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Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office

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Thesis Approval Sheet

I Bethlehem Negussie, hereby affirm that: thesis paper entitled as “Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office was prepared by me in partial fulfilment of the requirement for master of degree in department of Accounting and finance, Collage of Business and Economics, Addis Ababa University, Ethiopia. The ideas and views of the other researchers, authors and scholars in this study are properly expressed and acknowledged.

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This thesis has been submitted for examination with my approval as university advisor.

Name: Abebe Yitayew (PHD) signature _________________Date:_______________

Declaration

I certify that I have read and assessed this thesis entitled as "Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office'' and have been prepared with my guidance by 'Bethlehem Negussie. I believe that it would be fulfilling of the thesis requirement to submit this work.

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As a member of the board of examiners of the open defence examination, I certify that I have read and evaluated the research prepared by "Bethlehem Negussie" and examined the candidate. I recommend that the thesis be accepted as fulfilling the requirements for the award of the Master of Science Degree in Accounting and Finance.

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Abstract

The main objective of this study was to assess tax audit practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. To achieve the stated objective data were collected from both primary and secondary source, mixed research design approach was used. Primary data were collected mainly through questionnaire which were distribute 203 samples from 431 total from Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. The collected data were analysed using descriptive statistical tools to assess tax audit practice. The results of this study revealed that tax audit practice of the office has good in auditor independence, tax audit preparation, tax audit effectiveness, tax audit implementation and engagement performance those affect tax audit practice. Based on the result of the study it is recommended that the concerned authority there should be strong commitments support the tax audit to operate independently, the audit methodology and tools applied to the audit should be well structured so as to be actively involved in audit process and to get appropriate audit evidence effectively and efficiently. To make effective tax audit the office should identify employees' gap and conduct continues training program so as to update auditors' knowledge and to obtain better tax audit practice. The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities

Keywords: *Audit; independence, preparation, effectiveness, implementation, engagement*

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Acronyms and Abbreviation

TAID=Tax auditor independence

TAP=Tax audit preparation

TAE =Tax audit effectiveness

TAI =Tax audit implementation

EP =Engagement performance

Chapter One

1. Introduction

1.1 Background of the study

Tax is the contribution that the taxpayer must pay to the government, while the taxpayer does not receive direct compensation (unrequited) from the government for that contribution. The unrequited compensation means that the benefits received from the government are usually not proportional to the amount of the tax paid. In self-assessment, which is a system that requires taxpayers to disclose the basis for calculating taxes (such as taxable income), report the calculation of taxes owed, and usually accompany the calculation with the payment of the due taxes, a monitoring mechanism is needed to make sure the system work effectively. Therefore, tax authorities play a role in monitoring, conducting tax audits, and law enforcement actions to ensure that taxpayers have fulfilled their obligations in accordance with applicable regulations. Tax audit is a form of assessment whether the taxpayer has calculated and reported their tax obligations correctly or not, as well as fulfilling various other obligations. Tax audit is a process to assess whether taxpayers have reported their tax obligations in accordance with regulations (Iqbal & Arif, 2021).

A tax audit is an investigation of whether a taxpayer has correctly calculated and reported their tax liability and fulfilled other obligations. Tax revenue is defined as the revenues composed from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the possession and handover of property, and other taxes. Money received by the State thanks to taxation. It is the leading income for the state, funding public expenditure and other items, tangibly expressing the common efforts of the public (Endalew, Genfure & Beyene, 2020).

Tax audit is a detailed exploration into the activities of a taxpayer to determine whether he/she has been correctly declaring the tax liabilities. 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 behaviour. 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. 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. 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 (Mulugeta, 2019).

Tax audit is important because it assists the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that correct returns are submitted by the taxpayers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by taxpayers, to improve the degree of voluntary compliance by taxpayers and to ensure that the amount due is collected and remitted to government (Harelimana, 2018).

When a tax audit is conducted in time the taxpayer the anomalies will be identified in time and the required additional taxes will be paid in time and the government will be able to take its required tax on time. Tax audit has an impact on revenue collection therefore it promotes voluntary compliance among taxpayers and increases revenue collection. Also, with tax audit, the under declared tax liabilities is determined and adjustments are done accordingly. Further, this helps in identify the offences committed by the taxpayer and therefore imposes interests, fines and penalties on time.

1.2 Organizational background

The Ethiopian Revenue and Customs Authority were established on 14 July 2008 G.C, by proclamation No.587/2008 through the merger of the Ministry of Revenue, Ethiopian Customs Authority and The Federal Inland Revenue. The Authority is responsible to establish modern tax and customs administration dedicated to meet the requirement of the business community, encouraging voluntary compliance, to raise revenue, compacting smuggling, tax evasion and fraud as well as other illegal activities, thereby contributing to the economic and social development of the country. Ethiopian tax policy is based on tax payers' voluntary compliance i.e., self-assessment it 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 ERCA has the mission for accomplishment of these policy and objective ERCA's.

The Ethiopian tax system has categorized the taxpayer population into different segments based on amount of annual turnover as Large, Medium, Small & Micro tax payers. Based on this, segmentation Western Addis Ababa Branch is among the medium tax payer offices has established in 2008 to serve medium tax payers whose permanent establishment situate in Addis Ketema, Krikos, kolfe Keranio,Gullele and lideta. ERCA has structured in18 branches (10 Inland tax collecting center and 8 customs center) where Western »Merkato No.2« Addis Ababa Revenue Bureau is one of those ten tax collecting centers or branches of this research mainly based on it. This branch office is responsible to collect and manage direct and indirect taxes. Direct taxes like; employment income tax business profit tax, dividend, royalty and interest and Indirect taxes like Value added tax, turn over tax, excise tax and service tax. Direct taxes are major tax in terms of revenue of Addis Ababa revenue bureau «Merkato No.2»Branch Office. Because the Addis Ababa revenue bureau «Merkato No.2»Branch Office annual report shows from total tax collected in five years 56.28% is direct tax. The Total tax collected from direct and indirect taxes by Branch from year 2018-2022 Shown by below table and charts.

1.3 Statement of the Problem

Tax audit is an examination of a taxpayer's financial report by tax collector bodies to ascertain compliance with the tax legislation of a country. The primary goal of a revenue body's compliance activity is to improve overall compliance with their tax laws, and in the process still confidence in the community that the tax system and its administration are fair (Anbesa, 2020). A lot of developmental projects (infrastructural and social amenities) and public services (health service, education etc.) of every country is the responsibility of its government. It is challenging for governments globally to meet their responsibilities considering limited revenue available. This problem required governments globally to devise means of generating adequate and reliable revenue to meet their increasing needs. In most countries' taxation remain major source of funding government, however the situation is a little different because tax revenue is woeful inadequate (Owusu,2019).

In Ethiopia tax revenue is the major source of internally generated revenue, tax compliance and revenue have been relatively low. The existence of tax evasion behaviour and noncompliance of tax laws and regulations among the taxpayers on filling returns and payments of the required taxes. Also, the introduction of self-assessment system, assessment and payment of taxes has been delegated to the taxpayer. This practice requires the need for a tax audit, to ensure voluntary compliance with tax laws and regulations, the taxpayers file correct information regarding their income and expenditures, and taxes are timely collected.

According to Revenue Bureau Evidence from Merkato No.2 Branch Office (2023) annual appraisal report of branch office for a period of 2018-2022, the actual revenue collection was 85.5%, 66.02%, 59.08%, 75.93% and 102.20% respectively. The objective of the study was to examine Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. Understanding the extent of tax auditor independence, tax audit preparation, tax audit effectiveness, tax audit implementation and engagement performance would help in tax administration reforms which in turn helps increase the efficiency of the tax policies because tax issues have been a major topic in Ethiopia which can be evident from the constant debate on how to broaden the tax base and how much must be taxed. The study attempted to shed some light primarily on what should be done to assess tax audit practice. Hence, based on the identified problem above the study address the following research questions,

1. What is the effect of tax auditor's Independence on tax audit practice?
2. What is the effect of tax audit preparation stage on tax audit practice?
3. What is the effect of tax audit effectiveness on tax audit practice?
4. What is the effect of tax audit implementation on tax audit practice?
5. What is the effect of tax audit engagement performance on tax audit practice?

1.4 Objectives of the Study

The objectives of this study were classified in-to general and specific objectives.

1.4.1 General of the Study

The general objective of the study is to assess tax audit practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office.

1.4.2 Specific of the Study

In line with the above general objective of the study the following are specific objectives of study:

1. To assess whether tax auditor's Independence influences tax audit practice.
2. To assess tax audit preparation stage has any contribution tax audit practice.
3. To assess whether tax audit effectiveness has any implication on tax audit practice.
4. To assess tax audit implementation has any effect on tax audit practice.
5. To assess whether tax audit engagement performance has effect on tax audit practice.

1.5 Significance of the study

The study result is expected to be useful for Addis Ababa middle taxpayers branch office mainly by assessing tax audit practice to decrease tax evasion that causes serious amount of tax loss for the country and increasing tax compliance. In addition, it helps the revenue office tax auditors to see the level and performance of tax audit activities in relation to tax compliance and revenue in the branch office. Moreover, it may serve as a source of information and may give some highpoints for stakeholders who would like to know more about the issue and for scholars who are interested in undertaking further and detail studies in the future in the topic.

1.6 Scope of the study

The study attempted to Assessment of Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. The study focuses on the Addis Ababa Revenue Merkato No.2 Branch Office and excludes other branches. Moreover, the study is conceptually limited to Assess Tax Audit Practice in the branch office mainly using survey instrument.

1.7 Limitation of the study

The researcher faces some difficulty in conducting this study because of the many challenges. There might other variable which was not considered in this study. Thus, not all variables were controlled for this study rather concern only most significant variables from different empirical evidence. The researcher was trying to overcome those challenges order to reach reliable finding of the study.

1.8 Organization of the study

This research was organized into five chapters. Chapter one discusses about introduction of the study that consist back ground of the organization, back ground of the study, statement of the problem; objective of the study, research questions, limitation and significance of the study. Chapter two presents the background of tax revenue and tax audit related theoretical reviews, summary of empirical review related to previous studies both international and in Ethiopia and discussion of researchers. Chapter three deals related research methodology which describes about the research design, sampling design, sources of data, data collection methods, method of data analysis, ethical consideration and reliability of the data. Chapter four discusses about data presentation, analysis, test of research question, interpretation and analyse of the data. Finally, the fifth chapter was presents the major summery of finding, conclusion drawn from analysis, possible recommendation for the identified problems and lastly direction for future research.

Chapter Two

2. Literature Review

This chapter is organized in three sections. The first section reviews theoretical studies on Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office while the second section presents the empirical evidence on tax audits and related issues. The final section provides conceptual issues directly related to the study and concluding remarks on the review of the literature and identifies the knowledge gap that was addressed in the study.

2.1. Theoretical review

2.1.1. Definitions of Tax

Tax is a compulsory levy imposed by the government on the income, profit or wealth of an individual, family, community, corporate or unincorporated bodies, etc. to finance public expenditures centred on providing social amenities for her citizens. Taxation as commonly used can be defined as the imposition by the government of compulsory contributions or levies on the citizens, property, income, commodities, transactions and so forth, to raise revenue for government expenditure (Olaoye & Ekundayo, 2019).

2.1.2. Tax Revenue

Taxation is the powerful instrument in the hands of the government for the responsibility of protecting the interests of the community as a whole and promotes the implementation of welfare programs. Government spends huge amounts for providing benefits such as old age pensions, accident benefits free education and medical services. This expenditure on human resources comes under social expenditure. Governments are moving towards the objective of achieving maximum social welfare. Expenditure on education, public health, welfare schemes for workers, relief and rehabilitation of displaced persons and such other services may not yield direct benefit in the short run. But in the long run they contribute to improvement in the quality at human resources. The government requires funds for the performance of its various functions. These funds are raised through tax and non-tax sources of revenue. Imposing tax on income, property, etc (Widnesh, 2019).

2.1.3. Definitions of Auditing

Auditing is the branch of financial management which is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following a documented system of recording transactions. It is done to ascertain the accuracy of financial statements provided by the organisation. An audit can be done internally by employees or heads of a particular department or externally by an outside firm or an independent auditor. The idea is to check and verify the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no misrepresentation or fraud being conducted (Yirgalem, 2021).

Tax administrations strive to transfer taxes to state budget and to ensure tax control. However, tax administrations have great difficulties in collecting duties all around the world. People who make less tax payment than they should and who do not make any tax payment, cause serious amount of tax loss for the states. Tax evasion affects the efficiency of tax systems and behaviour of taxpayers by causing serious revenue loss, by restricting application capacity of economic and social policies and by increasing the tax burden of honest taxpayers. Therefore, decreasing tax evasion and increasing tax compliance are among main objectives of public finance policy (Mulugeta, 2019).

2.1.4. Tax audit

Tax audit is an examination of a taxpayer's financial report by tax collector bodies to ascertain compliance with the tax legislation of a country. Additionally, tax audit is a process where the tax authority to confirm the amount of tax payable that the taxpayer declared correctly or not. Tax audit is an investigation of the correctness of liabilities and fulfilling of tax obligations reported by taxpayers. On the other hand, tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the country. For a successful audit, it is necessary that the assignment is accomplished, completely and efficiently. Regarding empirical pieces of evidence on Tax Audit and revenue collection, the researcher comes across different studies carried out at specifying organizations in different countries but scanty studies that have been conducted to establish the potential effect of tax audit on revenue collection. The following subsection incorporates a number of studies conducted around tax audit and revenue collection (Goshu, 2020).

2.1.4 Audit and Tax Audit

Audit is means of giving credibility to an entity‘s financial information. The purpose of an audit is to provide an assurance to the true and fair view of the financial statement. An audit is equally seen as an on-site verification activity, for inspection or examination of quality system to ensure compliance with requirements. The primary objective is the expression of opinion on the true and fair view of the financial report while the secondary objective is to evaluate the internal control system and to frustrate fraud and error in an organization. Conducting an audit, various types of information will be reviewed namely, tax returns, financial statements, accounting records, customs declaration and other source documents. Generally, an audit will examine different issues identified as most significant in achieving an accurate assessment of a taxpayer ‘s tax liability. Some of the typical issues will include any indications of unreported income, or potentially over claimed deductions, over /under valuation, smuggling and illegal activities. Tax audits usually focus on areas where there is a high risk with regard to the amount of tax paid and/or payable. Depending on the specific factors relating to a taxpayer, the scope of tax auditing will often vary. However, it is important to remember that the primary objective of an audit is to determine the correct amount of tax that ought to be paid. The above stated objective is very important to tax payers as well as to tax authorities and it helps ensure that taxpayers have confidence in the fairness of the audit process such that an audit could result in either an increase or a decrease of a taxpayer ‘s tax liability (Laykemaryam,2020).

2.1.5. Objectives of Audit

According to Anbesa (2020) Auditing involves examination of books accounts, and financial statements with the main objective of determining whether this information reflects the economic events that occurred during the accounting period. The main objective of an audit was principally to see whether the personal involved in accounting had properly accounted for the receipts and payments of cash. In other worlds, the objective of audit was to find out whether cash had been embezzled and if so, who embezzled it and what amount was involved. Thus, it was only an audit of cash book. But, at present, the main aim of audit is to find out, after going through the book of accounts, whether the balance sheet and profit and loss account are drowned up accordingly and whether they represent a true and fair view of the state of the affaire of the concern. This is possible when the auditor verifies the accounts and the statements while performing his duties, the auditors also must discover errors and frauds. The overall objective is to improve the compliance of taxpayers, whether they declare the correct amount of tax and paid at the right time. The expectation by a taxpayer on audit should have a deterrent effect and encourage the taxpayer to declare as far as possible a credible tax return. It also improves the taxpayer's understanding and awareness of the relevant taxes (Anbesa, 2020).

2.1.6. Types of Tax Audit

According to Endalew, Genfure and Beyene (2020) there are two types of audits; Field audit which is conducted at the taxpayer's principal place of business and generally applies to trades and professions and will involve a comprehensive review of the books, records and returns. Desk audit is conducted at the Revenue office and generally applied to investment and rental income.

There are different types of Tax Audit which are applied in different countries based on types of tax being audited. These types of audit services are Audit of the financial statements of the company to provide assurance on the financial statement; Compliance audit to find whether the company has complied with the required laws and regulations and Operational audit to check for the operational efficiency and effectiveness of a process. Form the above type of tax audit service: operational efficiency and effectiveness are audits of performance but an audit of financial statements and compliance audits are mostly applied for a tax audit. However, audits can vary in their scope and the level of intensity in which they are conducted. So, various terminologies have evolved to describe different types of audit activity ((Endalew *et al.,* 2020).

Comprehensive Audit

Comprehensive audit is an 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. According to Germew, (2018) all cases where serious underreporting or evasion has been detected under any of the other audits should be forwarded to a unit responsible for undertaking comprehensive audits of all tax liabilities A Comprehensive audit is classified into Very Complex, Complex and simple. This classification will depend on many of factors ranging from size, group, trade or profession, volume of records or transactions, nature of the business to location. In practice, the scope and nature of any comprehensive audit activity to be undertaken will depend on the available evidence pointing to the likely risks of non-compliance and a taxpayer's history. An audit may also be classified and justified as complex or very complex because of the taxpayer's financial and/or unusually complex business activities.

Single issue audits

Grandcolas, (2005) the issue-oriented audit focuses 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 an examination of a taxpayer's return. Given their narrow scope, single-issue audits typically take less time to perform and can be used to review large numbers of taxpayers involved in similar schemes to conceal non-compliance. In practice, the scope and nature of any audit activity undertaken for a particular taxpayer will depend on the available evidence pointing to the likely risks of noncompliance and a taxpayer's prior history. Extensive audit inquiries may also be justified simply because a taxpayer's financial and /or business activities are unusually complex.

Field Issue Audit

According to Anbesa, (2020) Field Issue Audit is the escalation of a desk issue audit into a field activity or exercise. It is important to remember that the audit is limited to key issues of compliance or a tax type or period. Field issue audit is commonly used in examining whether a taxpayer has met his/her obligations in respect of VAT/TOT and Excise tax, Withholding Tax or Income Tax normally for a specified tax period. A field audit is usually carried out outside the Inland Revenue's office in the taxpayer's business premises. The need to carry it out on the taxpayer's premises is to enable the tax auditor's carry out the examination of applicable documents and also obtain appropriate information directly from the officials of the business. This takes more time and more basic documents are always required. Some documentation can also be taken down to the office for detailed verification.

Desk Audit

As soon as a tax return is received in the Inland Revenue's office, such would be subjected to examination by the inspector. This examination is carried out in the tax office and routine basis indicating that most if not all the returns submitted to the tax offices are subject to this audit. The focus of the desk audit would be to ensure the completeness of the items submitted for tax purposes. The inspector carrying out a desk audit will also look for apparent errors or mistakes in the tax computations and/or in the accompanying documents and records. The outcome of a desk audit may lead to the conduct of a field audit whenever additional information or documentary evidence is required to satisfy the inspector of taxes carrying out the desk audit. The essence is to ensure some level of compliance with tax laws, rules and regulations as well as confirming the administrative check or returns submitted (Anbesa, 2020).

Special Audit Projects

ERCA audit manual, (2014) Audits can be organized as a separate project for a targeted or specific group of taxpayers in a given period to verify compliance in the sector. These audit projects may cover an industry, trade, profession or a line of businesses. They will consist of specific checks and are used to address a particular risk or to establish the degree of non-compliance in a particular sector, industry or trade. For this audit type to be effective, all taxpayers in the targeted sector must be considered and handled within the shortest time possible.

Advisory Visit Audits

It involves the auditors' visit 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. Fraud investigation is a type of tax audit that investigates criminal which arises from where the most serious cases of noncompliance. It helps to detect fraud, evasion, and criminal activity fraud investigation requires special skill including meeting evidentiary requirements, seizure of pieces of evidence or records, testimony from key witnesses and preparing briefs for courts. Hence, it should be undertaken in accordance with criminal procedure laws. Revenue authorities should maintain a dedicated organizational unit responsible for the handling of serious cases of tax fraud or evasion (Anbesa, 2020).

Refund Audits

This is the verification of a taxpayer's claim for a tax refund before processing the refund. The predominant claim for refund is VAT and/or WHT which is submitted monthly. The details are specified in the Refund Guidelines. Noted that the refund audit should focus only on the period covered by the claim. 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 (Endalew, Genfure and Beyene, 2020).

2.2.1 Tax auditor independence

According to the consultative council of Accountancy bodies (CCAB), independence is an attitude of mind characterized by integrity and an objective approach to professional work. It is an attribute, which qualifies an auditor to expresses opinion on matters of financial reporting without bias or undue pressure. As a result, independence in assessing quality of financial reports dictates audit quality. In asserting the essentiality of independence in financial reporting, suggested that auditor independence is at the centre of the integrity of the audit process. Professional accounting bodies consider independence attribute as a key factor in measuring the performance of their members. For instances, the AICPA to secure quality control in the practice of its members issued a statement on quality control standards which specifies five elements of quality control, amongst which is independence. The main purpose of maintaining independent quality is to ensure that personnel maintain independence (in fact and in appearance) in all required circumstance, perform all professional services with integrity and maintain objectivity in discharging professional responsibilities (Oladele et al., 2021).

2.2.2 Tax audit preparation

Tax Audit Preparation Stage Indicators include Collecting and examining taxpayer files (Internal and External Data), identifying taxpayer (taxpayer profile), conducting quantitative and qualitative analysis, identifying problems and determining scope of examination, preparing audit programs and determining taxpayer books and documents to be borrowed, providing inspection facilities and infrastructure.

2.2.3 Tax audit implementation

Tax audit implementation stage indicators include, conducting audit at the taxpayer's place, assessing the internal control system, updating the scope and audit program, examining books, records, and documents, confirming to third parties and notifying the results of the audit to the taxpayer.

2.2.4 Engagement Performance

This dimension of audit quality is anchored on ensuring compliance with the established standard and procedures on every audit engagement. It is amongst the quality control procedures developed by AICPA. According to AICPA, the purpose is to provide assurance that work performed meets applicable professional standards, regulatory requirements and the audit firms' standards of quality. This is secured through extensive review of working papers and discussion of identified anomalies. Literature in this area is serenity; nonetheless, ensuring properly performance of every audit to the expectation of clients and the consuming public is an important aspect of audit quality and thus, improves financial reporting (Oladele et al., 2021).

2.2.5 Tax Audit effectiveness

According to by (Umar, 2017) One of the key insights gained at the 2017 TARC Workshop was from the presentation on audit effectiveness. While previous research on the relationship between audit enforcement and tax compliance has traditionally focused on the effects of audit probability, detection probability and sanctions, Umar argued that the dynamics of audits in developing countries do not necessarily follow the assumptions made in advanced countries. Audit could still play a key role in tackling the large-scale tax non-compliance in developing countries. However, there is a huge gap in our understanding of the concept of audit. Existing research findings about the topic are fragmented in terms of audit probability, detection probability, fines, and sanction severity. Many studies treat these concepts in isolation and the few that combine them neither combine them all nor treat them as dimensions of the same construct. Umar stated that segregating these concepts leads to a problem of construct validity. Instead, he advocates a construct of 'audit effectiveness', which subsumes audit probability, detection probability, and sanction effectiveness (Allingham and Sandmo, 1972).

2.3 Empirical review

2.3.1 World Context review

Joseph F., et al. (2018) were done the study on Effects of Tax Audit and Investigation on Revenue Generating Capabilities of Federal Inland Revenue Service (FIRS): The study revealed that functional tax audit and investigation department, to a considerable extent influences the revenue generating capabilities of Federal Inland Revenue Service. Besides, ineffective tax audit and investigation exercises, to a great extent, weaken revenue generating capacity of Federal Inland Revenue Service.

Walta (2020) was done the research on assessing the impact of late tax audit on revenue collection a case of Arusha tax region. The findings showed that Pay as You Earn (PAYE), Skills and Development Levy (SDL), Value Added Tax (VAT) and Withholding Tax on Services (WHT-SERV) held at a constant zero revenue collection would be at 7.9581. That is, a unit increase in late tax audit PAYE would lead to a decrease in revenue collection by a factor of 1.064086. In addition, a unit increase in late tax audit on SDL would lead to a decrease in revenue collection by 0.391659. Results also indicate that a unit increase in late tax audit on VAT would lead to a decrease in revenue collection by 0.8907509. And finally, a unit increase in late tax audit on WHT-SERV would lead to decrease in revenue collection by 0.1726882. Furthermore, the findings revealed the existence of late tax audits, 89% and reasons were insufficient auditing staff, the complexity of other types of businesses operated by taxpayers, compliance with tax Laws among taxpayers as well as poor cooperation from taxpayers. Therefore, from the finding, it is clear as tax audits are conducted earlier as possible the more revenue to be collected on time.

Oladele et al. (2021) were done the study on the Impact of Tax Audit Practices on Revenue Generation in Nigeria. The study investigated the impact of tax audit practices on revenue generation in Nigeria with its specific objectives such as to determine the relationship between tax audit practices dimensions and company income tax. The findings of the study reveal that desk tax audit and field tax audit have a positive relationship with company income tax.

Dada and Taiwo (2020) were done the study on Bearing of Tax Audit on Tax Compliance and Revenue Generation in Ekiti State. The result revealed that certain per cent of the revenue generated in Ekiti State could be explained by the tax audit; It was also discovered that auditing access, auditing officials, an effective tax audit, non-compliance, audit fieldwork, tax audit control, and corruption affect the revenue generation by 1.188, 0.319, 0.596, 0.148, 0.157, 0.125 and 0.002 respectively; the probability value 0.00, 0.01, 0.00, 0.022 and 0.00< 0.05 showed that auditing access, auditing officials, effective tax audit and incentive were statistically significant at 5 per cent level; the probability of F-statistic value 0.000 < 0.05 revealed that the model was appropriate for determining the impact of tax audit on revenue generation in Ekiti State.

Kalbuana et,al. (2020) were examined effect of audit quality, tax avoidance, leverage, and presentation of other comprehensive income on firm's value in Jakarta Islamic index company. The results of this study show that variable Quality Audit, Tax Avoidance and presentation of Other Comprehensive Income, have no significant effect on Firm's Value, while Leverage has a significant effect on Firm's Value. Simultaneously it is suggested that the Quality of Audit, Tax Avoidance, Leverage, and presentation of Other Comprehensive Income has no significant effect. The implications of this research are expected to contribute theoretically to the value of Islamic companies and practically provide input for policy makers and regulators in the Jakarta Islamic Index.

Harelimana and Nyabirande (2020) effects of tax audit on revenue collection in Rwanda. Taxation is the main source of government revenues in Rwanda. The findings revealed that holding Tax administration, tax revenue performance, revenue protection system, tax automation to a constant zero, revenue collection would be at 0.347. A unit increase on Tax administration would lead to increase in revenue collection by a factor of 0.162, a unit increase in revenue protection system would lead to increase in revenue collection by a factor of 0.194 and unit increase in tax automation would lead to increase in revenue collection by a factor of 0.211. Tax audit actually has an effect to revenue collection. This clearly indicates that tax audit increases revenue collection.

Niyi et al. (2021) were done the study on the Effect of Tax Audit and Tax Amnesty on Tax Yield in Southwest, Nigeria. The study found that tax audit has significantly positive link with tax yield while tax amnesty has a negative and substantial correlational influence on tax yield significant relationship with tax yield.

Oladele et al. (2021) were done the study on the Impact of Tax Audit Practices on Revenue Generation in Nigeria. The study investigated the impact of tax audit practices on revenue generation in Nigeria with its specific objectives such as to determine the relationship between tax audit practices dimensions and company income tax. The findings of the study reveal that desk tax audit and field tax audit have a positive relationship with company income tax.

Rizqia and Lastiati (2021) were examined Audit Quality and Tax Avoidance: The Role of Independent Commissioners and Audit Committee's Financial Expertise. The results show that Big Four firms lower the tax avoidance level done by corporations, but not audit tenure. Furthermore, results also show that the audit committee's financial background weakens the relationship between audit quality and tax avoidance, but not an independent board of commissioners. The results are consistently found in both countries examined. The accounting firm that audits the company's financial statements gives an impact on the displayed actual company value, but not with audit committee's expertise which ineffective in carrying out its supervisory function without an understanding of the company's operational and business activities; thus, the diversity of audit committee backgrounds is still needed.

2.3.2 Ethiopia Context

Belay (2018) assessment of tax audit practice and its challenges: the case of Adama revenues and customs office. This study tried to assess the practices and the challenges of tax audit in case of selected Revenue and Customs Authority, The Adama Revenue and Customs Office. For this end, with the intention of getting the relevant information, this study considered only audit department staff of office as population of the study. Since the number of populations is small, this study considered the whole staff members of the audit departments. As the sources of data, the current study used both primary and secondary sources. And, to collect the necessary data survey questionnaires were used as the methods of data collection. The questionnaires were rated at Five Points Likert Scale Rate. To analyse the collected data descriptive statistics such as mean, standard deviation and percentages were applied. From the data analysis, it was revealed that comprehensive tax audit was repetitively performed tax audit type. There was well established role of tax audit. The tax audit practice of the office has weakness in selecting those taxpayers with high tax potential and in business wise. The department also not applied statistical techniques and automatic risk scoring system for its audit selection case. The primary purpose of the tax audit in the office was not ensuring the tax compliance behaviour but increasing tax revenue collection. There was problem in supply of audit resources such as skilled and experienced tax auditors and organized and suitable office structure. There was no taxpayer segmentation of taxpayers for tax audit and risk based tax audit strategy. In addition, inadequate number of auditors, lack of skilled and qualified auditors and unwillingness of taxpayers to present necessary records were some challenges of tax audit in the office.

Dessalegn (2019) assessment of tax audit practice the case of Addis Ababa city government revenue authority Addis Ababa no.1 medium taxpayer branch office. The study aims to assess tax audit practice to investigate the tax audit looks like the experience and capability of auditors participated in tax audit practices as required by international standards. To carry out the study, the researcher used primary data sources through questionnaire from target population of tax auditors and audited taxpayers. This study adopted a descriptive research approach. The surveyor takes all target population of tax auditors and purposive sampling techniques of audited taxpayers in order to achieve the research objectives and to answer research questions. The data has analysed through descriptive statistics using Statistical Packages for Social Scientists (SPSS) version 24, Data collected using questionnaire was table's, frequency distribution and percentage, graphs used to present the data. The result shows that there were not well organized office, lack of training, less awareness and no tax audit fairness.

Samuel (2020) Assessment of Tax Audit Practice and its Challenges A Case Study of Ethiopian Revenue and Custom Authority Large Taxpayers'. Tax audit is an activity or a set of activities performed by tax auditors to determine taxpayer's correct tax liabilities for a particular accounting or tax period. Many countries have adopted a self-assessment system (SAS) including Ethiopia; The main objective of this study was to assess the tax audit practice and its challenge in the case of large taxpayers' office and tries to assess the application of automation in audit, the proficiency of auditors, functions of audit in the reduction of tax evasions and avoidances and how it is exercised to increase the compliance level of taxpayers. Descriptive method was used to analyse the collected data. To achieve these objectives, both quantitative and qualitative research approach were used and data were collected from primary and secondary sources. Primary data were collected by using survey method from the tax audit staff and large taxpayers'. Well-structured questionnaires distributed to 48 tax audit staff respondents and out of these 40 were returned, and, to 588 taxpayers' respondents and 426 were returned. The analysis provided the tax audit had problems in the application of automation in tax audit to its maximum capacities, incompetent auditors to tackle tax evasion and avoidance, weak taxpayers' education program which cannot improve the compliance level of taxpayers.

Anbesa (2020) was done the study on effects of tax audit on revenue collection in Addis Ababa revenue bureau: evidence from Merkato no.2 branch office. The finding of the study reveals that, revenue protection system, and audit case selection has positive and significant effect on revenue collection and statically significant at 5% and 1% significance levels respectively. Furthermore, revenue after audit, auditors' capacity and tax automation has positive and insignificant even at 10 present significance levels. Apart from this, the variable tax audit resource and before audit amount has a negative effect on revenue collection and statically significant at 5% and 1% significance levels respectively.

Endalew, Genfure and Beyene (2020) were done the study on effects of tax audit on revenue generation Hawassa and Jimma Branch. The study revealed that tax audit techniques applied and provision of training to the taxpayers are positive factors affecting the tax revenue generation significantly, on the contrary, an illegal practice of taxpayer is negative factor that affecting the tax revenue generation

Goshu (2020) was done the study on the Effects of Tax Audit on Revenue Collection Performance in Ethiopia Evidence from ERCA Large Taxpayers' Branch Office. The finding of the study reveals that; tax compliance, revenue protection system, and tax automation has positive and significant effect on revenue collection and statically significant at 1%, 1% and 5% significant level respectively. Furthermore, audit case selection and auditors' capacity have a positive and significant effect on revenue collection performance at 10 percent significance level. Apart from this, the variable tax audit resource, tax evasion and before audit amount has a negative effect on revenue collection and statically significant at 1 percent significance level. On the other hand, the amount after audit has positive and insignificant effect on revenue collection performance.

2.4 Literature Gap

Based on the above literature review the following research gaps were concluded. The former studies indicated various researchers on similarly area of studies and they took specific idea as variable. While they are taking variables, they only took specific variable than major variable which means that they took the subtitle unable to see widely. This study was different with that of Dada and Taiwo (2020) which was conducted on Bearing of Tax Audit on Tax Compliance and Revenue Generation in Ekiti State, Belay (2018) assessment of tax audit practice and its challenges: the case of Adama revenues and customs office. Anbesa (2020) which was conducted on effects of tax audit on revenue collection in Addis Ababa revenue bureau: evidence from Merkato no.2 branch office, Goshu (2020) which was conducted on the Effects of Tax Audit on Revenue Collection Performance in Ethiopia Evidence from ERCA Large Taxpayers' Branch Office. This study also different in terms of time which was conducted in 2023. Hence, the researcher looked at to Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office that seems to be a methodological gap. Therefore, this study was assess the extent of tax auditor independence, tax audit preparation, tax audit effectiveness, tax audit implementation and engagement performance would help in tax administration reforms which in turn helps increase the efficiency of the tax policies because tax issues have been a major topic in Ethiopia which can be evident from the constant debate on how to broaden the tax base and how much must be taxed.

Chapter Three

3. Research Methodology and Design

This chapter discusses the research design and methodology that was applied during research process. Also, it explained the methodological tools, research design, and area of the study, research approach, the population of the study and sample size and design that were employed in the study.

3.1. Research Design

This study was conducted in Addis Ababa revenue bureau (ARB) of Markatot.no.2 branch offices to Assess of Tax Audit Practice. The researcher was used descriptive research design. Descriptive research design used to describe the data and characteristic about what was been studied Kothari (2004).

3.2 Research approach

There are three types of research approaches, namely qualitative, quantitative, and mixed approaches. Qualitative approach used mostly when the researcher needs to conducts the study in does not attempt to quantify their results through statistical summary or analysis. The rational reason for the adoption of quantitative approach includes: to develop knowledge of cause and effect, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories, employee strategies of inquiry such as experiments and surveys (Creswell, 2009). The mixed research approach is a means to collect both qualitative and quantitative data and analyses together to achieve the research objective. In other words, it involves the collecting and "mixing" or integration of both quantitative and qualitative data in a study. A mixed-methods approach is one in which the researcher tends to base knowledge claims on pragmatic. Even though, each approach has its own objective and application time, in the selection process one should take into account the nature of the research problem or issues being addressed. Consequently, the study in hand requires analysing the relationship between variables based on theories and hypothesis testing using statistical procedures due to the nature of the study. For this study the researcher was used a mixed approach in order to Assess Tax Audit Practice (Creswell, 2009).

3.3 Data Source and Type

The researcher was used both primary and secondary sources of data to attain the stated research objectives. From primary data questionnaire was used for this study. The questionnaire prepared with closed-ended type of questions. The popularity of the closed-ended questions provided less effort by respondents to complete the questionnaire and it is easy for analysis. The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study. Secondary sources of data include both published and unpublished materials which include records, files, reports, documents, and published data such as various reports, magazines and different survey papers.

3.4 Population of the study

As per the data that the researcher found from the Addis Ababa Revenue Bureau Merkato no.2 branch office human resource department on march, 2022 there are a total number of 431 employees; among them,88 (76 are tax auditors, 11 team leaders and 1 audit processes) of them are currently working at tax audit department. The target population of the study were all tax auditors, team leaders and tax audit processes found in Addis Ababa Revenue Bureau Merkato no.2 branch offices. This is because there is a need to address experts in the area who are familiar with the work and deep knowledge in the area of the study; they are a close relation with tax audit functions and to obtain detail both primary and secondary information

3.5 Sampling and Sampling method

This study estimates the necessary sample size based on the number of people in the target population. Therefore, the sampling techniques for this study the researcher used probability sampling which includes systematic sampling methods for Addis Ababa Revenue Bureau Merkato no.2 branch office, as well as a non-probability sampling method which is more convenient for sampling from tax auditors. In this study the researcher was used a simplified formula provided by Kothari (2004) for finite populations, that applied to determine the required sample size at 95% confidence level, degree of variability = 0.05 and level of precision = 0.05.

$$n = \frac{Z^2 pqN}{e^2(N-1)+Z^2 pq}$$

Where: n: is sample size, N: is size of population, P: is the maximum population proportion, q=p-1 and p=q-1, q: is the estimated proportion of an attribute that is not present in the population, e: is margin of errors considered as 0.05 for this study and$z\frac{a}{2}$: is normal reduced variable at 0.05 level of significance z=1.96

$$\frac{(1.96)^2\ x0.5x0.5x431}{(0.05)^2(431-1)+(1.96)^2x0.5x0.5} = \underline{\underline{203}}$$

Table 3.1 Sample size distribution

Total number of employees		Position	Sample
431	76	Tax auditors	76
	11	Team Leaders	11
	1	Audit Processors	1
	343	Other employees	115
Total	**431**		**203**

3.6 Data collection methods

The data were consisting of both primary and secondary data. The primary data were collected through questionnaires that are prepared with likert scale type of questions and Secondary data were collected from different operational manuals and documents of the company in addition to different kinds of literatures including published and unpublished books, yearly or quarterly reports, journal or articles, and other relevant official reports.

3.7 Data Analysis Methods

To analysis, the collected data the researcher was used descriptive statistics. Descriptive statistics are used to determine frequency, percentage and mean. The data were presented quantitatively using a table and also data presented by qualitatively by using narrations. To conduct this study, the researcher was used statistical tools SPSS 24 version software.

3.8 Reliability and Validity of the Test

Validity is how to accurately a method measure what it is intended to measure. It explains that validity as how well the gathered data covers the actual range of study. In short, validity can be assumed as the extent to which the scores from a measure represent the variable they ought to. Face validity is the degree to which a measure appears to be related to a specific construct. Content validity is the extent to which measure covers the construct of interest. The reliability of the survey means that it is consistent and stable, and hence predictable and accurate (Gujarati, 2004). Reliability refers to the degree of consistency of a measure. A test will be reliable when it gives the same repeated result under the same condition. Test-retest reliability is crucial before administering the instrument as it allows the researcher to know if it is able to yield the similar results across time. When researchers measure an instrument that they assume to be consistent, hence the scores obtained should also be consistent across time. Internal consistency reliability is looking at the correlation between all items that make up the constructs to ensure that the items are measuring the same concepts. The most commonly used internal consistency measure is the Cronbach Alpha coefficient. In order to examine the internal consistency reliability, the researcher decided to use Cronbach Alpha coefficient. Using SPSS software to process the survey, the Cronbach's alpha coefficients shows that the coefficients are greater than 0.7 which is about 0.88 which is shows that the research concepts are appropriate and reliable (Feng & Yamat, 2019).

3.9 Ethical Considerations

All communications that were made to any participant in the research with honesty and transparency. Also, to ensure the commitment to ethical conduct, the researcher ensured that the permission was obtained from the Addis Ababa Revenue Bureau: Merkato no.2 branch office to conduct the research, respondents were assured of confidentiality and all the data collected was solely use for this research only. Therefore, in this study permission, confidentiality, privacy, voluntary participation and informed consent was considered.

Chapter Four

4. Data Presentation and Discussion

In the previous chapters, important literature that gives understanding about the topic was reviewed and used to identify the knowledge gap in the area of the study. In line with reviewed literature; the research problem, research purpose, research question & the research design used for this study were also discussed. This chapter deals with the descriptive statistics of the data collected, that are discussed to see.

4.1. Survey distribution and response rates

This study was based on a survey of 203 respondents. The sample constitutes the target population which was calculated based on Kothari (2004) formula in chapter three. In the beginning, 25 questionnaires were given to 25 respondents which have been checked for completeness, consistency and language. As a result, necessary adjustments were done before the actual data collected. After that, the total of 203 questionnaires were administered and distributed to the whole respondents at the end of the fieldwork, a total of 181 of usable questionnaires were returned.

To increase the research ethics, the researcher was including all resulting responses on the outcomes of analyses of the data collected during the study and make interpretations accordingly.

T*able* 4. 1: Sample, returned and non-returned questionnaire

Position	**Members**	**Sample Size**	**Returned**	**Non-returned**
Tax auditors		76	69	7
Team Leaders		11	10	-
Audit Processors		1	1	1
Other employees		115	101	14
Total Returned		**203**	**181**	**22**

Source: Own field survey, 2023

4.2. Descriptive Analysis of the Study

In order to achieve the objective of the study; the researcher was used purposive sampling; to select a sample of respondents from the total 203 populations, So the data collected through a questionnaire distributed to respondents were analysed and discussed. The researcher has distributed 203 questionnaires to respondents but only 181 questionnaires were returned and the rest of the respondents did not return the questionnaire. As it can be discussed in the following subsections of the chapter; the study was targeted tax auditors as a population of the study. The questionnaire was prepared and distributed to the respondents; each variable was represented by proxy questions and the data collected were analysed through SPSS version 24.

4.3. Reliability of questionnaire

The reliability of the questionnaire was evaluated using the "Cronbach's alpha" and all the five variables of the Research questions were considered for the calculation. To measure the reliability of the questionnaire, the researcher applied a preliminary reliability test from 20 tax auditors. According to different statistic books a reliability coefficient exceeding 0.5 for any test or scale was an acceptable reliability coefficient. Therefore, researcher was concluded that the questions regarding Assessment of Tax Audit Practice were accepted as it satisfies the given standard or criteria.

Table 4.2: Measurement of reliability Analysis

Reliability Statistics

Cronbach's Alpha	N of Items
.878	28

Source: Own survey data, 2023

Demographic characteristics of respondents

This section presents the results of the study findings based on the demographic characteristics of the respondents.

Table 4. 3: Sex age, and educational status respondents

Demo. Variable	Category	Frequency	Percentage	Cumu. Frequency
Sex of Respondents	Male	137	75.7	75.7
	Female	44	24.3	24.3
Age of Respondents	Under 25	7	3.9	3.9
	Between 25-34	141	77.9	77.9
	Between 35-44	33	18.2	18.2
Education status	Degree	148	81.8	81.8
	Masters and above	33	18.2	18.2

Source: Owen survey: 2023

Table 4.3 presented the sex distribution of respondents. According to the result 75.7% of the respondents are male and the remaining 24.3% are female. This indicates that most of the respondents are male. Table 4.3 age of respondents 77.9% were 26-34 years old, 18.2 were 35-44 years old. The age of respondents was important because different age groups have important effect of on proving revenue collection. Table 4.3 showed that education level respondents which showed, 81.8% of the respondents have a degree, 18.2% of respondents have a masters and above. These findings indicate that education standards influence management practices, so most respondents associated with this study often respond to college and university graduates that mostly they can be aware of and possibly react to things with understanding.

4.4. Descriptive Statistics of Variables of the Study

Table 4. 4: Descriptive statistics of tax audit preparation

Tax Audit Preparation	Respondents' response				
Statements	S. disagree	Disagree	Neutral	Agree	S. agree
Tax auditors are properly collected and examining taxpayers' files	29(16%)	42(23.2%)	23(12.7)	40(22.1%)	47(26%)
Tax auditors are properly identifying taxpayer (taxpayer profile)	24(13.3%)	38(21%)	28(15.5%)	39(21.5%)	52(28.7%)
Tax auditors are conducting both quantitative and qualitative analysis	16(8.8%)	32(17.7%)	44(24.3%)	38(21%)	51(28.2%)
Identifying problems and determining scope of examination by tax auditors is good	29(16%)	37(20.4%)	28(15.5%)	41(22.7%)	46(25.4%)
Auditors are Providing inspection facilities and infrastructure	29(16%)	41(22.7%)	28(15.5%)	37(20.4%)	46(25.4%)

Source: Own survey data, 2023

Tax Audit Preparation: - Respondents were asked about tax audit preparation. Respondents were asked about their agreement on the statement of tax auditors are properly collected and examining taxpayer's files. The result showed that about 48.1% of respondents their agreement. Respondents were asked about tax auditors are properly identifying taxpayer (taxpayer profile). The result showed that about 50.2% of respondents showed their agreement. Respondents were asked about tax auditors are conducting both quantitative and qualitative analysis. The result showed that about 49.2% of respondents showed their agreement. Respondents were asked about Identifying problems and determining scope of examination by tax auditors is good. The result showed that about 48.1% of respondents showed their agreement. Respondents were asked about Auditors are providing inspection facilities and infrastructure. The result showed that about 45.8% of respondents showed their agreement.

Table 4. 5: Descriptive statistics of Tax Audit Implementation

Tax Audit Implementation	Respondents' response				
Statements	S. disagree	Disagree	Neutral	Agree	S. agree
Tax auditors are conducting audit at the taxpayer's place	5(2.8%)	6(3.3%)	19(10.5%)	38(21%)	113(62.4 %)
Tax auditors are assessing the internal control system	4(2.2%)	6(3.3%)	15(8.3%)	76(42%)	80(44.2 %)
Tax auditors are updating the scope and audit program	2(1.1%)	6(3.3%)	11(6.1%)	93(51.4%)	69(38.1 %)
Tax auditors are examining books, records, and documents	5(2.8%)	4(2.2%)	15(8.3%)	73(40.3%)	84(46.4 %)
Tax auditors are confirming to third parties	3(1.7%)	5(2.8%)	19(10.5%)	91(50.3%)	63(34.8 %)
Tax auditors are notifying the results of the audit to the taxpayer	5(2.8%)	5(2.8%)	16(8.8%)	65(35.9%)	90(49.7 %)

Source: Own survey data, 2023

Tax Audit Implementation: - Respondents were asked their agreement on the statement of tax auditors are conducting audit at the taxpayer's place. The result showed that about 83.4% of respondents showed their agreement. Respondents were asked about their agreement on the statement of tax auditors are assessing the internal control system. The result showed that about 86.2% of respondents showed their agreement. Respondents were asked about tax auditors are updating the scope and audit program. The result showed that about 89.5% of respondents showed their agreement. Respondents were asked about Tax auditors are examining books, records, and documents. The result showed that about 86.7% of respondents showed their agreement. Respondents were asked about Tax auditors are confirming to third parties. The result showed that about 85.1% of respondents showed their agreement. Respondents were asked about Tax auditors are notifying the results of the audit to the taxpayer. The result showed that about 85.6% of respondents showed their agreement.

Table 4. 6: Descriptive statistics of Tax Auditor Independence

Tax Auditor Independence	Respondents' response				
Statements	S. disagree	Disagree	Neutral	Agree	S. agree
Auditor works integrity, carry out his/her work freely in an objective manner.	2(1.1%)	1(0.6%)	14(7.7%)	72(39.8%)	92(50.8%)
Tax auditor and taxpayer have only work relationship between them	2(1.1%)	2(1.1%)	15(8.3%)	46(25.4%)	116(64.1%)
The tax audit staff has free access to information and data about the organization, and unrestricted access to its site.	1(0.6%)	3(1.7%)	11(6.1%)	86(47.5%)	80(44.2%)
All organizational data pools are accessible to the tax audit	2(1.1%)	1(0.6%)	13(7.2%)	72(39.8%)	93(51.4%)
The tax audit also performs other activities even if they are not defined as its direct responsibility.	1(0.6%)	2(1.1%)	8(4.4%)	80(44.2%)	90(49.7%)
The tax audit operate total independently, can audit any issue it considers in need of auditing and can access any necessary information even if is classified.	3(1.7%)	2(1.1%)	10(5.5%)	84(46.4%)	82(45.3%)

Source: Own survey data, 2023

Tax Auditor Independence: - Respondents were asked about tax auditor independence. Respondents were asked about their agreement on the statement of auditor works integrity, carry out his/her work freely in an objective manner. The result showed that about 90.6% of respondents show their agreement. Respondents were asked about their agreement on the statement tax auditor and taxpayer have only work relationship between them. The result showed that about 89.5% of respondents showed their agreement. Respondents were asked about their agreement on the statement the tax audit staff has free access to information and data about the organization, and unrestricted access to its site. The result showed that about 91.7% of respondents showed their agreement. Respondents were asked about their agreement on the statement all organizational data pools are accessible to the tax audit. The result showed that about 91.2% of respondents showed their agreement. Respondents were asked about their agreement on the statement the tax audit also performs other activities even if they are not defined as its direct responsibility. The result showed that about 93.9% of respondents showed their agreement. Respondents were asked about the tax audit operates totally independently, can audit any issue it considers in need of auditing, and can access any necessary information even if it is classified. The result showed that about 91.7% of respondents showed their agreement.

Table 4. 7: Descriptive statistics of Tax audit effectiveness

Tax audit effectiveness	Respondents' response				
Statements	S. disagree	Disagree	Neutral	Agree	S. agree
The issues to be audited are decided after identifying risks, quantifying them and determining appropriate risk levels.	6(3.3%)	32(17.7%)	27(14.9%)	37(20.4%)	79(43.6%)
The findings of tax audits are always based on documents and reliable data.	6(3.3%)	25(13.8%)	31(17.1%)	54(29.8%)	65(35.9%)
Tax payer knows when the auditing process is completing from starting to ending.	3(1.7%)	18(9.9%)	37(20.4%)	56(30.9%)	67(37%)
The current working capacity of audit staff is well aware of the tax laws and regulations.	6(3.3%)	25(13.8%)	30(16.6%)	53(29.3%)	67(37%)
Audit procedure is transparent and clear to the tax payers during the course of the audit.	2(1.1%)	30(16.6%)	24(13.3%)	67(37%)	58(32%)
There is a good work relationship between the taxpayers and tax auditors.	3(1.7%)	34(18.8%)	23(12.7%)	42(23.2%)	79(43.6%)

Source: Own survey data, 2023

Tax Audit effectiveness: - Respondents were asked about the issues to be audited are decided after identifying risks, quantifying them and determining appropriate risk levels. The result showed that about 64% of respondents showed their agreement. Respondents were asked about the findings of tax audits are always based on documents and reliable data. The result showed that about 65.7% of respondents showed their agreement. Respondents were asked about tax payer knows when the auditing process is completing from starting to ending. The result showed that about 67.9% of respondents showed their agreement. Respondents were asked about the current working capacity of audit staff is well aware of the tax laws and regulations. The result showed that about 66.3% of respondents showed their agreement. Respondents were asked about Audit procedure is transparent and clear to the tax payers during the course of the audit. The result showed that about 69% of respondents showed their agreement. Respondents were asked about there is a good work relationship between the taxpayers and tax auditors. The result showed that about 66.8% of respondents showed their disagreement.

Table 4. 8: Descriptive statistics engagement performance

Engagement performance	Respondents' response				
Statements	S. disagree	Disagree	Neutral	Agree	S. agree
There is a good work performed meets applicable professional standards by Tax auditor	1(0.6%)	20(11%)	29(16%)	73(40.3%)	58(32%)
The current working regulatory requirements and the audit firms' standards quality are good in tax auditing.	2(1.1%)	17(9.4%)	26(14.4%)	72(39.8%)	64(35.4%)
There is extensive review of working papers and discussion of identified irregularities by tax auditors	-----	12(6.6%)	30(16.6%)	78(43.1%)	61(33.7%)
The expectation of clients is an important aspect of tax audit quality	1(0.6%)	15(8.3%)	20(11%)	80(44.2%)	65(35.9%)
The findings of tax audits are improving financial reporting of tax payers	-----	19(10.5%)	29(16%)	72(39.8%)	61(33.7%)

Source: Own survey data, 2023

Engagement performance: - Respondents were asked about there is a good work performed meets applicable professional standards by Tax auditor. The result showed that about 72.3% of respondents showed their agreement. Respondents were asked about the current working regulatory requirements and the audit firms' standards quality is good in tax auditing. The result showed that about 75.2% of respondents showed their agreement. Respondents were asked about there is extensive review of working papers and discussion of identified irregularities by tax auditors. The result showed that about 76.8% of respondents showed their agreement. Respondents were asked about the expectation of clients is an important aspect of tax audit quality. The result showed that about 80.1% of respondents showed their agreement. Respondents were asked about the findings of tax audits are improving financial reporting of tax payers. The result showed that about 73.5% of respondents showed their agreement.

Tax audit

Tax audit is the examination of a business or individual tax return by the internal revenue service or state tax authority. The terms audit, review and notice are used to describe enforcement of tax codes and filing returns accurately.

Table 4.9: planned of and actual Tax Revenue

Year	Planned Tax Revenue	Collected Tax Revenue	Before Audit	After Audit
2018	968,225,509.98	828,583,508.22	621,437,631.17	207,145,877.06
2019	1,160,698,758.97	766,238,639.55	574,678,979.66	191,559,659.89
2020	1,001,617,794.59	591,758,279.78	504,058,279.78	87,700,000
2021	919,255,454.71	698,000,000.01	468,000,000.01	230,000,000
2022	808,852,381.84	827,100,568.09	538,100,568.09	289,000,000

Source: Secondary source Revenue Bureau Evidence (2023)

When a tax audit is conducted there is revenue collected in the process as noted from table 4.9 an amount of tax collected from the year of 2018 to 2022 increased as shown on the above table. Some tax payers submit wrong amount taxes the mistake either from ignorance or innocent error. After an audit the remaining figure has to be submitted within a stipulated time or else it will attract a penalty. When you compare the amount of tax collected in five years before the audit and five years after the audit as indicated from the above table it’s clear that after the audit more taxes are paid. Therefore, this indicated that there is good Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office but it is not enough as the office as it is not achieved the plan tax collection.

Table 4.10: Descriptive Statistics of planned of and actual Tax Revenue

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Before Audit	5	468000000	621437631.20	541255091.70	59804385.74
After Audit	5	87700000	289000000	201081107.40	73397460.68
Valid N (listwise)	5				

From the findings, the lowest mean score according to report revenue collected before audit was 541,255,091.70, while 201,081,107.40 was collected after the audit. In addition, the standard deviation depicts a slight variation in the tax paid before and after audit. From this result it is understood that tax audit report after the audit help to increase tax revenue.

Table 4.11: Paired Test for before and after audit collected

	Paired Differences				t	**df**	**Sig. (2-tailed)**
	Mean	**Std. Deviation**	**95% Confidence Interval of the Difference**				
			Lower	**Upper**			
Pair 1 BA – AA	340173984.4000000400	89268811.36000000000000	229332115.100000020000000	451015853.600000000000000	8.521	4	.001

From the findings, the t calculated at 4 degrees of freedom both at 95% confidence interval and critical t values are 8.521. Since p=.001 (less than 0.05), therefore there is significant relationship between tax collected before audit and Tax paid after audit.

4.5. Interpreting and discussion

The result of the study that tax auditor’s Independence influences tax audit practice. This showed that auditor independence increase, the possibility of improving tax audit practice. The results of this research show that the greater by auditor independence established by the auditor that will be improving tax revenue collection. The auditors are expected to give an unbiased and honest professional opinion on the financial statements to the shareholders. Accordingly, the report is used for the tax reporting purpose and any stockholder’s interest. This implies independence of external auditors significantly affect the tax collection process.

The auditor should be independent from the client company, so that the audit opinion will not be influenced by any relationship between them. In achieving the degree of independence during the audit process, the auditor must manage his practice in the spirit of the perception of independence and the rules that have been set. According to IFAC (International Federation of Accountants), there are two types of independence, such as: 1. Independence in Mind: A state of mind that allows disclosure of conclusions without affecting professional judgment, which allows individuals to act on integrity, objectivity, and professional skepticism. 2. Independence in Appearance: Such conditions are so significant that third parties who understand there are all relevant information ensuring that professional skepticism, objectivity, and integrity of the firm or assurance team members have been compromised.

The results of the study that tax audit preparation stage has a contribution to tax audit practice. This is evidenced that as change in level of tax audit preparation stage, the possibility of improving tax audits practice. The results of this research show that the best audit preparation by the auditor that will be improving tax revenue collection.

An audit process is likely to provide a positive contribution to audit quality where: The audit methodology and tools applied to the audit are well structured and: Encourage partners and managers to be actively involved in audit planning. Provide a framework and procedures to obtain sufficient appropriate audit evidence effectively and efficiently. Require appropriate audit documentation. Provide for compliance with auditing standards without inhibiting the exercise of judgement. Ensure there is effective review of audit work. Audit quality control procedures are effective, understood and applied. High quality technical support is available when the audit team requires it or encounters a situation it is not familiar with. The objectives of ethical standards are achieved, providing confidence in the integrity, objectivity and independence of the auditor. The collection of sufficient audit evidence is not inappropriately constrained by financial pressures.

Audit preparation includes activities carried out by the auditor before carrying out the audit. It includes that collecting and examining taxpayer files (internal and external data), identifying taxpayer (taxpayer profile), conducting quantitative and qualitative analysis, identifying problems and determining scope of examination, preparing audit programs and determining taxpayer books and documents to be borrowed and providing inspection facilities and infrastructure

The results of the study indicate that the tax audit effectiveness has implication on tax audit practice. This is evidenced by one level change in level of effectiveness; the possibility of improving tax audit effectiveness is increase**.** The results of this research show that the best audit effectiveness by the auditor that will improving tax audit practice.

The result of the study showed that tax audit implementation has effect on tax audit practice. Audit Implementation has effect on improving tax audit practice. The results of this research show that the best audit implementation by the auditor will result in better tax audit practice.

Audit Implementation is an activity carried out by the examiner. It includes that conducting audit at the taxpayer's place, updating the scope and audit program, examining books, records, and documents confirming to third parties and notifying the results of the audit to the taxpayer.

The result of the study showed that tax audit engagement performance has effect on tax audit practice. This showed that audit engagement performance has effects on tax audit practice. The results of this research show that the best audit engagement performance by the auditor will result in better on tax audit practice.

Engagement performance is indicated by audit engagement letters. It is in the interest of both client and auditor that the auditor sends an engagement letter, preferably before the commencement of the engagement, to help in avoiding misunderstandings with respect to the engagement. The engagement letter documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the client and the form of any reports.

The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities for: Preparing and presenting the financial statements, designing, implementing, and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error and providing complete information to the auditor.

Chapter Five

5. Summary of Finding, Conclusion and Recommendation

This chapter is the preceding chapter of this study; which entirety thesis in comprehensive manner. Therefore, in the first part of this chapter, an overview of the thesis and its major findings are presented and finally the chapter ends up with recommendations for policy suggestions.

5.1. Summary of the Finding

This study is conducted to Assess of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. In doing so, some variables measured as proxy to the Tax Audit Practice included. The study was conducted through primary and secondary data conducted from Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office.

There is good Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office but it is not enough as the office as it is not achieved the plan tax collection. There is significant relationship between Tax paid before audit and Tax paid after audit. The result of the study that tax auditor's Independence influences tax audit practice. This showed that auditor independence increase, the possibility of improving tax audit practice. The results of this research show that the greater by auditor independence established by the auditor will result in better improving Tax Audit Practice. The results of the study that tax audit preparation stage effect to tax audit practice. This is evidenced that as change in level of tax audit preparation stage, the possibility of improving tax audits practice. The results of this research show that the best audit preparation by the auditor will result in better that will be improving Tax Audit Practice.

An audit process is likely to provide a positive contribution to tax audit practice where: The audit methodology and tools applied to the audit are well structured and: Encourage partners and managers to be actively involved in audit planning. Provide a framework and procedures to obtain sufficient appropriate audit evidence effectively and efficiently. The results of the study indicate that the tax audit effectiveness has any implication on tax audit practice. This is evidenced by one level change in level of effectiveness; the possibility of improving tax audit effectiveness is increase**.** The results of this research show that the best audit effectiveness by the auditor will result in better that will be improving tax audit practice.

The result of the study showed that tax audit implementation has any effect on tax audit practice. Audit Implementation has effect on improving tax audit practice. This indicated that one level increase in audit Implementation, the possibility of improving tax audit practice is increase. The results of this research show that the best audit implementation by the auditor will result in better tax audit practice.

The result of the study showed that tax audit engagement performance has effect on tax audit practice. This showed that audit engagement performance effects on tax audit practice. This denoted that one level change in level of audit engagement performance, the possibility of improving on tax audit practice increase. The results of this research show that the best audit engagement performance by the auditor will result in better on tax audit practice.

5.2. Conclusion

Taxation is important basis of revenue for the government of Ethiopia followed by external loan grants and assistances. In adding, taxation is used to allocate economic resources for government's priority by directing economic agents to the development goals foreseen by the government through the incentive schemes embedded within the prevailing tax laws. The accountability to collect revenue rest also in the Addis Ababa revenue bureau (ARB); in which one of the branches is Merkato no.2 branch office.

The result of the study that tax auditor’s Independence influences tax audit practice. In achieving the degree of independence during the audit process, the auditor must manage his practice in the spirit of the perception of independence and the rules that have been set. Therefore, tax audit practice performed without affecting professional judgment, which allows individuals to act on integrity, objectivity, and professional skepticism. Independence in Appearance: Such conditions are so significant that third parties who understand there are all relevant information ensuring that professional skepticism, objectivity, and integrity of the firm or assurance team members have been compromised.

The results of the study that tax audit preparation stage has contribution tax audit practice to tax audit practice. The audit methodology and tools applied to the audit are well structured and: Encourage partners and managers to be actively involved in audit planning.

Provide a framework and procedures to obtain sufficient appropriate audit evidence effectively and efficiently. Require appropriate audit documentation. Audit preparation includes activities carried out by the auditor before carrying out the audit. It includes that collecting and examining taxpayer files (internal and external data), identifying taxpayer (taxpayer profile), conducting quantitative and qualitative analysis, identifying problems and determining scope of examination, preparing audit programs and determining taxpayer books and documents to be borrowed and providing inspection facilities and infrastructure

The results of the study indicate that the tax audit effectiveness has implication on tax audit practice. This is evidenced by one level change in level of effectiveness; the possibility of improving tax audit effectiveness is increase. The results of this research show that the best audit effectiveness by the auditor that will improving tax audit practice.

The result of the study showed that tax audit implementation has effect on tax audit practice. Audit Implementation is an activity carried out by the examiner. It includes that conducting audit at the taxpayer's place, updating the scope and audit program, examining books, records, and documents confirming to third parties and notifying the results of the audit to the taxpayer.

The result of the study showed that tax audit engagement performance has effect on tax audit practice. This showed that audit engagement performance effects on tax audit practice. This denoted that one level change in level of audit engagement performance, the possibility of improving on tax audit practice increase. The results of this research show that the best audit engagement performance by the auditor will result in better on tax audit practice.

Engagement performance is indicated by audit engagement letters. It is in the interest of both client and auditor that the auditor sends an engagement letter, preferably before the commencement of the engagement, to help in avoiding misunderstandings with respect to the engagement. The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities for: Preparing and presenting the financial statements, designing, implementing, and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error and providing complete information to the auditor.

5.3. Recommendation

Based on the finding of the study; the next arguments are suggested for concerned body to improve revenue collection of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office tax payers with the tax rules and regulations so as to meet revenue need of the government. In order to improving revenue collection in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office the following recommendation were given based up on the finding of the study.

- The result of the study that tax auditor's Independence influences tax audit practice. The auditor should be independent from the client company, so that the audit opinion will not be influenced by any relationship between them. In achieving the degree of independence during the audit process, the auditor must manage his practice in the spirit of the perception of independence and the rules that have been set.
- The results of the study that tax audit preparation stage has contribution to tax audit practice. The audit methodology and tools applied to the audit should be well structured so as to be actively involved in audit process and to get appropriate audit evidence effectively and efficiently.
- The results of the study indicate that the tax audit effectiveness has implication on tax audit practice. To make effective tax audit the office should identify employees' gap and conduct continues training program so as to update auditors' knowledge and to obtain better tax audit practice.
- The study's findings indicated that the practice of tax audits is impacted by how they are implemented. As a result, it should be conducting the audit at the taxpayer's place, updating the audit program's scope, examining books, records and documents confirming to third parties. It should also be informing the taxpayer of the audit's findings.
- The result of the study showed that tax audit engagement performance has effect on tax audit practice. The auditor should obtain the acknowledgement and agreement of management and, where appropriate, those charged with governance that they understand their responsibilities.

5.4. Direction for Future Research

This study merely considered the Assessment of Tax Audit Practice from Merkato No.2 Branch office by using several variables which are used a proxy for Tax Audit Practice. It is suggested the findings of study government will plan for more allocation of the budget that will be used to finance revenue collection by recruit new employees who will collect more taxes from the taxpayers. The study will enable the policy makes in formulation of the policy that will encourage the voluntary compliance with the tax laws among the taxpayers. This will help the taxpayer to report and the correct amount of taxes required to finance the government expenditures and adherence to tax laws. This study is important to Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office to understand the area to place more effort in order to increase the revenue collection and meet the targeted revenue. Also, to make sure that all taxpayers are audited on time to enhance tax compliance behaviour among taxpayers, early detection of offences committed and proper tax is paid on time.

The study has generated more attention for further work by researchers. Other researchers will use the report as literature review in order to increase the revenue targets for the purpose of funding the government expenditure. The study was specifically conducted on the special tax audit at Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office on the financial year 2022/2023. Therefore, this study suggests that other studies to be conducted on other regions where the same audit were conducted to the taxpayer who were not audited for a long time to establish as to what extend do the late tax audit affect revenue collection in Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office.

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Appendix research questionnaire

ADDIS ABABA UNIVERSITY

DEPARTMENT OF ACCOUNTING AND FINANCE

(GRADUATE PROGRAM)

Research questionnaire

Dear respondent,

I, Bethlehem Negussie, am pursuing my Master's degree program in Accounting and Finance as partial fulfilment, I am conducting research thesis entitled as "Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office". This study is conducted in partial fulfilment of the requirements for the master's degree in Accounting and Finance at Addis Ababa University. Its main objective is to examine the Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. The study is going to be conducted out on your responses and other pertinent data that could support it. The reason of this questionnaire is to get your perceptions and views about a variety of aspects of tax audit practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. It forms a main part of the study and the information you will offer facilitate me to significantly analyse the Assessment of Tax Audit Practice in case of Addis Ababa Revenue Bureau Evidence from Merkato No.2 Branch Office. Your support to respond is very significant to this study since it represents thousands of others who are not incorporated in the sample.

General Instruction:

- No need of writing your name
- Kindly respond to all questions
- If you need further clarification, contact in the below address

  It's essential to bear in mind that this survey is only for academic research purpose and the responses of each participant will be dealt with utmost confidentially. Thank you for your cooperation and assistance. Sincerely**,**

Part I: Demographic Characteristics of Respondents

1. **Gender**
   i. Male ☐
   ii. Female ☐
2. **Age**
   I. under 26 years ☐
   II. 26 - 35 years ☐
   III. 36 - 45 year ☐
   IV. 46 years and above ☐
3. **Education Level**
   I. Elementary ☐
   II. High school ☐
   III. Diploma ☐
   IV. Degree ☐
   V. Masters and above ☐

Section II: Questions about the Assessment of Tax Audit Practice indicated by tax auditor independence, tax audit preparation, tax audit effectiveness, tax audit implementation and engagement performance. Therefore, you are required to rate the degree of disagreeing or agreement with the statement using the Likert scale defined as 1 = strongly disagree, 2=disagree, 3 = neutral, 4= agree, 5=strongly agree.

No	**1. Tax Audit Preparation**	**1**	**2**	**3**	**4**	**5**
1	Tax auditors are properly collected and examining taxpayer's files					
2	Tax auditors are properly identifying taxpayer (taxpayer profile)					
3	Tax auditors are conducting both quantitative and qualitative analysis					
4	Identifying problems and determining scope of examination by tax auditors is good					
5	Auditors are Providing inspection facilities and infrastructure					
	2. Tax Audit Implementation					
1	Tax auditors are conducting audit at the taxpayer's place					
2	Tax auditors are assessing the internal control system					
3	Tax auditors are updating the scope and audit program					
4	Tax auditors are examining books, records, and documents					
5	Tax auditors are confirming to third parties					
6	Tax auditors are notifying the results of the audit to the taxpayer					
	3. Tax auditor Independence					
1	Auditor works integrity, carry out his/her work freely in an objective manner.					

2	Tax auditor and taxpayer have only work relationship between them					
3	The tax audit staff has free access to information and data about the organization, and unrestricted access to its site.					
4	All organizational data pools are accessible to the tax audit					
5	The tax audit also performs other activities even if they are not defined as its direct responsibility.					
6	The tax audit operate total independently, can audit any issue it considers in need of auditing and can access any necessary information even if is classified.					
	4. Tax audit effectiveness					
1	The issues to be audited are decided after identifying risks, quantifying them and determining appropriate risk levels.					
2	The findings of tax audits are always based on documents and reliable data.					
3	Tax payer knows when the auditing process is completing from starting to ending.					
4	The current working capacity of audit staff is well aware of the tax laws and regulations.					
5	Audit procedure is transparent and clear to the tax payers during the course of the audit.					
6	There is a good work relationship between the taxpayers and tax auditors.					
	5. Engagement performance					
1	There is a good work performed meets applicable professional standards by Tax auditor					
2	The current working regulatory requirements and the audit firms' standards quality are good in tax auditing.					
3	There is extensive review of working papers and discussion of identified anomalies by tax auditors.					
4	The expectation of clients is an important aspect of tax audit quality					
5	The findings of tax audits are improving financial reporting of tax payers					

Thank you for your cooperation!!!

SPSS Outputs

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Before Audit	5	468000000	621437631.20	541255091.70	59804385.74
After Audit	5	87700000	289000000	201081107.40	73397460.68
Valid N (listwise)	5				

Descriptive Statistics

	Paired Differences				t	df	Sig. (2-tailed)
	Mean	Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1 BA – AA	340173984.4000000400	89268811.360000000000000	229332115.100000020000000	451015853.600000000000000	8.521	4	.001

Secondary source of Data

Year	Planned Tax Revenue	Collected Tax Revenue	Before Audit	After Audit
2018	968,225,509.98	828,583,508.22	621,437,631.17	207,145,877.06
2019	1,160,698,758.97	766,238,639.55	574,678,979.66	191,559,659.89
2020	1,001,617,794.59	591,758,279.78	504,058,279.78	87,700,000
2021	919,255,454.71	698,000,000.01	468,000,000.01	230,000,000
2022	808,852,381.84	827,100,568.09	538,100,568.09	289,000,000