Addis Ababa University

College of Business and Economics,

Department of Accounting and Finance

Determinants of tax audit performance in the case study of Addis Ababa revenue in Medium taxpayer branch office

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A project work submitted to Addis Ababa University Department of Accounting and Finance in partially fulfillment of the requirements for the Master of Science in Accounting and Auditing degree

Advisor: Alem Hagos (PhD)

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taxpayer [illegible] Auditing. To the best of my knowledge, neither this university nor any other has acknowledged my individual work for a degree; all references consulted for the project have been duly acknowledged.

By Demisse Degu ______________

Name, signature, and date of candidate,

Jun 2024, Addis Ababa, Ethiopia.

Approval of Advisor.

This is confirmation of that; Demisse Degu has an undertaking entitled "Determinates of Tax Audit Performance, in the Case study of Addis Ababa revenue in medium taxpayer branch office".

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Project Approval by the Examiners

We, the undersigned members of the project auditor graduate master's program in accounting and auditing, open the project, confirm that we have received, reviewed and approved the project paper submitted by Demisse Degu and confirm that it has been recognized as meeting the requirements for project work with the Degree "Master in Accounting and Auditing".

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Acronyms

AARA:	Addis Ababa Revenue Authority
AARMTO:	Addis Ababa Revenue Medium Taxpayer Office
AC:	Audit Characters
ANOVA:	Analysis of Variance
AQ:	Audit Quality
IA:	Internal Audit
IIA:	Stands for the Institute for Internal Audits
INTOSAI:	The International Organization of Supreme Audit Institutions
ISSAI	stands for the International Standards of Supreme Audit Institutions
LS:	Likert scale
MOR:	Stands for the Ministry of Finance
OECD:	Stands for the Organization for Economic Co-operation and Development.
OID:	Organizational Independence
SAI:	Supreme Audit Office
SPSS:	Statistical Package for Social Sciences
TAP:	Conducting tax audits
TMS:	Supporting top management
TA:	Tax auditor

Abstract

The objective of this project work was to investigating determinates of tax audit performance: in the case of Addis Ababa revenue in medium taxpayer branch office. For theaccomplishment of this project, the study were employed descriptive and explanatory research design used. The ultimate objective of this project identifying potential variables that determine tax audit performance. By offering insights into the research questions, the method of data collection were quantitative and qualitative methods. This researcher introducing explanatory research designs, to explain the relationship between dependent variable (tax audit performance) and the independent variables. Both primary and secondary data source would be utilized by the researcher. Structured questionnaires were used to gather primary data. The researcher also made used secondary data from the branch's annual audit performance and audit report. Purposive sampling technique was used in this project. The questionnaires were in the form of a Likert scale. The questionnaires were distributed to 91 tax auditors to obtain the necessary information. IBM SPSS Statistics 2013 software was used to analyze the data, which was presented in tables and diagrams; Based on the findings, The findings revealed that all independent variables had positive and significant coefficients, This indicates that as the value of an independent variable increased, the mean of the dependent variable (audit performance) also rise, management support had the strongest positive and significant impact on audit performance, the Ministry of revenue of Ethiopia suggests that the tax audit performance be positively impacted by top management support, auditor skills, auditor satisfaction, and auditor independence, all of which were statistically significant. Thus, the Ministry ofrevenue of Ethiopia recommended to provide greater support for tax audits by deployed qualified audit staff in the branch.

***Keywords: Determinate of Tax audit Performance, auditor satisfaction**, **auditor's independence, management support audit, characteristics, Auditors skill and competence**.*

CHAPTER ONE

INTRODUCTION

1.1. Chapter Introduction

This chapter includes the following study components: background of the study, statement of the problems, organizational background, research question, objective of the study, hypothesis, significance, geographical scope, limitations, and organizational structure.

1.2. Background of Study

To function effectively, a nation depends on tax revenue to fund public services that benefit everyone, from roads and schools to healthcare. Fairness is a cornerstone of a just tax system, ensuring those with greater financial means contribute a larger share (Parameswaren, 2005). Tax audits act as a vital tool in upholding this principle. More than just correcting errors, they serve a critical role in deterring tax evasion. By strategically selecting high-risk cases for scrutiny and imposing appropriate penalties for non-compliance, audits send a strong message (Biber, 2010). This not only increases tax revenue, a vital source of income for the government, but also fosters trust between citizens and the government. Effective audit programs create a ripple effect throughout the taxpayer community. By demonstrating a high likelihood of detecting and penalizing tax avoidance, they encourage honest reporting and compliance. This ultimately leads to a more equitable tax system for all, where everyone contributes their fair share towards the public services we all rely on.

A tax audit is an investigation to find out if a taxpayer has accurately assessed and declared their tax liabilities. But in today's tax administration, an audit program's function must go beyond only confirming that a taxpayer has declared all of their responsibilities and looking for differences between the taxpayer's declaration and the supporting documents. In the self-assessment system, taxes have been recognized as a determining factor for tax compliance and tax knowledge (Palil, M. R. (2010), Because of this, nations have been working to put in place dynamic tax systems that would both guarantee the public revenues required for the smooth operation of the economy and increase public confidence in governments regarding the equitable distribution of income tax burdens. Significant audit programs have effects that go far beyond increasing income.

The government has a number of options tools to finance public spending, including taxes (business and personal), fees, money printing (with caution), loans, and income from property and investments. However, taxes, along with customs duties, remain a crucial source of revenue efficient tax collection, like that studied in Addis Ababa's Merkato branch office is vital for a nation's economic stability. Timely collection ensures funds for essential services and infrastructure.

Developing economies face a particular challenge: encouraging taxpayer compliance. Effective policies and a strong revenue authority are key to achieving this Ethiopia's tax system, established in the 1940s, and has undergone continuous reform to adapt to changing needs and international contexts. Understanding the factors that influence taxpayer compliance is crucialfor optimizing tax collection in Ethiopia.

Governments need a steady stream of income to function. Taxes are a major source of that income, alongside customs duties. Collecting taxes efficiently is essential for a healthy economy. Developing countries face an additional hurdle: ensuring people pay their fair share. Studying successful tax collection efforts, like those in Addis Ababa, and understanding why people comply with tax laws can help improve a nation's financial well-being.

The analysis of the taxpayer's actions immediately results increased tax revenue collections and indirectly encourages voluntary tax compliance. Because of this, tax agencies are able to decrease the tax gap between amounts owed and improve tax capacity through modernizing the tax administration system and collecting extra tax income (Taufik, K. (2018). Stated differently, one of the best ways to discourage tax evasion is through tax audits.

The number of taxpayers chosen for audit and the amount of demand for the audit are the two factors that determine the level of tax audit. Building on what was said above, tax audits, which involve looking into taxpayers' financial records and business records to make sure they have calculated their taxes payable in compliance with current laws and regulations, have significantly changed tax accounting and compliance in most countries worldwide (Jones, J. An A. Furthermore, Richard stated that a tax audit is an analysis of a taxpayer's business records and financial affairs to determine that the correct amount of income should be declared and the right amount of tax should be paid in a lecture given on November 24, 2016, to 100 medium-sized business owners. Encouraging voluntary tax compliance and generating additional revenue. By scrutinizing taxpayer records, audits hold individuals accountable and deter tax evasion, ultimately narrowing the gap between what's owed and what's collected (Taufik, 2018). This translates to more resources for tax authorities, allowing them to modernize their systems and improve overall tax collection efficiency.

A tax audit is looking over the financial records and company records of taxpayers to make sure they have calculated their taxes due in a tax audit, taxpayers' financial and business records are examined to ensure that the taxes owed have been computed in accordance with the most recent tax laws and regulations. J. A. In addition, Richard said in Jones (1996), "A tax audit is an investigation of a taxpayer's financial records and business records to determine that the correct amount of income should be reported and the correct amount of tax should be computed and paid in compliance with tax laws and regulations.

The absence of a strong institutional and legal framework to combat tax evasion and avoidance is a significant barrier to Ethiopia's tax collection efforts (Ketema, 2013). Billions of Birr are lost annually due to these issues, causing a budget deficit where spending exceeds revenue. Additionally, taxpayer grievances regarding lengthy tax audits lead to delays in collecting expected government revenue due to appeals processes.

Therefore, identifying factors that influence tax audit performance is crucial. This would not only help tax authorities achieve their objectives but also facilitate the goal of collecting "the right tax at the right time." This is the core reason behind this research initiative.

While a traditional audit involves an impartial audit conducted by a reporting auditor on an entity. On their findings, tax audits specifically focus on tax returns. Effective audits are transparent and highlight performance gaps within government entities (Dittenhofer, 2001).However, the very idea of a tax audit, Examining tax returns, whether from individuals or businesses, can be a stressful task, even for those who are typically confident in their filing abilities.

1.3. Organizational background

Following the bilateral agreement's signing in 2011, the ERCA became the direct superior of all tax collection offices within the Addis Ababa municipality. The goal of the merger was to create a more effective tax administration system that would increase revenue and customer satisfaction by enhancing the quality and efficiency of tax work. The Addis Ababa Tax Authority's goal is to use tax revenue to pay for the city's expenses. The city budget determines how much money from the general fund is distributed to each tax office.

Government for the tax authority. For the year 2015/2016, recurring budgets amounting to Birr 512.70 million were approved by the city administration for the fiscal activities of the tax authority. Of this amount, a total of 493.92 million birr would be paid out. The trend of tax collection in the tax administration of Addis Ababa City shows an increasing trend. But after the merger with ERCA, for example, in the year 2015/16, 21,109.16 million birr (92.54% of the planned target) was achieved and an average increase of 20% was recorded in the year 2016/2017.
Since December 2010, work has been underway to transfer the government back into the city administration. The Addis Ababa municipality Financial Authority, which manages this institute, was newly established. As part of the report, an office established by major taxpayers was set up as a center of excellence and was part of the panel. In addition to its predecessor, 10 small tax offices, 113 micro tax offices were under construction.

The Addis Ababa medium taxpayer’s office branch introduced an E.C in 2006. Through. One of the tax offices for ERCA (recently called Government Revenues Bureau of Addis Ababa City) to levy taxes and evaluate the accuracy of taxpayers' reported tax obligations in light of the relevant tax laws and regulations. The study validated ineffective tax audit procedures within the sector. Nevertheless, the researchers concluded that the branch's performance in tax audits was insufficient. To the best of the researcher's knowledge, the primary goal of this study in light of the aforementioned claims was to assess the performance of tax audits in the medium taxpayers branch in Addis Ababa revenue, with a focus on the common tax audit types, examination performance, examination character; auditor independence, top management support and auditor satisfaction in terms of salary and benefits.

1.4. Statement of the Problem

For governments in developed, developing, and transitional nations to increase revenue and broaden their tax base, a well-designed and administered tax system is essential. On the contrary, potential tax revenues in developing and transitional countries are not collected correctly and fairly because of poor (inadequate) tax administrations, including insufficient and ineffective audit programs. In addition, inefficient tax administration can lead to an unfair tax system where the burden of taxing consumption is disproportionately placed on honest taxpayers.

The effectiveness of tax administration may then be impacted by this (Edmiston and Bird, 2004). Tax audit programs, particularly in developing nations, have encountered a number of obstacles and issues that make it difficult to carry out tax audits. M. Belay (2017). Taxation is the state of Ethiopia's primary revenue source. However, a number of empirical studies demonstrate that the tax audit functions of tax authorities are ineffective, and that redesigning internal audit is crucial to improving its efficacy for a public company in Ethiopia (Mihret, A. G. (2011). As stated by Diamond, J. (2002).

Audit performance has historically been a weak point in tax audit management in many developing and transitional nations. Due to a number of factors, including a lack of appropriatelytrained and compensated audit professionals, poor institutional audit practices, a lack of clear policy support for tax administration, and an inadequate legal foundation and environment; these nations do not yet have effective audit programs. Adimassu, N. A. Together with Jerene, W. (2016). A quantitative research approach is used in an attempt to investigate the factors that influence the efficacy of a tax audit, with particular attention paid to the audit's quality, the organizational environment and support from top management, audit characteristics, and the organization's independence.

An additional study by A. Lulseged. (2016).The amount of tax audit reports that the office produces each year is significantly less than the growing demand for public accountability. Nevertheless, the research question at hand cannot be satisfactorily addressed by the literature as it stands alone. The medium taxpayers in especially in Addis Ababa revenue, did not take into consideration every component that was taken into consideration for this study.

In this sense, auditors' authority and capabilities vary. These studies encourage investigators to examine these data within a regulatory or physical framework applied to particular situations. As a result, this study would describe how tax audit performance is determined and add to the body of knowledge in an effort to solve the aforementioned ways, in Addis Ababa revenue in medium taxpayer's branch office. Therefore, to mitigate this problem, an effective tax audit program capable of investigating, detecting and preventing tax revenue losses should be implemented, which would help the Addis Ababa medium taxpayers branch to close the tax disparity between the amount collected and the taxes owed. Evaluation of the tax audit function and practical lessons to be learned from major operational issues and constraints were crucial in order to later develop an actual tax audit system.

The type of research design that this study used set it apart from earlier studies an explanatory research approach while considering other crucial factors in tax audit performance. The main point is that the data coverage of the study includes primary and secondary data. Primary data is mainly used to obtain reliable information and analyze the current status of the key factors affecting tax audit performance, in addition to the primary data that the researcher tries to find out more and less secondary data such as the audit report, annual audit performance and published material set out in the MOR.

The variables that would be included in this study were the tax auditor's skills, auditors' professional independence, management support, auditors' satisfaction in terms of salary and benefits, and audit characteristics that were included in the study. Therefore, the objective of this study was to determine the performance of tax audits in (AARMTO) Addis Ababa revenue in medium taxpayer offices. The researcher's motivation to carry out this project in Addis Ababa revenue medium taxpayer branch office is that, Addis Ababa revenue medium taxpayer branch office is the largest taxpayer category in the Addis Ababa revenue authority, like "A" category taxpayers, which means their annual turnover is larger more than a million birr, complaints from taxpayers when auditing their financial reports.

1.5. Research Question:

- What are determinates of tax audit performance in Addis Ababa revenue in medium taxpayer branch?
- In what ways does the organizational independence impact on tax audit performance in Addis Ababa revenue in medium taxpayer branch office?
- To what extent do taxpayer awareness and attitudes towards tax compliance determine the performance of tax audits in the medium taxpayer branch of the Addis Ababa Revenue?
- How can we assess the design and execution of tax audits (audit characteristics) to understand determinate on audit performance within the Addis Ababa revenue medium taxpayer branch office?
- In the medium taxpayer branch office of the Addis Ababa revenue, what possible steps could the government take to enhance the performance of tax audits?

1.6. Objective of the study

1.6.1. General objective

This study's primary goal is to investigate determinates of tax audit performance in Addis Ababa revenue's in medium taxpayer branch office.

1.6.2 Specific objectives

Based on the above general objective of the study, the study addresses the following specific objective:

- To assess determinates of tax audit performance in Addis Ababa revenue in Medium taxpayers' branch office.
- Assessment of the organization independence of the tax auditor determine the performance of tax audits in Addis Ababa revenue in medium taxpayer office.
- To determine the relationship between taxpayer related factors (taxpayer awareness level, taxpayer attitude) and tax audit performance.
- Evaluate the impact of audit characteristics on tax audit performance in Addis Ababa revenue in medium taxpayer branch office.
- To identify possible measures that should have been taken by the government to improve the performance of tax audits.

1.7. Hypotheses of the study

The following theories are developed in light of the research questions regarding the determinants of tax audit performance.

HA1: Management support has significant impact on tax audit performance stated by authors of (Abera 2016, Ayalew 2014, Mihret and Yismaw2007).

HA2: Satisfaction of auditors in salary and benefit has significant impact on tax audit performance stated by (Kadous and Zhou 2019) has potential implications for audit quality

HA3: Auditors skill and competence has significant impact on tax audit performance thought by Ichwanty, A. 2015 and Barnes and Huan (1993)

HA4: Audit Characteristics has significant impact on tax audit performance stated in Snead et al. (2015) argue that characteristics of auditors are one of the determinants of audit performance

HA5:Independency auditors in profession has significant determine on tax audit performance Khasharmeh & Desoky (2018) shows that the independence of auditors has a positive effect on audit performance.

1.8. Significance of the Study

The main benefit of this study would be the sales of Addis Ababa revenue medium taxpayer branch office. The study would be a crucial factor in the performance of tax audits. Therefore, it makes some recommendations that would have a positive impact on Addis Ababa's revenue inthe medium taxpayer’s branch and the Ministry of revenue of Ethiopia. In addition, additionally, it can serve as a reference source for new researchers, as some say highlights for others who want to learn more about the topic and are interested in getting involved further.

1.9. Scope of the study

Every research has its own demarcation that limits the scope of study. The scope of this project would be limited to the audit determining tax audit performance in Addis Ababa revenue in medium taxpayer branch offices and the data would be collected by tax auditors in the tax audit department, beyond the above variables are not taken into account in this research.

1.10. Limitations of the Study

This project work has certain limitations that must be acknowledged, just like any other research. The study's limitation refers to the aspects of the study that are not covered for a variety of reasons. The quality, quantity, or variety of data in this project may be limited by methodological constraints, among other limitations.

Another constraint on the study would be its accessibility. The respondent might not be cooperative in providing the information required for the study and might be reluctant to provide accurate information out of concern for unfavorable outcomes. It goes without saying that having sufficient and trustworthy information is essential to making wise decisions. Nevertheless, the study overcomes the aforementioned limitations by devoting time and energy to gathering the pertinent data.

1.11. Organization structure of the study

There are five chapters in this project work. Included in the first chapter are an introduction, background of the study, statement of the problems, objective of the study, testing of hypotheses, significance of the study, scope of the study, and limitations. A thorough review of the literature was provided in Chapter 2, which also included an introduction, conceptual and empirical literature, chapter three methods, research design, research approach, sampling methods and techniques, data sources, and data analysis methods. The study's data was thoroughly examined, the findings were discussed, and the lessons learned were presented in the fourth chapter.Chapter five, in its final form, offers recommendations and conclusions drawn from the data along with suggestions for further research.

CHAPTER TWO
RELATED LITERATURE

2.1 Chapter Introduction:

This segment of the research evaluates the current body of theoretical and empirical works concerning tax auditing. The theoretical literature addresses topics such as the fundamentals of auditing, the definition and goal of auditing, the rationale behind taxation, the different kinds of auditors, empirical verification, and literature reviews. The conceptual framework for assessing tax audit performance is also provided in this chapter. Essentially, the goal is to enumerate the primary issues raised by the theoretical research that has already been done and to identify the knowledge gaps that require additional research to fill**.**

2.2. Theoretical literature

2.2.1. Meaning of "Audit"

The term "audit" is very general; it basically refers to a thorough inspection. A thorough review of the company's books is called an audit. This includes checking vouchers and confirming various assets of the organization. And the person who conducts such an audit is called an auditor. The only thing to keep in mind is that an audit is a close examination of the books of accounts, but is not an absolute guarantee of error-free books. The auditor only expresses his opinion on the accuracy of the books, he does not express an opinion on the financial position of the company and the auditor must be fully satisfied about the accuracy and authenticity of the financial reports.

2.2.2. Audit Concept:

Audit is the process of examining the company's financial statements and information. This checks whether the company is making a profit or not. It is a systematic process in which the economic situation and measures are analyzed. The structured review of the business's pertinent financial and nonfinancial documents, physical inventory, other assets, internally and independently generated data, and relevant commercial systems is known as an audit. Tax auditis an important and fundamental component of the tax administration's compliance activities through the appropriate application of tax laws. An impartial, third-party assessment of management's performance and the extent to which the audited company's performance satisfies predetermined standards is provided by the performance audit function. Leeuw, Francis. L.

(1996). Performance improvement and auditing of the new public administration's performance. Performance auditing involves the unbiased evaluation of an organization's activities and the effectiveness of its programs. It can be defined in various ways. According to Kells, S. & Hodge, G. (2009), Performance of management, performance audits serve as valuable sources of information for agencies.

Audit concept is crucial because it serves as the foundation for the standards, policies, and quality indicators that audit procedures are developed from. The concepts, standards, and procedures related to auditing are therefore interrelated. Numerous audit types are included in thegeneral audit category, according to Hoffman, V. A. as well as Zimbelman, M. F. (2009). The broad range of audit types that fall under the general audit category are mostly related to financial topics (e.g. G. The complexity of real estate, financial portfolio, tax-related, and business audits is influenced by the auditor's relationship to the authority that requested the audit,which is defined as the audited company (Costello et al. 2003).

2.2.3. Features of internal auditors

- Audit is a systematic process. It is a logical and scientific procedure to audit an organization's financial statements for accuracy.
- Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. These types of audits ensure compliance with laws and regulations and help to maintain accurate and timely financial reportingand data collection.
- Once more, an audit is the review of all of the company's financial data and books. In other words, it is basically an examination of the company's financial statements, the balance sheet and the profit and loss account at the conclusion of the fiscal year.
- Audit includes checking not only the books of accounts, but also the internal systems and internal controls of the organization.
- To carry out the audit, we need the help of various sources of information. This includes receipts, documents, certificates, questionnaires, declarations, etc.

In the past, auditors were primarily focused on verifying financial reports. Tax audits, often conducted by auditors, can be seen as an extension of this certification function. Taxpayers must file tax returns and provide supporting documents as required by law. Tax officers may need to make assessments based on tax laws, leading to the possibility of a tax audit. A tax audit involves examining accounting and other documents to ensure accurate tax returns, including detailed accounting work and evidence of income sources and deductions. An audit report is thenprepared by the auditor to provide an opinion on the accuracy of the information in the tax return. (Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011).

2.2.4. Objectives of an audit

Auditing is a crucial practice for all organizations, whether they are governmental, private, for-profit, non-profit, or any other type. It involves systematically collecting and evaluating evidence to assess the accuracy of claims about financial transactions and events, comparing them to established standards, and communicating the findings to stakeholders. Auditor independence, audit quality, and the theory of evidence play important roles in this process. (Toba, Y. 1975)

Auditing is a cornerstone of good governance in the public sector. By providing unbiased, objective assessments of whether public resources are being managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and inspire trust among citizens and stakeholders. The role of the public sector auditor supports the governance responsibilities of oversight, insight and foresight. Oversight addresses the question of whether public institutions are doing what they are supposed to do and serves to detect and deter public corruption. Insight supports decision-makers by providing an independent assessment of public sector programs, policies, operations and outcomes. Foresight identifies trends and emerging challenges.

Auditors use tools such as financial audits, performance audits, investigations and advisory services to fulfill each of these roles. (IIA, 2012 audit work. An extensive range of business processes are covered by internal audit, which also makes sure that the company is managing its major risks in an appropriate manner. (IIA, 2010). The new exam room's main adjustments and challenges, Andon, P. Free, C. along with B. O'Dwyer. (2015). Freedom from pressure from the government, political parties, and other groups that exert pressure on the political system provides the foundation for an unbiased and objective assessment of public activities Schattschneider, E. E. 1948). A strong argument for all tax authorities to pay close attention to the overall management of the tax audit function and to strengthen tax audit capacity in general Principle and approach is made by the fact that tax auditors are frequently required to interpret complex laws, conduct intensive audits of taxpayers' books and records, and act largely as a "public body" through their diverse interactions with taxpayers.

2.2.5. Purpose of Taxation

The explanation of taxation given above clarifies the main purpose of taxation, which is to raise revenue to cover the cost of services provided by the government. Another purpose of taxation is to reduce inequalities arising from the distribution of wealth. Limit certain types of consumption such as alcoholic beverages and cigarettes. To protect domestic industries and control certain aspects of the country's balance of payments, employment savings, investment and production growth, and balance of payments constraints. McCombie, J.

2.2.6. Types of audits and auditors

In order to increase the Supreme Audit Institutions' state accountability to the public administration as well as to them, SAIs are able to carry out a variety of audits. Summa, H., and Pollitt, C. (1997) financial audits: assessing the accuracy and fairness of accounting procedures and financial reports. Compliance audits: Ensuring legal and regulatory compliance while ensuring funds are used for authorized purposes.

Performance tests, commonly referred to as "value for money tests," are used to evaluate operational effectiveness and cost-effectiveness. These can occasionally serve as impact audits and test the overall efficacy of government programs in accomplishing their goals. Furthermore, additional tests, or special tests, might be conducted (either independently or as a component of one of the primary tests mentioned above). Study of subjects including the fundamentals of hiring management, the morality and honesty of the employed population that has been vetted.

Internal auditors are individuals employed by a company to examine and review its internal control system. In order to preserve their objectivity, they report their findings directly to the board or senior management. Their primary role is to ensure the organization operates efficiently. Additionally, as employees of the company, internal auditors are well-positioned to identify any instances of fraud.

Independent workers hired by an accounting firm to conduct agreed-upon assessments or to audit and assess the financial reports of its clients are known as external auditors. Accounting firms hire external auditors on an annual basis for their engagements. You would receive an external request to ascertain the impact of the audit firm's size on the audit fee. Francis, John. I. R. In 1984. Submission of the same is the duty of the tax assessment officer. In this situation, the possibility of a tax audit could come up. "Tax audit" also refers to the process of preparing detailed accounting work statements for various income sources or tax return items, as well as other necessary evidentiary statements regarding allowances and waiver of deductions. All of these tasks are necessary to ensure that the correct tax return is prepared.

Auditors possessing tactical, auditing, and technical expertise. Furthermore, the way tax auditors conduct their audits may have an effect on taxpayers' future compliance practices. Taxpayers may be more inclined to voluntarily comply with the voluntary tax compliance requirement if they are treated respectfully during the audit. Understanding of the tax valuation E. Hoelzl, E. along with Kirchler, E. (2008). Furthermore, arbitrary audit processes make taxpayers feelpowerless, which lowers their intrinsic incentive to comply and damages their reputation with the government. Torgler, B. (2003).

Improving taxpayer compliance with regard to whether they reported the right amount of tax and paid it on time is the main objective of tax auditing. The expectation of an audit by the taxpayer should serve as a preventive measure and encourage the taxpayer to declare to the extent that doing so permits a credible tax return and enhances the taxpayer's understanding and awareness of the applicable taxes (MOR 2019). According to Biber (2010), the primary goals of tax audits in MOR are to ascertain the scope of the risks and quantify any errors that may have resulted from them, as well as to enhance future compliance.

2.3 Empirical Review

Several researchers have addressed the determining factors affecting tax audit performance in audit quality. Therefore, the aim of this empirical study is not to report the results of all previous studies. For example, Mihret and Yismaw (2007), Chalu and Mzee (2018)), Mu, R., Fentaw, N. M. and Zhang, L. (2022). Overall, these above-mentioned studies are observed as part of the tax audit. A brief review of all these studies is presented in the following discussions.

Mihret and Yismaw (2007) state that the study's primary goal was to determine how audit performance in a public sector organization is influenced by audit quality, management support, organizational environment, audit characteristics, and their interactions. Internal audit employees completed questionnaires to provide data, and the head of internal audit was interviewed. The process of producing secondary data involved examining pertinent documents, audit plans, audit programs, working papers, audit reports, and audit manuals. The study was carried out inEthiopia at sizable public universities or colleges with more than 25,000 students. The university's internal audit department consists of 14 auditors; all examiners received the questionnaires. The study's conclusions demonstrate how much influence there is on internal audit performance

According to audit and investigation Theory and Practice, an audit is the process of looking over accounting records and corroborating data in order to make a determination about how they should be regulated Adesina, O. O. 2005. This type of audit is intended to give rise to an opinionregarding the fairness, consistency, and adherence to generally accepted accounting principles of financial statements that a business prepares to be presented to the public or other interested parties. Therefore, tax audits are a way to make sure that tax laws are being followed.

Preserving trust in the integrity of the self-assessment system is the primary goal of the tax audit. By identifying and holding responsible those who fail to pay the correct amount of taxes, it enhances voluntary compliance. In Tanzania, Chalu and Mzee (2018) investigated the factors that influence tax audit performance. Using an explanatory approach, the study used a mailed questionnaire to gather data from 225 auditors in 23 tax regions of Tanzania. There were twenty-five statements on factors and statements on the performance of tax audits in the questionnaire.

Two types of statistics were used to analyze the data: inferential and descriptive. The study employed frequency, percentage, mean, and standard deviation in the context of descriptive statistics. The study employed multiple regression analysis and exploratory factor analysis for the inferential statistics. The study used multiple regression analysis and exploratory factor analysis for inferential statistics. The results of the study argued that the performance of a tax audit is influenced by various factors. Specifically, it can be concluded that some factors had a strong positive relationship with tax audit performance, namely the availability and application of tax audit regulations and standards and the adequacy of the tax audit unit. Mu, R., Fentaw, N. M. & Zhang, L. (2022).

The main objective of the study was to examine the relationship between tax audit performance, tax legislation and the use of specialized information system tools. The study is based on two hypotheses; the level of information system (IS) efficiency has a positive impact on the performance of tax audits, while the level of tax legislation has a negative impact on the success of tax audits. The research design is based on a questionnaire. Survey methodology is used as one of the most suitable methods for collecting primary data. Data were analyzed using SPSS software. Factor analysis and multiple regression analysis were used to test the hypotheses. This is what the results of the study show. There is a positive and significant connection between “information systems” and “prosecution of tax violations” and tax legislation, which is assessed as negative and significant with “prosecution of tax violations”.

It is crucial to look at some of the relevant empirical studies covered in this section in addition to the empirical summary provided above regarding the recognition of tax audit performance determination and its significance in the public sector. In his study, "Difficulties of Performance Auditing in Implementation Phase in Bangladesh Perspective," Ferdousi (2012) explores the theory of supply and demand. He uses two independent variables from both auditing offices to gather data through audit report analysis and interviews. Twenty-five people, including senior officials from the audit office, auditees, and auditors, were interviewed. Two performance audit reports were reviewed as part of the second research methodology. The study's findings demonstrated that there are difficulties with the tax audit service's implementation in Bangladesh's public sector. The study's conclusions demonstrate that there are difficulties with several audit topics.

2.4. Literature review

The review literature has suggested the justifications for why tax audits in the public sector are necessary. Ensuring government agency accountability and enhancing tax audit performance are imperative. The moderating role and the control focus are factors that impact tax auditor performance (Ratnawati, V. (2020). The success or failure of SAIs is also influenced by a variety of factors, according to earlier research, most notably the costs incurred. The benefits review discovered that independence, complete information access, capable leadership, sufficient funding, qualified staff, and the exchange of knowledge and experience are critical components of SAI success.

Sub-Saharan African nations contain some of these components. Even in the most developed nations, not everyone is fully aware of the significance of the Supreme Audit Institution in reducing corruption. The most crucial factors are staffing (education, training, and experience), adequate funding (competitive salaries and modern technology), independence (from the executive branch and the ability to investigate matters at its own discretion), and the exchange ofknowledge and experiences (International Exchange of Ideas Kayrak, M. (2008). A changing obstacle in the fight against corruption for the Supreme Audit Institution. According to the Lima Policy Statement on Auditing Standards and an INTOSAI theoretical review, for SAIs to function effectively, they must be shielded from outside influences and independent of the tested location.

In Ethiopia in particular, no studies have looked at the factors influencing tax audit performance in-depth. The study of Belay (2017), Ayalew (2014), Gebeyehu (2008), and Mihret and Yismaw (2007) covered in the preceding section pertains to tax audit issues in Ethiopia. The issues have not been thoroughly examined in any of these studies with regard to the factors that influence tax audit performance.

In order to address issues like auditor satisfaction with pay and benefits, top managementsupport, auditor skills and competencies, tax audit performance, taking into account the independence of the auditor in the profession, and audit characteristics, the researcher intends to concentrate in Addis Ababa revenue medium taxpayer office. Both developed and developing nations are currently grappling with the management of tax audits. For the work of tax audits, there is no adequate theory. Moreover, there is a scarcity of literature on the subject of tax auditing, especially in developing nations. The preceding section's review of empirical studies concentrated on the different factors influencing the performance of tax audits. Furthermore, the majority of earlier research on tax audit concerns has tried to investigate potential audit tactics, such as the use of audit data for fraud detection, compliance enhancement, and the effect of component reporting requirements on taxpayers' incentives to intentionally understate their tax liability.

The literature review chapter highlights four key factors that can impact tax audit performance, audit quality, independence, cooperation from the auditee, and resource limitations. Effective tax auditing in the public sector can enhance governance by empowering citizens to hold their government accountable. After identifying gaps in the existing literature and considering the questions raised in the earlier section, a research question was developed. This study aims to address the lack of information in academic literature regarding tax audit performance by offering a definition and proposing key variables that influence it.

A study was conducted on the effectiveness of specific tax audits, the responsibilities of those being audited, and the role of the public audit committee in improving tax audit efficiency within the medium taxpayer’s branch office in Addis Ababa revenue. Despite the literature reviewed, it was found that more research is needed to fully address the research question at hand. While there may be limitations, existing literature suggests that tax audit performance plays a crucial role in achieving organizational objectives. It is clear that this article lacks a strong theoretical foundation and lacks empirical evidence. To the best of the researchers' knowledge, additional research is needed to understand why there is a lack of information on inadequate tax audit performance.

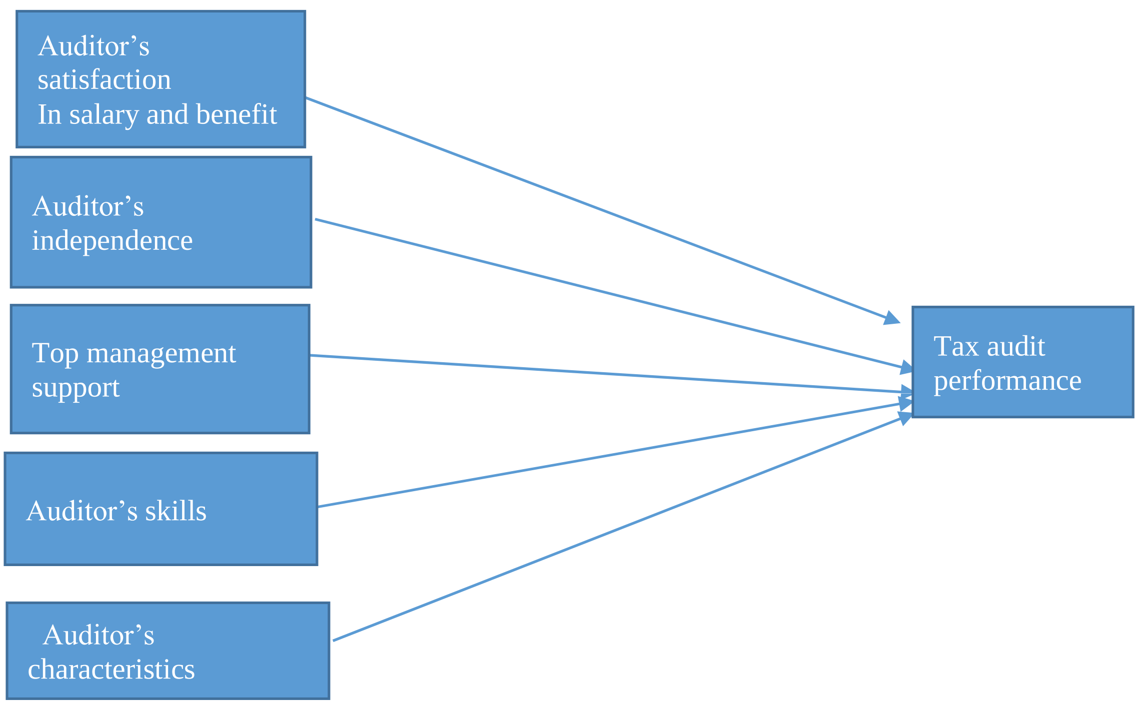
2.5. Conceptual Framework

Numerous methodologies and measurement strategies have been employed in earlier research. A few studies primarily examined internal auditing, the CA self-study committee (2014), and compliance with international standards for professional practice. This strategy, though, hascome under fire for failing to consider the outcomes in light of the demands of the major players and Flicker, S. (2010), instead concentrating solely on following procedures. The purpose of an audit is to make an organization answerable for its deeds. When audits were robust enough to clearly show performance intervals for government agencies, they were effective. If the concerns and problems the auditors brought up have been addressed, an audit can be considered successful. According to Mihret and Yismaw, the definition benefits government and internal auditing in equal measure. For this reason, the conceptual framework for assessing tax audit performance below was modified and used in the study. A study sponsored by the institute of internal Auditors (IIA) identified 15 criteria used by 13 large private organizations to evaluate internal audit effectiveness. They came to the conclusion that the main factors influencing effectiveness are the degree of alignment between the audit work and the goals established by managers, the credentials of the internal auditor, and the management support provided by the internal audit staff.

The factors that lead to successful audits were found in a prior study and divided into three stages: planning, fieldwork, reporting, and review. Measurements that are both reliable and valid for these factors were suggested. A different study measured important aspects of quality control.Badri, M.D. A questionnaire consisting of 84 effectiveness criteria was developed by Davis, D., and Davis, D. (1995). These criteria were categorized into four main areas: the internal audit environment, audit process, audit outcome, and audit input.

The difficulty in assessing tax audit performance stems from the lack of agreement on assessment techniques and performance metrics. Subjective elements have been used, such as evaluating tax infractions using a five-point Likert scale. These arbitrary questions addressdisparities in turnover rates, costs, quantities, inventory valuation techniques, audit sequences,tax compliance, and tax payment plans all of which are critical components in evaluating the performance of tax audits. Although it may seem simple to measure tax audit performance, the reviewed literature makes clear that there isn't a single, widely accepted method).While measuring tax audit performance can appear straightforward, the reviewed literature highlights the absence of a universally agreed-upon approach. This study addresses this gap by proposing a multifaceted framework that incorporates various performance indicators. These include a reduction in tax evasion, increased taxpayer transparency through clear audit processes, promotion of voluntary tax compliance, and improvements in organizational efficiency through streamlined audit operations. Additionally, the framework emphasizes the importance of robust documentation of audit findings, regular reviews to ensure adherence to established policies and regulations, the economical, effective, and efficient use of resources. Finally, evaluating the internal control systems of audited entities can identify weaknesses and potential areas forimprovement. This comprehensive approach provides a more understanding of tax audit performance and its impact within the organization.

Figure -1 Conceptual framework tax audit performance



Source: Taken from (Beyashe, 2008; Masood and Lodhi, 2015), Kadous and Zhou 2019).and modified by researcher

CHAPTER THREE

Research Methodology and Design

3.1. Chapter Introduction:

An extensive review of the pertinent theoretical and empirical literature was given in the previous chapter, highlighting a knowledge gap and laying the foundation for this investigation. The research design and methodology used in the study would now be covered in detail in this chapter. It would include information like research design, research approach, the target group, the sampling strategy, data collection and analysis procedures, and the selected research design

3.2. Research design

This study adopts an explanatory research design. This design is well-suited for investigating the relationships between variables and understanding the "why" behind a phenomenon. In this case, the research aims to explain determinates of tax audit performance (independent variable). These factors, such as auditor satisfaction or resource constraints, represent the independent variables. By employing an explanatory design, the research can investigate deeper than simply identifying correlations and establish causal relationships between the variables. This aligns with the research objective of understanding the "determinants" of tax audit performance.

3.3. Research Approach

There are three basic approaches to research: qualitative, quantitative, and mixed methods (John, 2014). According to Kothari (2019) Quantitative research is based on the measurement ofquantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Qualitative research, on the other hand, is concerned with qualitative phenomena, i.e., phenomena relating to or involving quality or kind. A mixed-methods study can employ either a qualitative or quantitative approach (Creswell, 2009). Accordingly, the researcher would employ both quantitative and qualitative (mixed methods) approach used for this project.

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3.4. Research methods

3.4.1. Data Collection method

In order to obtain a thorough grasp of tax audit performance, this project would be utilize a mixed methods approach to gather data. The main method for collecting data from pertinent staffmembers at the medium taxpayer branch of Addis Ababa revenue would be a structured questionnaire with both closed-ended Likert-scale questions for quantitative analysis and open ended questions for qualitative insights. This method captures participant experiences whileenabling effective data collection. In addition, secondary data would be gathered to support the primary data and offer important background knowledge and context for the study.

3.4.2. Target Population and Sampling technique

3.4.2.1. Target Population

Following Dawson (2002), this study defines the population as all employee working within the Medium taxpayer branch office of Addis Ababa revenue. Their insights and experiences are crucial for understanding determinates of tax audit performance within this specific context. According to the data found from the preliminary assessment, the total number of employee working in Addis Ababa revenue in medium taxpayer office were 346, from this, the number of auditors were 118.

3.4.2.2. Sampling frame

An exhaustive list of all auditors and pertinent management staff working in Addis Ababa Revenue in medium taxpayer branch office would serve as the study's sampling frame. This guarantees that every individual in the target population has an equal opportunity of being chosen for the research, i.e. the target population were all auditors and relevant audit department staff would be invited to take part in the survey.

3.4.2.3. Sampling procedure

This study utilizes a purposive sampling technique. This targeted approach allows the researcher to select the most informative participants in this case, tax auditors within the medium taxpayer branch office of the Addis Ababa revenue). Given the research objective of understanding the determinants of tax audit performance from the perspective of those directly involved, this approach was particularly suitable. Management and auditors possess in-depth knowledge and experience with tax audit practices within this specific branch office, making them an ideal information-rich group for the study.

3.4.2.4. Sampling size

Using the population size (N), a margin of error (e=0.05), or allowance for random error, and the sample size (n), the sample has been determined using the Slovin's Formula. n = N / (1+Ne2). The entire sample from the population was determined using this formula, yielding 118 auditors from the target population in the Addis Ababa revenue of the medium taxpayer branch office. The following formula has been used to determine the total sample (n): n=118/ (1+118*0.052) =118/1.295= 91. As a result, 91 tax auditors from Addis Ababa revenue medium taxpayer branch office representing were given questionnaires, it consists 77.11% of the total sample size from the population. To determine the sample size required to attain the desired margin of error, Slovin's formula was applied.

3.4.2.5. Sampling elements

Sampling in research is the process of choosing a portion of a population to represent the entire population. The sample size reflects the number of elements included in that subset. A key distinction lies in whether the selection process is random or non-random. This study employs purposive sampling, a non-random method that strategically selects participants most relevant to the research question. The sampling frame, which is the complete list of potential participants in this case (all auditors and relevant management personnel in the Addis Ababa revenue inmedium taxpayer branch office).

3.4. 2.6. Collection of data from the elements

The study would use a structured questionnaire with both closed-ended Likert-scale questions for quantitative analysis and open-ended questions for qualitative insights and this study would use a structured questionnaire and interview questions as a method of primary data and secondary collection for the study while a sample collects data from a subset representing the whole, Auditors within the Addis Ababa revenue in medium taxpayer branch office. This comprehensive approach ensures that the data collected fully reflects the experiences and insights from entire population relevant to the research question.

3.4.3. Methods of Data Analysis and Evaluation

The majority of the data analysis would be quantitative due to the structured questionnaire's primary use of Likert-scale questions. This is in line with the characteristics of the data that have been gathered, enabling statistical analysis and measurement. The central tendency (averages) and dispersion (spread) of the variables, as well as other important aspects of the data, would be summarized using descriptive statistics and SPSS software. This study examines the relationship between a number of independent variables, such as top management support, audit quality, auditor skills, and satisfaction with salary and benefits, and one dependent variable, tax audit performance. The research attempts to determine the variables determine tax audit performance within the medium taxpayer branch office of the Addis Ababa revenue.

3.4.4. Pre-testing (Validity and reliability)

To ensure the effectiveness of the questionnaires before full-scale distribution, a pre-testing phase was conducted. According to Zikmund (2003), pre-testing is essential to ensure that, the questionnaire is reliable and that measurements are error-free, resulting in consistent results. The questions are credible if the Cronbach's coefficient alpha for each variable is at least 0.6. A scale's or object's reliability might vary from 0 to 1, the internal consistency and reliability of the questions would be given a higher ranking if the outcome is close to 1

3.4.5. Expected results and output of the study

Examining the critical elements determinates of tax audit performance is the goal of this research in the medium taxpayer's branch of Addis Ababa revenue. The research would examine the potential impact of various independent variables, including management support, auditor satisfaction with salary and benefits, auditor professional independence, auditor skills, and audit characteristics, on the dependent variable of tax audit performance. The expected results are that these independent variables would be identified as key determinants of tax audit performance in the study. By analyzing the relationships between these variables, the research aims to provide a clearer understanding of the factors that contribute to performance of tax audits in this specific branch.

CHAPTER FOUR

4. Data presentation, Analysis and Discussion

4.1. Introduction

The analyses and discussions of the research findings gathered from the respondents are presented in this chapter. This study's primary goal was to assess the variables that determine tax audit performance in Addis Ababa's revenue in medium taxpayer branch office it was established how much money a branch with a medium taxpayer made. The questionnaire results were given out and discussed. The study's findings were examined using data from multiple sources, as well as findings from questionnaires and interviews. The conversation helps toaccomplish the study's goals and provide answers to the research questions. This project paper's main goal was to identify factors that were specifically chosen to determine how well tax audits performed in Addis Ababa revenue in medium taxpayer branch office. The variables included management support, auditor satisfaction with regard to pay and benefits, auditor skills and competencies, independent auditors in the field, audit characteristics, and tax audit performance. Tables were used to display the questionnaire analysis results, which were then examinedaccording to the response rate.

4.2. Demographic characteristics of respondents

This section of the chapter presented survey results and official interview responses whilekeeping in mind the study's goals and research questions.

4.2.1 The profile of the respondents.

This section of the chapter contains tables that display the data gathered about the respondents' backgrounds, including their gender, age, level of education, work history, and current position in the workforce

Table 4.1. Respondents' response rate.

Response rate of respondents		
Questionnaires Distributed	No of questionaries' respondent	Percentage (100%)
91	87	95.6

Source: auditor, field surveys and own calculation (2024)

According to data pertaining, the researcher distributed 91 questionnaires for respondents. However only 87 were successfully returned. Which account 95.6% of response rate as it isabove 70%, we can consider it as acceptable response rate (Mugenda and Mugenda, 2003).

Table 4.2. Gender Distribution of Respondents

Gender	Tax auditors	
	Frequency	Percent
Male	47	54.02
Female	40	45.98
Total	87	100.0

Source: auditor, field surveys and own calculation (2024)

As data shows regarding gender; as shown in Table 4.2, the total number of male respondents was higher than that of females. This means that out of the (87) respondents, 47 (54.02%) were men and 40 (45.98%) were female. This means that more men than female are involved in tax audits.

Table 4.3. Age Distribution of the Respondents

Age	Tax auditors	
	Frequency	Percent
20-25 years	4	4.6
26-35 years	61	70.11
36-45 years	19	21.84
46-60 years	3	3.44
Total	87	100.0

Source: auditor, field surveys and own calculation (2024)

In terms of age, Table 4.3's data revealed that the majority of respondents 61, or 70.11% were between the ages of 26 and 35. In contrast, the age group found that 19 respondents, or 21.84% were between the ages of 36 and 45. Additionally, 4 respondents or 4.6% were between the ages of 20 and 25 and 3 respondents or 3.44 % were between the ages of 46 and 60. This indicates that there are relatively few respondents between the ages of 46 and 60. The bulk of respondents, according to the data in the figure, were generally between the ages of 26 and 35. This suggests that the majority of responders were young participants.

Table 4.4. Field of study Distribution of Respondents

Field of study	Tax auditors	
	Frequency	Percent
Accounting	59	67.81
Management	17	19.54
Economics	6	6.89
Accounting and co-operative auditing	3	3.44
Other	2	2.3
Total	87	100.0

Source: auditor, field surveys and own calculation (2024)

With regard to the professional qualifications (specialization) of the people employed as tax auditors, the aforementioned table demonstrates the diverse educational backgrounds of the respondent's qualifications, as shown. According to the data presented in Table 4.4. The tax auditors (67.81%) were auditors with a focus on accounting. 67.81% of tax auditors currently working in the medium taxpayers branch in Addis Ababa revenue were tax auditors with degrees in accounting offices. The remaining auditors were business administration (19.54%), economics (6.89%), accounting and auditing (3.44%) as well as other (2.3%)

(**Table 4.5. The respondents' educational backgrounds.**

Education level.	Tax auditors	
	Frequency.	Percent
Diploma	0	0
First Degree	46	52.87
Master's Degree	41	47.12
Others and PhD	0	0
Total	87	100.0%

Source: auditor, field surveys and own calculation (2024)

The analysis in Table 4.5 reveals that most of the respondents had a higher level of education. Specifically, 52.87% had a first degree, while 47.12% had a master's degree. Interestingly, none of the auditors surveyed held diplomas or other qualifications, indicating that all auditors in the medium taxpayers' branches in Addis Ababa revenue had first degree or master's degree.

Table 4.6. Experiences of the Respondents

Experiences	Tax auditors	
	Frequency	Percent
Less than 3 years	13	14.94%
3-6 years	25	28.73%
Above 6 years	49	56.32%
Total	87	100%

Source: auditor, field surveys and own calculation (2024)

Regarding the respondents' professional experiences, Table 4.6's data revealed that 49 (56.32%) of the tax auditors had more than six years' worth of work experience, while 25 (28.73%) had three to six years' worth. Furthermore, 13 tax auditors, or 14.94%, required less than three years of experience. The information in the table generally indicated that the majority of respondents had more than six years of experience, which suggested that their capacity to respond to the questionnaire in light of their background was adequate.

4.3. Descriptive analysis

In this part of the research, we attempted to show the average and variability of the responses regarding expectations and perceptions in the study area. An attempt has been made to present the respondents' answers in a descriptive table format to facilitate understanding. It contains the mean and standard deviation of the response because the mean indicates the central tendency of the variable while the standard deviation is about the dispersion of the values of the variable from the mean. The following mean range criteria were used to determine the minimum and maximum length of the 5-point Likert scale.

Table 4.7. Mean criteria

"Mean range"	"Response options"	"Level practices "
"1,00, 1.80"	"Strongly disagree"	"Very low"
"1.80, 2,60"	"Disagree"	"Low"
"2.60, 3.40"	"Neutral"	"Moderated"
"3.40, 4.20"	"Agree"	"High"
"4.20, 50"	"Strongly agree"	"Very high"

Source: (Al-Sayaad et.al 2006).

Based on the above range, the extent of population agreement on the various statements was measured using the mean. A higher mean indicates a greater number of respondents who agreed with the statement. Reliability of the statements was found to decrease with a lower mean. On the other hand, the standard deviation is used by the researcher to measure how variable the response.

4.3.1 Sources of Research Variables

Table 4.8. Sources of Research Variables

Management support

Item	frequency	Mean	Std. Deviation
“The staff capacity in the tax audit department in Addis Ababa for medium-sized taxpayers is adequate for the planned volume of audit work."	14	2.54	.855
“Management was adequately aware of the needs of a tax audit, as evidenced by the allocated budget for the preparation of a quality audit”	21	3.41	.827
"The administration shows commendable support for the professional development of employees in the tax audit department."	16	2.95	.806
"Top management reviews and evaluates audit reports."	26	3.51	.761
"Management has provided necessary equipment for conducting quality audits at the Addis Ababa revenue in medium taxpayer’s office."	10	2.52	1.021
Total	**87**	**14.93**	**4.265**

Source: own survey, 2024

As can be seen from the above table, point five has the highest mean score of 3.51, meaning that "Top management evaluates audit reports." Point two, on the other hand, has a mean score of 3.41, meaning that "Management was sufficiently aware of the needs of a tax audit, as shown by the allocated budget for a quality audit." Both mean scores show that participants responded "Agree.". This implies that the respondents attested to management's awareness of the significance of tax audits and the fact that top management in the relevant field was reviewing audit reports. Items one and five had the lowest mean scores (2.52 and 2.54, respectively). Which were noted for items five and one. It reads as follows: "The management supplies the tools required to accomplish high-quality audit work in an Addis Ababa in medium taxpayers branch,"and "The number of employees in tax audit is limited given the planned volume of audit work in the Addis Ababa revenue in medium taxpayer branch office. “"Disagree" response rate wasfound for both means. This suggests that the respondents believe management did not supply the tools needed for a quality audit and that there was insufficient staffing during the audit to complete the assigned tasks.

4.3.2 Satisfaction of auditors in salary and benefit

Satisfaction of auditor in salary and benefit

Item	frequency	Mean	Std. Deviation
“The salary and benefits of the medium taxpayer branch office auditors in Addis Ababa revenue are satisfactory”	27	2.74	.855
“Manager give recognition to good job certified employee based on their performance”	27	2.74	.855
“The skill based pay certification of employee ability are applicable in Addis Ababa revenue in medium taxpayer branch office”	16	2.08	1.480
“Income in Addis Ababa in a middle taxpayer branch office provides educational opportunities for their employee the employee who has performed well.”	17	2.66	.644
Total	**87**	**10.22**	**3.834**

Source: own survey, 2024

As can be seen from the above table, the lowest mean value of 2.08 is reported under item three, namely: "Competency-based wage certification of employee skills applies to Addis Ababa revenue in medium taxpayer branch office" The mean value of the item corresponds to the response rate “disagree” according to our criterion. This means that salary and benefits require attention to improve audit quality through employee satisfaction. The mean values of the remaining elements correspond to the “Neutral” response rate, as it lies between 2.6 and 3.4.

4.3.3 Auditors skill and competence

Auditor's skill and competence

Item	frequency	Mean	Std. Deviation
"Tax-related rules and regulations are fully understood by auditors."	24	3.79	.878
"Auditors in Addis Ababa revenue have great experience in medium taxpayer offices and have sufficient skills to provide high-quality audit opinions."	15	3.26	1.028
"There is one reasonable way to solve the taxpayers' issue." Issues related to tax audits."	8	2.51	. .805
"The results of tax audits are always based on documents and reliable data in Addis Ababa revenue medium taxpayer branch office."	17	3.59	.990
"The tax auditors at the middle income tax branch in Addis Ababa revenue have a well-planned audit schedule for all audits"	19	3.60	.842
"Auditors in Addis Ababa, a middle-income branch, are inspired and ready to improve their knowledge and skills."	12	2.72	1.021
Total	**87**	**19.47**	**5.564**

Source: own survey, 2024

below the table are measurement items for professional competence, to which we assigned a minimum mean value for point three: "There is an adequate way to serve and solve taxpayers' problems related to tax audit." The mean of the item is equal to one response rate of "Disagree" based on our criteria. This implies that the lack of appropriate methods to attend to and resolve taxpayers' issues related to tax audits represents an obstacle to an effective tax quality system in this case area. From the report, it is understandable that for the mean in the table, the highest mean is recorded for item one (Auditors are able to understand tax-related rules and regulations in an advanced manner) and item five (Tax auditors in Addis Ababa revenue in medium taxpayer has an appropriate audit plan for all its audits) and point four (The results of tax audits are always based on documents and reliable data from the Addis Ababa revenue at the medium taxpayer) with average scores of 3.79, 3.60 and 3.59 respectively. All means correspond to a response rate of "Agree" based on our criterion. This requires that auditors have good skills to provide tax services in the respective case.

4.3.4 Independency auditors in profession

Independency auditors in profession

Item	Frequency	Mean	Std. Deviation
"Auditors in the Addis Ababa revenue in medium taxpayer branch office have complete autonomy and organizational independence when performing their auditing responsibilities"	19	2.57	.996
"The auditor has unrestricted access to all the information and processes required to perform their duties"	20	2.61	.90677
"Auditors are independent of the organizations they audit and do not permit their professional careers to be influenced by them."	26	3.00	.863
"During the audit, the auditors are impartial and neutral towards all taxpayers."	22	2.79	.878
Total	**87**	**10.97**	**3.643**

Own survey, 2024, as the source.

The table above has details about auditors' independence of 4 items, the lowest mean value of 2.57 is on item one. It states that in the Addis Ababa revenue in medium taxpayer branch office, auditors lack independence. This means auditing quality could suffer in that area. The other items have mean values of 2.61, 3.0, and 2.79. This shows neutrality from respondents on auditor independence.

4.3.5 Audit Characteristics

Audit Characteristics

Item	Frequency	Mean	Std. Deviation
“The Addis Ababa revenue in medium taxpayer uses an open auditing process, and audit decisions are supported by data.	19	3.00	.863
“Taxpayers show respect and cooperation towards the tax system and auditors”	14	2.7931	.87787
“During the audit, auditors give taxpayers enough information about tax laws and regulations”	19	3.00	.86266
There is collaboration and a positive relationship between auditors and the audit committee to complete the audit work effectively.”	20	2.80	.805
“Tax auditors possess the requisite legal authorization to unrestrictedly obtain all documents from taxpayers and third-party information sources.”	15	2.78	.841
Total	**87**	**14.3**	**4.24953**

Source: own survey, 2024

The mean values of all the items in the audit characteristics table above ranged from 2 points to 3 points. All of these mean values are comparable with a response rate of "Neutral" according to our criterion. It suggests that improvements are needed to the audit features, such as establishing a transparent audit process, collaborating, providing clarification on tax laws and regulations, and fostering positive relationships.

4.3.6 Audit performance (Dependent variable)

Audit performance

Item	Frequency	Mean	Std. Deviation
“An efficient tax audit process lowers the volume of taxpayer complaints”	29	2.51	.761
“Tax audit assesses and improves the effectiveness of risk management”	32	3.52	1.021
“Tax audit assesses the company’s internal control system”	26	3.41	.761
Total	**87**	**9.44**	**2.543**

Source: own survey, 2024

Information regarding the tax audit's performance is shown in the table above. The lowest mean is 2.51 based on information element one (unambiguous tax audit procedures lower the numberof taxpayer complaints), which translates to a response rate of "Disagree" according to our criterion. This suggests that there has been no improvement in the clarity of the audit process or the provision of procedures to lower the number of complaints from taxpayers. The item with thehighest mean, "Tax audit assesses and improves the effectiveness of risk management," has a score of 35.2. The item with the second-highest mean, "Tax audit assesses the company's internalcontrol system," has a score of 3.41. By our criterion, both means fall into the middle range of "Agree.". This suggests that the audit performance enhances the efficacy of the company's risk management system and is good enough to evaluate the internal control system.

4.4. Reliability

According to Zikmund (2003), pre-testing is essential to ensure that the questionnaire is reliable and that measurements are error-free, resulting in consistent results. The questions are credible if the Cronbach's coefficient alpha for each variable is at least 0.6. If the result is near to 1, the internal consistency and reliability of the questions would be ranked higher. A scale's or object's reliability might vary from 0 to 1. The Cronbach's alpha model has been employed in this study. By using 27 items from 20 samples

Table 4.9. Reliability

Independent variable and Dependent variable	Cronbach's Alpha	NO-of In the scale
management support	.706	5
Auditor satisfaction	.766	4
Auditor skill	.884	6
Auditor independency	.706	4
Audit characteristics	.905	5
Tax audit performance	.828	3

4.5. Pearson Correlation analysis

Multiple correlations and the associated equation are utilized in situations where there are two or more independent variables. In this case, the relationship between the independent variables (audit performance) and the dependent variable (management support, auditor skills, auditor satisfaction characteristics, and auditor independence) was determined using Pearson correlation.The Pearson correlation results for the relationship between the dependent and independent variables are displayed in the following table.

Table 4.10. Correlation analyses of the factors.

Correlations

		AP	MSS	SAS	ASC	IP	AC
AP	**Pearson Correlation**	**1**	**.795****	**.638****	**.776****	**.712****	**.461****
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	87	87	87	87	87	87
MSS	Pearson Correlation	.795**	1	.482**	.624**	.507**	.303**
	Sig. (2-tailed)	.000		.000	.000	.000	.004
	N	87	87	87	87	87	87
SAS	Pearson Correlation	.638**	.482**	1	.659**	.658**	.610**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	87	87	87	87	87	87
ASC	Pearson Correlation	.776**	.624**	.659**	1	.861**	.751**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	87	87	87	87	87	87
IP	Pearson Correlation	.712**	.507**	.658**	.861**	1	.810**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	87	87	87	87	87	87
AC	Pearson Correlation	.461**	.303**	.610**	.751**	.810**	1
	Sig. (2-tailed)	.000	.004	.000	.000	.000	
	N	87	87	87	87	87	87

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

Source: own survey, 2024

The results displayed in the preceding table indicate a statistically significant and positive correlation between the different independent variables and the dependent variable, Tax Audit Performance. The data indicates that there is a significant correlation between management Support and tax audit performance ($r = 0.795$, $p < 0.01$). The second highest correlation is between auditors' expertise and proficiency and tax audit performance ($r = 0.776$, $P < 0.01$). Witha p value below 0.01 and r value of .712, the correlation between auditor independence and tax audit performance was found to be the third highest. Furthermore, at $p<0.01$, the correlation coefficient of .638 between tax audit performance and auditor satisfaction is statistically significant. With a value of $r = 0.463$ and a p value of 0.00, the final correlation coefficient between audit characteristics and tax audit performance indicates the significance of this coefficient.

4.6. Explanatory analysis

Inferential analysis is a series of statistical tests used to test hypotheses to determine the extent to which data validity supports certain conclusions. In addition, it includes the estimation of population parameters. The interpretation process is predominantly achieved through the application of inferential analysis. Multiple linear regressions and coefficients were the main inference methods employed in this study to look at the relationship between the dependent and independent variables.

4.6.1 Multiple liner regression

4.6.2 Assumption test

A. Normality assumption

Multiple linear regressions assume that the margin of error of the residuals remains consistent at each point within the linear model. This condition is called homoscedasticity. To assess this, the analyst is recommended to construct a plot of standardized residuals versus expected values to observe the distribution of points across all independent variables. In this particular study

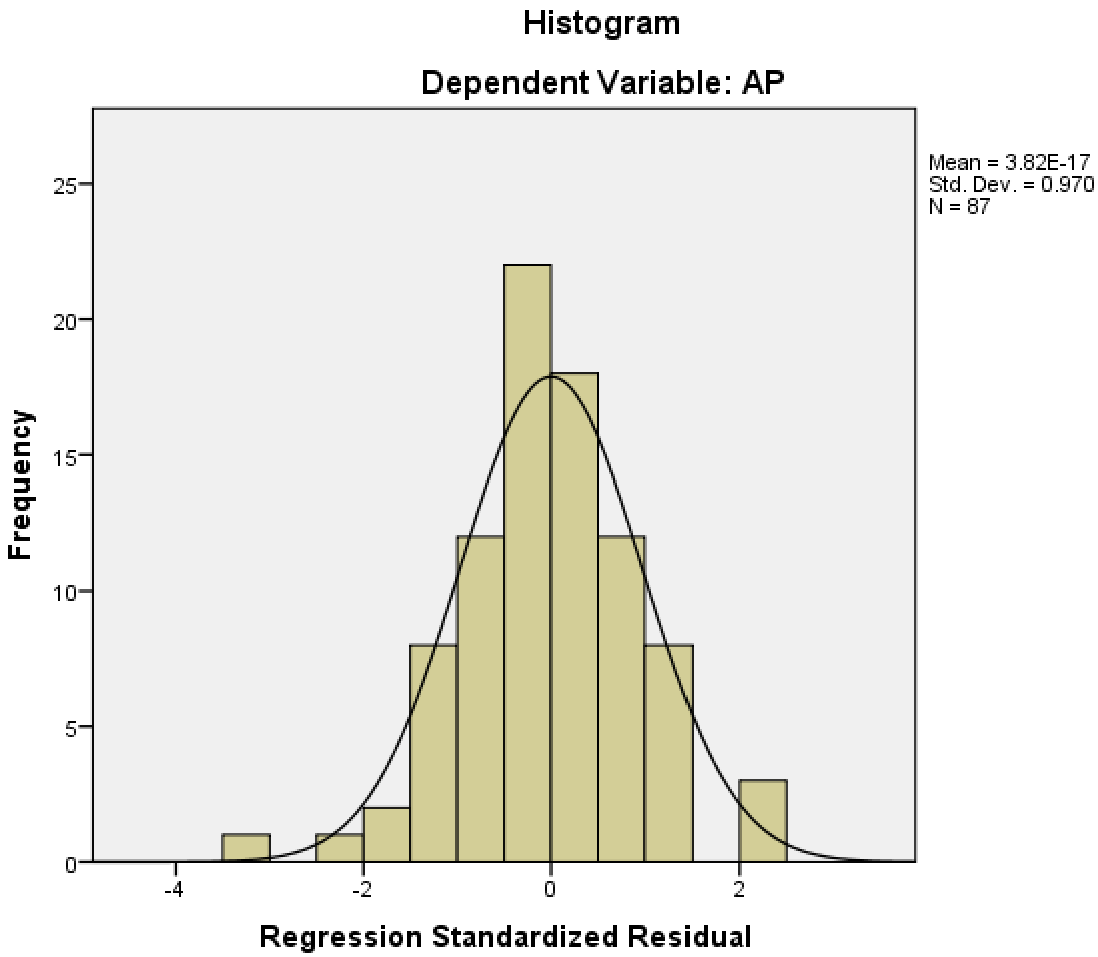

Figure 1 Histogram

Source: SPSS version 23 output, 2024

B. using VIF values to verify that Multicollinearity is absent.

Multicollinearity, the phenomenon where independent variables are highly correlated with each other, should be avoided in the data set. It makes it challenging to identify which variables are influencing the dependent variable's variance. The variance inflation factor (VIF) method is a reliable way to assess for multicollinearity. Ideally, all explanatory variables should have VIF values below 10.

Most VIF are less than 5. As shown in the tables below, the VIF values of all explanatory variables are less than 10. This shows that the assumption is not violated.

Table 4.11. VIF values to check absence of Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	MSS	.520	1.922
	SAS	.503	1.988
	ASC	.189	5.282
	IP	.193	5.192
	AC	.286	3.491

Source: own survey, 2024

C. using Duribn-Watson to verify auto correlation.

In cross-sectional data, autocorrelation can also occur when observations are related in some other way, even though the concept is most frequently discussed in relation to time series data, where observations occur at different points in time. In our case, autocorrelation is checked by calculating Duribn-watson, and the result is 1.79, which is very close to 2 and indicates that thereis no autocorrelation problem.

4.6.3 Model Fit

Autocorrelation is a concept that is often discussed in the context of time series data, where observations occur at different points in time. However, it can also arise in cross-sectional data when the observations are related in other ways. In this case, we checked for autocorrelation using the Durbin-Watson calculation, which resulted in a value of 1.79, very close to 2. This indicates that there is no autocorrelation problem present.

In this study, we constructed a multiple regression equation using two sets of data: dependent and independent variables. The purpose of using regression equations is to enhance the researcher's ability to describe, analyze, predict, and control the specified variables, establishinga connection between each individual aspect and the outcome.

Table 4.12. Model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.898[a]	.807	.795	.34029	1.787

a. Predictors: (Constant), AC, MSS, SAS, IP, ASC

b. Dependent Variable: AP

Source: own survey, 2024

Using adjusted R-squared, the study's researcher looked at the cause-and-effect relationship between tax audit performance and factors influencing tax audit performance. One version of R-squared that accounts for the number of predictors in the model is called adjusted R-squared. Its use in this study stems from its ability to increase when a new variable out performs chance in improving the model. A predictor sinks if its improvement to the model is less than anticipated. The adjusted R-squared is usually greater than zero. It is consistently less than R-squared. The adjusted R2 value of .795 indicates that 79.5 percent of the variation in all independent variables can be used to explain or cause the total variation in the dependent variable (tax audit performance).

Table 4.13. ANOVA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	39.251	5	7.850	67.794	.008[b]
	Residual	9.379	81	.116	0.187	42
	Total	48.631	86	7.966	67.981	42.008

a. Dependent Variable: AP

b. Predictors: (Constant), AC, MSS, SAS, IP, ASC

In general, the above ANOVA table shows a strong relationship between the dependent and independent variables of the study with F-statistic or F-ratio of 67.794 for the overall analysis, and is worth-mentioning that the F-value is highly significant (as p=.000<.01)

Table 4.14. Regression coefficient/coefficient Matrix

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.317	.274		-4.811	.000
	MSS	.758	.120	.428	6.331	.000
	SAS	.198	.078	.174	2.527	.013
	ASC	.403	.144	.315	2.808	.006
	IP	.407	.132	.343	3.084	.003
	AC	.347	.110	.288	3.161	.002

Source: self-research, 2024

All of the independent variables' coefficients are positive, as the table above illustrates, meaning that when the value of the independent variable rises, the dependent variable's (Tax Audit Performance) mean rises as well. With a standardized beta value of 0.428 at the 95 percent confidence level ($p < 0.05$), top management support has the greatest positive and significant impact on tax audit performance, according to a detailed analysis. This is followed by standardized beta values of 0.343, which are between auditor independence tax audit performance and the p-value of this coefficient indicates that it is significant at the 95 percent confidence level. Additionally positive and significant were the effects of auditor skill ($B = 0.315$, $p < 0.05$).). The performance of tax audits is positively and significantly impacted by auditcharacteristics as well. The variable B values of auditor satisfaction, which have a value of0.174, have the lowest effect because their P value is less than 0.05, indicating a significant impact of auditor satisfaction on tax audit performance. The value of significance (Sig. conveys avalue to support or refute the (null) hypotheses. Another name for it is the p-value. The likelihood that the correlation exists only by chance is expressed as the p-value. As a result, a lower p-value is preferable. According to Pallant (2007), the general rule is to accept H0 if $p \geq$
.05 and reject H0 if $p < .05$.

4.7. Hypothesis test

The following table for the variables is used in this section of the study to provide evidence in favor of the alternative hypothesis. Because it is possible to determine whether the independent variables are significant predictors of the dependent variables, and to test the research hypotheses already presented in Chapter 1.

Table 4.15. Synopsis of the hypothesis test

Hypothesis	beta value	P value	Status
HA1:Management support has significant effect on tax audit Performance	.428	.000	Accepted
HA2:Satisfaction of auditors in salary and benefit has significant effect on tax audit performance	.174	.013	Accepted
HA3:Auditors skill and competence has significant effect on tax audit performance	.315	.006	Accepted
HA4:Audit Characteristics has significant effect on tax audit performance	.343	.003	Accepted
HA5:Independency auditors in profession has significant effect on tax audit performance	.288	.002	Accepted

All alternative hypotheses are accepted because, in light of the information above, the p-value for each variable from the coefficient and correlation is less than 0.05.

CHAPTER FIVE

5. Summary, Conclusions and Recommendation

In this chapter, the main discoveries of the research are outlined based on data gathered from primary and secondary sources. Additionally, summary, recommendations would be provided based on the conclusions drawn.

5.1. Summary of major finding

The purpose of this study was to investigate determinates of tax audit performance in Addis Ababa revenue in medium taxpayer branch office'. In order to determine the relationship between taxpayer-related factors (taxpayer awareness level, taxpayer attitude) and tax audit performance, five specific objectives were examined: Assessing the determinates of tax audit performance in Addis Ababa revenue in medium taxpayer branch office; Assessing the impact of organizational independence on tax audit performance in Addis Ababa revenue in the medium taxpayersBranches office. Additionally, the influence of audit characteristics of tax auditors on tax audit performance in Addis Ababa revenue was evaluated. Lastly, to identify possible measures that should have been taken by the government to improve the performance of tax audits.

In its organized investigative process, it used five independent variables. (Auditors satisfaction in salary and benefit, top management support, auditors skill and competence, auditors independence, and audit characteristic) and dependent variable ‘Tax audit performance’. Furthermore, quantitative method of analysis, mainly descriptive and regressive was used to depict the degree of the relationship between the dependent variable and independent variables. In the first section of descriptive analysis grand mean score and standard deviation of each item were presented and grand mean value was used to interpret the data.

Multiple regressions analysis was practical to understand the impact of the independent variables on the dependent variable and the result found was that the variables (determinants) are positively and statistically significant to determine tax audit performance. The model of the regression explained 79.5% of the variance in tax audit performance by the independent variables.

5.2. Conclusions

- The majority of the respondents, according to the results, were in the age range of 26 to 35, this suggests that, in terms of age, the majority of respondents were young participants. Furthermore, the demographic analysis's result indicates that the majority of respondents' experiences were above than six years, indicating that their capacity to respond to the questionnaire in the context of their experiences was adequate.
- This project examines the level of support from top management. The results show that this support is implemented effectively and that management is aware of the need for tax audits, as evidenced by the budget allocated to produce a high-quality audit. However, the related descriptive finding indicates that the number of tax audit staff is not sufficient in Addis Ababa revenue medium taxpayer branch office, given the expected volume of audit work in in Addis Ababa revenue in medium taxpayer branch office.
- This study aims to analyze the satisfaction levels of auditors regarding their pay andbenefits. The findings indicate that in Addis Ababa revenue in medium taxpayer branch office may not meet the income certification requirements established through competency- based wage certification for employees.
- It is recommended that efforts be made to enhance auditor satisfaction in order to enhance the performance of tax audits.
- An efficient tax quality system in the case area is hampered by the absence of suitable procedures for handling and resolving taxpayers' issues with tax audits.
- The correlation analysis indicates a strong positive relationship between the independent variables and the dependent variable (tax audit performance). Of all the variables, top management support demonstrates the highest correlation coefficient with tax audit performance.
- Adjusted R2 = .795 indicates that 79.5 percent of the variation in all independent variables that results in the variation in the dependent variable (tax audit performance) is responsible for explaining or causing the variation in the dependent variable overall.
- All variables have significant and positive coefficients, meaning that when the value of the independent variable rises, the mean of the dependent variable (tax audit performance) rises as well, according to the regression analysis.

5.3. Recommendations

The researcher offers the following suggestion in light of the major findings and conclusions mentioned in the above.

- ❖ The findings of this project demonstrate that factors such as top management support, auditor skills, auditor satisfaction, and independence play a statistically significant and positive role in enhancing tax audit performance within the Ministry of revenue of Ethiopia. As a result, it is recommended that the Ministry of revenue of Ethiopia increase its support for tax audits to facilitate the work of audit qualified staff.

- ❖ The major taxpayer office improve its ability as lead auditors by identifying gaps andassessing manpower needs in order to determine the performance of tax audits. Important resources to raise the ability of presentation reviews and inspection reports are supplied bythe Ministry of revenue of Ethiopia.

- ❖ The organization prioritize the needs and desires of the tax auditor, enhance independence, reporting standards, foster direct communication with officials and management, avoid conflicts of interest and interference, grant full access to all departments and employees, and carry out non-audit activities. In order to complete tax audit work effectively and efficiently, the organization also pay attention to the tax audit plan, give management reports on the work of the tax audit team, and monitor management's response to tax audit reports.

5.4. Future research Directions

There might be some restrictions in the current study because no study can be completely free from them. At first, their primary focus was on determining the variables that determine tax audit performance in Ethiopia. Merely 79.5% of the model was explained by the five explanatory variables that were incorporated into the model. A further twenty-five percent of the variations in tax audit performance could be accounted for by explanatory variables not found in the model. In order to increase the adjusted R2 for the same topic and study area, the other researcher incorporate more variables. If not, it might be challenging to generalize this study's findings to every country in the universe. Therefore, by comparing tax audit performance across nations, thisstudy can be improved when carried out in other nations and at the international national level.

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APPENDIX

Dear participants

I am Demisse Degu, a graduate student studying in accounting and auditing at Addis Ababa University, is conducting this project, "Determinants of Tax Audit Performance in Addis Ababa revenue in Medium taxpayer branch office. "This study looks into the variables that determine tax audit performance, specifically in medium taxpayer branch office in Addis Ababa revenue. Data collection methods would include document reviews, and the distribution of a self- administered questionnaire to audit managers and tax auditors. It is voluntary to participate inthis study, and any information submitted would be kept private and used only for research. We sincerely appreciate your participation. Your privacy would always be esteemed. If you have anyquestions or would like more details.

Please use the following number to reach

Demisse Degu: Tel. Email address:

demissedegu04@gmail.com; phone: +251-937-57-0532.

Part One: Demographic data**.**

1. Gender: Female ☐ Male ☐

2. Age ____________

Between 20-25 ☐ between 26-35 ☐ 36-45 ☐ 46-60 ☐

3. Level of education

Diploma ☐ First Degree ☐ Masters ☐ PhD and Above ☐

4. Field of study

Accounting ☐ Management ☐ Economics ☐ accounting and co-Operative auditing ☐ others ☐

5. Your current position in Addis Ababa revenue in medium taxpayer branch office in tax audit department

Junior tax auditor ☐ tax auditor ☐ senior tax auditor ☐ Team Co-Coordinator ☐ Manager ☐

6 Years‟ of experience on the above position (question no.5)

Less than three years ☐ 3-6 years ☐ Greater or equal to six years ☐

Part Two: Matters concerning determinates of tax audit performance. The following quotes are essential to performing tax audits based on your personal assessment of this company. Please check the box (√) next to the option that best represents your level of agreement or disagreement with each statement. The following verbal anchors are used to measure responses on 5-point scales: Strongly Disagree (1), Disagree (2), neither (3), Agree (4), and Strongly Agree (5).

2.1. **Questions associated with measure tax audit performance**

A	**Management support**	Strongly Disagree (1)	2	3	4	Strongly agree (5)
1	“The staff capacity in the tax audit department in Addis Ababa for medium-sized taxpayers is adequate for the planned volume of audit work."					
2	“Management was adequately aware of the needs of a tax audit, as evidenced by the allocated budget for the preparation of a quality audit”					
3	"The administration shows commendable support for the professional development of employees in the tax audit department."					
4	"Top management reviews and evaluates audit reports."					
5	"Management has provided necessary equipment for conducting quality audits at the Addis Ababa revenue medium taxpayer’s office."					
B	**Satisfaction of auditors in salary and benefit**					

6	“The salary and benefits of the medium taxpayer branch office auditors in Addis Ababa revenue are satisfactory”					
7	“Manager give recognition to good job certified employee based on their performance”					
8	“The skill based pay certification of employee ability are applicable in Addis Ababa revenue in medium taxpayer branch office”					
9	“Income in Addis Ababa in a middle taxpayer branch office provides educational opportunities for their employee the employee who has performed well.”					
C	**Auditors skill and competence**					
10	“Tax-related rules and regulations are fully understood by auditors.”					
11	“Auditors in Addis Ababa revenue have great experience in medium taxpayer offices and have sufficient skills to provide high-quality audit opinions.”					
12	“There is one reasonable way to solve the taxpayers' issue." Issues related to tax audits."					
13	"The results of tax audits are always based on documents and reliable data in Addis Ababa revenue medium taxpayer branch office."					
14	“The tax auditors at the middle income tax branch in Addis Ababa revenue have a well-planned audit schedule for all audits”					
15	"Auditors in Addis Ababa, a middle-income branch, are inspired and ready to improve their knowledge and skills."					

D	**Independency auditors in profession**					
16	“Auditors in the Addis Ababa revenue in medium taxpayer branch office have complete autonomy and organizational independence when performing their auditing responsibilities”					
17	“The auditor has unrestricted access to all the information and processes required to perform their duties”					
18	"Auditors are independent of the organizations they audit and do not permit their professional careers to be influenced by them."					
19	“During the audit, the auditors are impartial and neutral towards all taxpayers.”					
E	**Audit Characteristics**					
20	“The Addis Ababa revenue in medium taxpayer uses an open auditing process, and audit decisions are supported by data.					
21	“Taxpayers show respect and cooperation towards the tax system and auditors”					
22	“During the audit, auditors give taxpayers enough information about tax laws and regulations”					
23	There is collaboration and a positive relationship between auditors and the audit committee to complete the audit work effectively.”					
24	“Tax auditors possess the requisite legal authorization to unrestrictedly obtain all documents from taxpayers and third-party information sources.”					
F	**Tax audit performance**					
	“An efficient tax audit process lowers the volume of					

25	taxpayer complaints”					
26	“Tax audit assesses and improves the effectiveness of risk management”					
27	“Tax audit assesses the company’s internal control system”					

Part Three: Carrying Out Tax Audits

1) Does your department have regular audit plans to submit for tax audit work to your organization?

A) Yes B) No

If your response is "YES," then they were finished in the allotted amount of time?

A) Yes ☐ B) No ☐

Why do you think they weren't finished in the allotted time or if they weren't finished in the predetermined period of time?

____

____

2) How often, on average, do you think the Addis Ababa revenue medium taxpayer's branch office each business?

Each year, every business undergoes an audit ☐

Within two years, every business undergoes one auditors ☐

Every business is audited every three years. ☐

Audits are performed on all businesses every five years. ☐

If it is challenging to determine how often it occurs, the selected instances are

Randomly

Others (do be specific) ____

3 In general, how do you assess the current practices of tax audit performance in the taxpayer's branch in Addis Ababa revenue?

A) Excellent ☐ B). Very Good ☐ C). Good ☐ D) acceptable ☐ E) poor ☐

1) Is it cooperative for the taxpayer to provide necessary information? A) Yes B) No If you answer either way, please provide an explanation.____

2) Can an audit manual provide a thorough explanation of how tax laws and regulations should be interpreted? ____

3) What real-world issues have you encountered in your operation regarding the performance of tax audits? ____

4. In your opinion, what steps should be taken to enhance the effectiveness of the tax audit operation? ____

5) Is there anything further that should be mentioned regarding the revenue generated in medium taxpayer branch office of Addis Ababa revenue's tax audit performance?

If so, please provide specifics.____

Thank you for your cooperation!