ አጥኚ በአክብሮት እየጠየቀ፤ የሰጡትም ምላሽ ሚስጥራዊነት በከፍተኛ ደረጃ ማንነትዎን በማይገልጽ ሁኔታ የሚጠበቅ መሆኑን ያስታውቃል።

እባክዎ ለበለጠ መረጃ የሚከተለውን አድራሻ በመጠቀም ያግኙኝ!

ስልክ (ጥባይል): +251 911993237

ኢሜል: bonsa2006@gmail.com

ስለትብብርዎ በቅድሚያ እናመሰግናለን!

ክፍል 1: የመላሾች አጠቃላይ ሁኔታ መረጃ

1. ጾታ: ወንድ 1 ሴት 2
2. እድሜ: ከ 30 ዓመት በታች 1 ከ 30-40 ዓመት 2
 ከ 41-50 ዓመት 3 ከ 50-60 ዓመት 4
3. የትምህርት ሁኔታ:
- | | | | |
|---|---|---|---|
| አንደኛ ደረጃ ትምህርት <input type="checkbox"/> | 1 | ሁለተኛ ደረጃ ትምህርት <input type="checkbox"/> | 2 |
| ሰርተፍኬት <input type="checkbox"/> | 3 | ዲፕሎማ <input type="checkbox"/> | 4 |
| የመጀመርያ ዲግሪ <input type="checkbox"/> | 5 | የማስተርስ ዲግሪ <input type="checkbox"/> | 6 |
| ሌላ (ይገለጹ) _____ | 7 | | |

4. በአሁኑ ወቅት በድርጅቱ ውስጥ ያልዎት ኃላፊነትና የስራ ድራሻ:

- የድርጅቱ ባለቤት 1
- የድርጅቱ ስራ አስኪያጅ 2
- የድርጅቱ ባለቤት እና ስራ አስኪያጅ 3
- የድርጅቱ ሂሳብ ኃላፊ/የሂሳብ ሠራተኛ 4
- ሌላ (ይገለጹ) _____ 5

5. ድርጅትዎ እንደ ግብር ከፋይ ከአሮሚያ ገቢዎች ባለስልጣን ጋር ያለው የሥራ ግንኙነት ስንት ዓመት ይሆናል?

- ከ1-5 ዓመት 1
- ከ6-10 ዓመት 2
- ከ11-15 ዓመት 3
- ከ15 ዓመት በላይ 4

6. በአሁኑ ወቅት የተሰማሩበት የንግድ ዓይነት ምንድን ነው?

- ማኑፋክቸሪንግ 1
- ንግድ 2
- ግብርና 3
- ግንባታ 4
- አገልግሎት 5
- ሌላ (ይገለጹ) _____ 6

ክፍል 2: የግብር አፈጻጸምና አተገባበርን የሚመለከቱ ጥያቄዎች

2.1. የግብር አዲት (tax audit) ዓላማ እና የግብር አደተሮች ዋና ዋና ተግባራት

7.	በእርስዎ ግንዛቤ በኦሮሚያ ገቢዎች ባለስልጣን እየተከናወነ ያለው የግብር አዲት (tax audit) ዋና ዓላማ ምንድነው? ከዚህ በታች በቀረቡት ጉዳዮች አንጻር ደረጃ በመስጠት ይመልሱ	በጣም አልሰማምም	አልሰማምም	ሐሳብ ከመስጠት ገለልተኛ ነኝ	እስማማለሁ	በጣም እስማማለሁ
7.1	መንግስት ከግብር የሚያገኘውን ገቢ ለማሳደግ	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.2	የግብር ከፋዮችን አፈጻጸም ከግብር ሕጉ ጋር ለማጣጣም	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.3	ግብርን በአግባቡ የማይከፍሉ ግብር ከፋዮች ማስጠንቀቂያ ለመስጠት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.4	ግብር ከፋዮች በህገ ወጥ መንገድ መክፈል ከሚገባቸው የግብር መጠን በታች እንዳይከፍሉ እና የለአግባብ የግብር ቅነሳ እንዳያደርጉ ለመቆጣጠር	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
7.5	ለግብር ከፋዮች ስልጠና መስጠት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

7.6. ከላይ ከተዘረዘሩት በተጨማሪ ሌላ ተግባር ካለ ቢገለጽ

8.	አርስዎ አንደተረዱት የግብር አደተሮች (tax auditor) የታክስ አዲት በሚያከናውኑበት ጊዜ የሚሰሩት ዋና ዋና ስራዎችን በተመለከተ	በጣም አልሰማምም	አልሰማምም	ሐሳብ ከመስጠት ገለልተኛ ነኝ	እስማማለሁ	በጣም እስማማለሁ
8.1	ከግብር ሕጉ ጋር የማይጣጣሙ የግብር ከፋዮች ስነ ምግባር እና ተግባራትን መለየት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.2	የግብር ከፋዮችን ጤናማ የግብር እንቅስቃሴን አስመልክቶ ያሉትን መረጃዎች ማሰባሰብ	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.3	ለግብር ከፋዮች ከግብር ክፍያ ጋር የተያያዙ ስልጠና መስጠት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.4	አሻሚና ግልጽ ያልሆኑ ከግብር ከፍያ ጋር የተያያዙ ህጎችንና ደንቦችን መተርጎም እና ማብራራት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

8.	አርስዎ አንደተረዱት የግብር አዲተሮች (tax auditor) የታክስ አዲት በሚያከናውኑበት ጊዜ የሚሰሩት ዋና ዋና ስራዎችን በተመለከተ	በጣም አልሰማማም	አልሰማማም	ሐሳብ ከመስጠት ገለልተኛ ነኝ	እስማማለሁ	በጣም እስማማለሁ
8.5	ከግብር አዲት (tax audit) ጋር ተያያዥነት ያላቸው አሻሚ የሆኑ እና ማስተካከያ የሚፈልጉ ህጎች እና ደንቦችን መለየት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
8.6	በግብር ከፋይነት ያልተካተቱ ግብር ከፋዮችን መለየት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

8.7. ከላይ ከተዘረዘሩት በተጨማሪ በግብር አዲተሮች የሚከናወን ሌላ ተግባር ካለ ቢገለጽ

2.2. የግብር አዲት (tax Audit) ሥራ ድግግሞሽን በተመለከተ

11. በአሮሚያ ገቢዎች ባለስልጣን የንግድ ድርጅትዎን የታክስ አዲት በተመለከተ ቀድሞ የሚዘጋጅ የአዲት መረሐ-ግብር አለ? ሀ/ አዎ አለ ለ/ የለም

ምላሽዎ አዎ አለ ከሆነ ሥራው በተባለው የአዲት መረሐ ግብር እየተከናወነ ነውን? ሀ/ አዎ በተያዘው መረሐ ግብር ይከናወናል ለ/ በተባለው መረሐ ግብር አይከናወንም

ምላሽዎ በተባለው መረሐ ግብር አይከናወንም ከሆነ የሚዘገይበትን የጊዜ እርዝማኔ (በወር) እና ምክንያቱ ምን እንደሆነ ቢገልጹልን

12. የእርስዎ ድርጅት የግብር አዲት (tax Audit) የተደረገው በምን ያህል ቆይታና የድግግሞሽ ጊዜ ነው?

- ሀ. በዓመት አንድ ጊዜ
- ለ. በሁለት ዓመት አንድ ጊዜ
- ሐ. በአማካይ በየ3 ዓመቱ
- መ. በአማካይ በየ5 ዓመቱ
- ሠ. ዝም ብሎ በአጋጣሚ በሚደረግ ምርጫ አዲት የሚደረግ ስለሆነ ድግግሞሹን በትክክል መግለጽ አይቻልም።
- ረ. ሌላ ምላሽ ካልዎት ይግለጹ፤ _____

13. በአጠቃላይ እይታ የኦሮሚያ ገቢዎች ባለስልጣን የግብር ኦዲት (tax Audit) አተገባበርና አፈጻጸምን እንዴት ይገመግሙታል?

- ሀ. እጅግ በጣም ጥሩ
- ለ. በጣም ጥሩ
- ሐ. ጥሩ
- መ. ደካማ
- ሠ. በጣም ደካማ

ክፍል 3: የግብር ኦዲት (tax Audit) ችግሮች/ተግዳሮቶችን በተመለከተ

14.	ከዚህ በታች ባለው ስንጠረዥ ውስጥ የተዘርዘረው ተግዳሮቶች በኦሮሚያ ገቢዎች ባለስልጣን የግብር ኦዲት ሥራ ላይ ያስከተሉት ተጽእኖ እንዴት ይገለጻል	በጣም መለስተኛ ችግር	መለስተኛ ችግር	መካከለኛ ችግር	አስከሬ ችግር	በጣም አስከሬ ችግር
14.1	የኦሮሚያ ገቢዎች ባለስልጣን የስራ ኃላፊዎች የግብር ኦዲትን (tax Audit) የማስተዳደር እና የመምራት ብቃት ውስን መሆን	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.2	ለግብር ኦዲት አስፈላጊ የሆኑ ግብአቶች እና ቁሳቁሶች አጥረት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.3	የግብር ኦዲት (tax Audit) ስራ የሚመለከታቸው ቢሮዎች እና ጽ/ቤቶች በጥምረትና በትብብር ያለመስራት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.4	የግብር ኦዲት (tax Audit) ስራ ሁኔታ አለመመቻቸት እና የቢሮ አደረጃጀት ደካማ መሆን	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.5	ለግብር ኦዲት (tax Audit) የሚያስፈልጉ ግልጽ መመሪያዎች እና ህጋዊ ማዕቀፍ በበቂ ሁኔታ ያለመኖር	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.6	ለግብር ኦዲት (tax Audit) ጋር ተያያዥነት ያላቸው ህጎች እና ደንቦች በየወቅቱ መለዋወጥ እና ቀጣይነት ማጣት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.7	አግባብነት የሌለው ክፍ ያለ የግብር ግምት በግብር ክፋዮች ላይ አለአግባብ መጫንና ተመሳሳይና ተመጣጣኝ ለሆኑ የንግድ ዘርፎች ተመጣጣኝ ግብር አለመጠየቅ	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.8	በግብር ክፋይ በኩል የግብር ህጎችና ደንቦችን በአግባቡ አለመረዳት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

14.	ከዚህ በታች ባለው ስንጠረዥ ውስጥ የተዘርዘረት ተግዳሮቶች በኦሮሚያ ገቢዎች ባለስልጣን የግብር ኦዲት ሥራ ላይ ያስከተሉት ተጽእኖ እንዴት ይገለጻል	በጣም መላካት ችግር	መላካት ችግር	መካካላዊ ችግር	ጋር አስከሬ ችግር	በጣም አስከሬ ችግር
14.9	የግብር ከፋይ ስለግብር ያለው አመለካከት አሉታዊ(ነገቲቭ) መሆን	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.10	የግብር ከፋይ የትምህርት ደረጃ ዝቅተኛ መሆን ::	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.11	የግብር ከፋይ ህገ ወጥ የንግድ አሰራርን እንደ መልካምና የተሻለ የንግድ አሰራር አድርጎ መመልከት::	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.12	በግብር ከፋይ ዘንድ ትክክለኛና ወቅታዊ የሆነ የመረጃና (የዳታ) የመዝገብ አያያዝ ተጠናቅሮ አለመኖር	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.13	የግብር ከፋይ ለታክስ ኦዲተሮች መረጃ ለመስጠት ፈቃደኛ ያለመሆንና አለመተባበር	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.14	የኦሮሚያ ገቢዎች ባለስልጣን ለግብር ከፋዮች ቅሬታ ወቅታዊና ትክክለኛ ምላሽ አለመስጠት::	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.15	የታክስ ኦዲተሮች ያልተገባ ክፍያ መጠየቅና የሙስና ተሞክሮና የአሰራር ብልሹነት መኖር	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
14.16	ከኦሮሚያ ገቢዎች ባለስልጣን ውጪ የሌሎች አካላት በግብር ኦዲት (tax Audit) አሰራር ውስጥ ጣልቃ መግባት	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

15. ከላይ በሠንጠረዥ ውስጥ በከፊል ከተዘረዘሩት ተግዳሮቶች /ችግሮች በተጨማሪ የግብር ኦዲትን (tax Audit) በኦሮሚያ ገቢዎች ባለስልጣን እያደናቀፉ ያሉትን ተጨማሪ ተግዳሮቶች ቢገልጹልን::

16. በኦሮሚያ ገቢዎች ባለስልጣን እየተከናወነ ያለው የግብር ኦዲት (tax Audit) የበለጠ ለማሻሻል እና ችግሮችን ለመቅረፍ ያስችላሉ የሚሉትን የመፍትሄ ሃሳብ ቢገልጹልን::

ጊዜዎን መስዋዕት አድርገው ይህንን መጠይቅ ስለሞሉልን እናመሰግናለን!

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance

Interview Questions Administered with Officials

The purpose of this questionnaire is to gather data to assess “*practices and challenges Tax Audit in Oromia Revenue Authority: Head Office*”. The findings this research is used for the partial fulfillment of Masters of Accounting and Auditing.

Therefore, the information gathered through this interview was used for academic purpose only. Your answer and suggestion will be strictly kept confidential and your personal and organization’s identity will not be revealed. I therefore, kindly request you to correctly respond the following interview questions.

1. Personal Information of the interviewee
2. How do you describe the ultimate goals of tax audit program in Oromia Revenue Authority?
3. What are the major activities tax auditors, investigators usually perform during tax audit period?
4. What types of Tax Audit are usually performed by Tax Auditors of Oromia Revenue Authority?
5. What are the conditions usually used by Oromia Revenue Authority to select any types of Tax Audit?
6. What are the major criteria usually used by Oromia Revenue Authority to decide the need for tax audit (investigate) of a certain taxpayer?
7. Which Tax Audit Techniques are usually applied by auditors of Oromia Revenue Authority auditor to collect audit evidence from Tax payers?
8. Are there any schedules for all tax payers in Oromia Revenue Authority that requires Tax audit works to be started and completed within a predetermined timeframe? Please describe the schedules.
9. How frequently Tax Audit was performed for every business firms of the Tax payer by Oromia Revenue Authority Tax auditors and assessors?
10. How do you evaluate the provision of resources required for the practices of Tax Audit in Oromia Revenue Authority; Head Office?
11. How do you evaluate the competency of Tax Auditors?
12. What are the major challenges that influence the practices of Tax Audit in Oromia Revenue Authority?
13. What should be done to alleviate challenges related to Tax Audit practices in Oromia Revenue Authority? Please forward your suggestions.

Appendix E: Respondents' View on the Ultimate goals of Tax Audit Program at ORA

No	Items	Respondents	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Increasing government tax revenue	TP	50	97	19	32	15	213	3.63	1.20
		TA	15	11	0	3	3	32	4.00	1.32
		Total	65	108	19	35	18	245	3.68	1.22
2	Increasing the compliance level of taxpayers' to the tax laws	TP	31	106	6	52	18	213	3.38	1.24
		TA	8	19	5	0	0	32	4.09	0.64
		Total	39	125	11	52	18	245	3.47	1.20
3	Creating deterrent effect on non-compliant taxpayers	TP	37	95	9	54	18	213	3.37	1.27
		TA	8	7	0	14	3	32	3.09	1.44
		Total	45	102	9	68	21	245	3.33	1.29
4	Detecting tax evasion and avoidances	TP	41	112	14	28	18	213	3.61	1.18
		TA	11	13	3	5	0	32	3.94	1.05
		Total	52	125	17	33	18	245	3.65	1.17
5	Training the taxpayers	TP	23	33	14	46	97	213	2.24	1.44
		TA	5	3	6	11	7	32	2.63	1.36
		Total	28	36	20	57	104	245	2.29	1.43
Overall Results		TP	182	443	62	212	166	1065	3.25	1.36
		TA	47	53	14	33	13	160	3.55	1.32
		Total	229	496	76	245	179	1225	3.29	1.36

Appendix F: Major Activities Usually Performed by Tax Auditors during Tax Audit Period

No	Items	Respondents	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Detecting noncompliance behavior of individual taxpayer	TP	14	71	35	24	69	213	2.70	1.39
		TA	5	7	8	10	2	32	3.09	1.20
		Total	19	78	43	34	71	245	2.76	1.37
2	Gather information on the health of the tax system including compliance behavior	TP	101	67	11	15	19	213	4.01	1.27
		TA	13	16	0	3	0	32	4.22	0.87
		Total	114	83	11	18	19	245	4.04	1.23
3	Training taxpayers	TP	23	36	10	63	81	213	2.33	1.41
		TA	2	6	5	17	2	32	2.66	1.07
		Total	25	42	15	80	83	245	2.37	1.37
4	Interpreting complex tax rules and regulations for taxpayers	TP	46	65	7	53	42	213	3.09	1.49
		TA	3	9	12	2	6	32	3.03	1.23
		Total	49	74	19	55	48	245	3.09	1.45
5	Identify areas of tax law that require clarification and amendment	TP	40	76	14	54	29	213	3.21	1.37
		TA	0	25	2	5	0	32	3.63	0.75
		Total	40	101	16	59	29	245	3.26	1.31
6	Search for unregistered taxpayers	TP	30	99	18	37	29	213	3.30	1.29
		TA	10	8	8	3	3	32	3.59	1.29
		Total	40	107	26	40	32	245	3.34	1.29

Appendix G: Major Challenges to the Practices of Tax Audit in Oromia Revenue Authority

No	Items	Respondents	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Limited capacity of management and leadership on the part of Oromia Revenue Authority on tax audit administration	TP	58	48	66	21	20	213	3.48	1.25
		TA	12	4	8	6	2	32	3.56	1.34
		Total	70	52	74	27	22	245	3.49	1.25
2	In adequacy of resource and facilities required for Tax Audit	TP	20	55	67	41	30	213	2.97	1.18
		TA	7	9	6	5	5	32	3.25	1.39
		Total	27	64	73	46	35	245	3.01	1.18
3	Absences of Coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities	TP	67	77	28	35	6	213	3.77	1.14
		TA	6	15	7	4	0	32	3.72	0.92
		Total	73	92	35	39	6	245	3.76	1.14
4	Improper work environment and poor office arrangements for Tax audit practices	TP	26	57	62	42	26	213	3.07	1.20
		TA	6	14	3	5	4	32	3.41	1.32
		Total	32	71	65	47	30	245	3.11	1.20
5	Lack of clarity of policy, regulations and legal frameworks regarding Tax Audit	TP	30	53	45	52	33	213	2.98	1.30
		TA	6	6	13	7	0	32	3.34	1.04
		Total	36	59	58	59	33	245	3.02	1.30
6	Inconsistency and frequent changes of regulations and laws related to Tax audit practices	TP	48	69	43	22	31	213	3.38	1.33
		TA	6	11	8	7	0	32	3.50	1.05
		Total	54	80	51	29	31	245	3.40	1.33
7	Inflated estimation of tax amount on tax payers and unfair volume of tax among similar businesses in the same proximity	TP	97	78	19	11	8	213	4.15	1.04
		TA	13	9	5	3	2	32	3.88	1.24
		Total	110	87	24	14	10	245	4.11	1.04
8	Weak understanding of tax related rules and regulations among Tax payers	TP	35	68	43	47	20	213	3.24	1.23
		TA	12	4	5	11	0	32	3.53	1.32
		Total	47	72	48	58	20	245	3.28	1.23

No	Items	Respondents	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
9	Negative attitude towards tax paying practices among tax payers	TP	60	60	49	31	13	213	3.58	1.21
		TA	12	4	10	2	4	32	3.56	1.39
		Total	72	64	59	33	17	245	3.58	1.21
10	Lower level of tax payers' educational background	TP	15	72	61	49	16	213	3.10	1.07
		TA	7	11	6	4	4	32	3.41	1.32
		Total	22	83	67	53	20	245	3.14	1.07
11	Tax payers were consider illegal business practices as best way of doing business	TP	71	93	20	19	10	213	3.92	1.10
		TA	10	16	4	2	0	32	4.06	0.84
		Total	81	109	24	21	10	245	3.94	1.10
12	Absences of reliable and up-to-date data and records keeping practices among Tax payers	TP	62	76	51	19	5	213	3.80	1.03
		TA	11	11	8	2	0	32	3.97	0.93
		Total	73	87	59	21	5	245	3.82	1.03
13	Tax payers are not cooperative to give proper information for tax auditors	TP	32	37	99	31	14	213	3.20	1.07
		TA	4	13	4	8	3	32	3.22	1.24
		Total	36	50	103	39	17	245	3.20	1.07
14	Oromia Revenue Authority is not properly responding the compliance of Tax payers on time	TP	89	67	46	7	4	213	4.08	0.97
		TA	12	8	8	2	2	32	3.81	1.20
		Total	101	75	54	9	6	245	4.04	0.97
15	Traditions of Corruption: Request for informal payments to get things done in the course of Tax assessment and Tax audit	TP	108	71	22	8	4	213	4.27	0.93
		TA	9	14	4	3	2	32	3.78	1.16
		Total	117	85	26	11	6	245	4.21	0.93
16	Interference of others on Tax Audit responsibilities	TP	44	69	31	44	25	213	3.30	1.32
		TA	3	11	7	8	3	32	3.09	1.17
		Total	47	80	38	52	28	245	3.27	1.32

Appendix H: Responses of Tax Auditors on Tax audit Selection Criteria Usually Practices in Oromia Revenue Authority

No	Items	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Amount of capital and high tax potential of the tax payer	11	13	3	3	2	32	3.88	1.185
2	Long years of establishment of Tax payers business firm	12	17	0	3	0	32	4.19	0.859
3	Amount of annual profit declared by Tax payers and possible amount of tax to be collected	15	15	2	0	0	32	4.41	0.615
4	Number of Human resources in the Tax payers business firm	8	16	0	6	2	32	3.69	1.230
5	Taxpaying trends of the Tax payers: through Statistical techniques using prior tax audit results in conjunction with taxpayer data	9	18	5	0	0	32	4.13	0.660
6	Level of taxpayer's cooperation to give essential information necessary for performing an audit	11	8	13	0	0	32	3.94	0.878
7	Presences of Taxpayers associated compliance risks	9	18	5	0	0	32	4.13	0.660
8	Frequency of Taxpayers complain on tax related issues	15	9	5	3	0	32	4.13	1.008
9	Availability of required resource for tax audit	2	16	5	9	0	32	3.34	0.971
10	Evasion and fraud related information on tax payer	19	8	3	2	0	32	4.38	0.907
11	Through screening and case review; using criteria set for this purposes	7	20	3	0	2	32	3.94	0.948
12	Through data mining techniques that identifies patterns of noncompliance in the past and current circumstances	6	8	18	0	0	32	3.63	0.793
13	Proportionality of the types and number of business sectors of the tax payers	2	13	9	2	6	32	3.09	1.228
14	When taxpayers reported tax returns less than previous period return	0	13	8	11	0	32	3.06	0.878
15	Automated risk scoring system that identifies risk of noncompliance of the taxpayers	0	24	5	0	3	32	3.56	0.914
16	Relationship of the tax payers has with officials of the Authority (beneficial relationship and nepotism)	2	4	11	13	2	32	2.72	0.991
17	Using simple random sampling technique without any analysis	0	13	3	9	7	32	2.69	1.230
18	Simply by orders given from officials of the authority	0	7	15	7	3	32	2.81	0.896
19	Audit knowledge of taxpayers behavior and environment	5	13	7	5	2	32	3.44	1.134

Appendix I: Tax audit Techniques Usually Practiced in Oromia Revenue Authority

No	Items	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Inspection of documents and records: inspecting documents to evaluate the validity of the account balances	13	12	5	1	1	32	4.09	0.995
2	Physical inspection of tangible assets: whether the assets and liabilities stated in the balance sheet actually exist on the balance sheet date.	2	6	4	8	12	32	2.31	1.330
3	Observation: It involves witnessing a process or procedure being performed by others	5	13	7	4	3	32	3.41	1.188
4	Inquiry: seeking information and explanations from knowledgeable persons inside or outside the organization under audit	2	3	5	11	11	32	2.19	1.203
5	Confirmation: is done to support the information contained in the records, through a written or oral statement from competent parties	12	9	3	4	4	32	3.66	1.428

Appendix J: Tax Auditors' Self Evaluation Results on their Competency

No	Items	SA	Agree	Neutral	Disagree	SDA	Total	Mean	SD
1	Understanding and Knowledge of Tax related rules and regulation	5	6	18	3	0	32	3.41	0.875
2	Experience and capacity on Tax audit functions	1	9	15	5	2	32	3.06	0.914
3	Attitude towards Tax payers	0	6	8	12	6	32	2.44	1.014
4	Team-work and working in collaboration among themselves	7	13	9	3	0	32	3.75	0.916
5	Effort made to improve their knowledge and skills	3	14	9	6	0	32	3.44	0.914
6	Properly Serving and solving problems of tax payers	1	3	8	12	8	32	2.28	1.054
7	Impartiality and neutrality of Tax auditors	2	8	8	7	7	32	2.72	1.250
	Overall Results							3.01	1.110