UNIVERSITY OF GHANA
COLLEGE OF HUMANITIES
DEPARTMENT OF ACCOUNTING

TAX AUDIT ROLE IN REVENUE MOBILISATION IN GHANA REVENUE AUTHORITY: THE CASE OF LARGE TAXPAYER OFFICE

BY

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THIS LONG ESSAY IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE DEGREE

AUGUST, 2019.
DECLARATION

I hereby declare that this long essay is the result of my own research work and that to the best of my knowledge it has neither in part nor in whole been submitted for another degree in this university or elsewhere except where due acknowledgement has been made in the text.

……………………………
…………………………

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DATE
CERTIFICATION

I hereby certify that this long essay was supervised in accordance with the procedures laid down by the University.

………………………….  …………………………

DR. IBRAHIM BEDI  DATE

(SUPERVISOR)
DEDICATION

This work is dedicated to my parents: Mr Bernard Kwabena Owusu and Mrs Veronica Owusu; My lovely wife Mrs Ruth Owusu and my children, (Michael Baah Owusu, Michelle Biamah Owusu and Josephine Owusu) whose support and encouragement inspired me to come out with this work.
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<table>
<thead>
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CEPS</td>
<td>Customs Excise and Preventive Service</td>
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<td>CIT</td>
<td>Corporate Income Tax</td>
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<tr>
<td>DTRD</td>
<td>Domestic Tax Revenue Division</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRA</td>
<td>Ghana Revenue Authority</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IRA</td>
<td>Internal Revenue Act</td>
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<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
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<tr>
<td>ITA</td>
<td>Income Tax Act</td>
</tr>
<tr>
<td>MTO</td>
<td>Medium Taxpayer Office</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation Development</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay as You Earn</td>
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<tr>
<td>STO</td>
<td>Small Taxpayer Office</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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ABSTRACT

This study sought to ascertain the role of Tax Audit in Mobilizing Tax Revenue domestically. The research examined tax compliance and revenue mobilisation and possible challenges confronting Tax Auditors. Data was gathered from the Large Taxpayers Office on Tax Audit Assessment and Tax Revenue. Also questionnaire was designed where 30 Tax Auditors were sampled to ascertain the challenges that confront tax audit. Probit regression, Descriptive statistics and Correlation coefficient were employed in this study.

The study found a positive significant relationship between compliance level and external auditor type. This can be explain that, there is a high probability of firms to comply with tax regulations if their external auditors are among the biggest four audit firms in Ghana. Big firms are capable of compelling tax payers to comply probably because of goodwill.

Also, the study found that Tax Audit in itself enhances compliance as well as revenues mobilization. Various challenges the tax auditors encounter includes; the unwillingness of tax payers to corporate with auditor, taxpayer being economical with respect to information and tax payers deliberating delaying the process.
CHAPTER ONE - INTRODUCTION

1.0 Background of the Study

Every nation has two means of generating revenue: that is internally or externally (borrowing). Borrowing comes with debt payment while generating income internally through taxation causes displeasure for the citizenry (Obawana, 1996 as cited in Egyin, K B (2011). In developing nations like Ghana, taxation serve as the most relevant source of mobilizing revenue internally for development project. According to Paepe and Dickinson, (2014) tax revenue and economics growth in developing countries go hand-in-hand. In Ghana just like other developing nations, revenues mobilization to finance development has been and continue to be a major challenge. These has resulted in a consistent budget deficit operation in all developing economies over the years. The most common and largely relied means to secure funds internally for infrastructural developing and other long run investment by government is taxation. Harelimana, J. B. (2018) noted that, United Nations required developing countries to be able to at least mobilized 20 percent of their gross domestic product (GDP) in taxed in order to realize the Millennium Development Goal (MDGs). He further noted that, several countries in Sub-Saharan Africa still raise less than 17 percent of their GDP in tax therefore making finance of development projects challenging. Very low tax to GDP ratio in developing economies has been the bane of infrastructural deficits in these countries.

Tax is a compulsory levy imposed on the citizens by the government. Tax is seen as compulsory since the person liable to pay it cannot decide whether to pay or not. Tax is‘(sum of) money to be paid by people or businesses to a government for public purposes’. (Oxford Advanced learners’ dictionary). "Taxes are what we pay for civilized society" (Oliver Wendell Holmes, Jr., U.S. Supreme Court Justice). Taxation has been view in pre-modern days as a direct exchange between the tax payers and the tax authorities in which both parties expected to get
equal benefit from the transaction. At the time, taxes were seen as a wages to the government which it uses to fund developmental projects, this theory is known as the ‘bargain theory’ (Danquah, 2007 as cited in Bortey, E. N. 2011). There is a lot of debate in recent time about tax revenue mobilization. Governments of African economies have prioritize issues taxation and tax reforms over the last decade.

The British colonial government in 1943 introduced Taxation in Ghana, the then Gold Coast. The pool tax ordinance was passed in April 1852. The primary aim was to raise funds to meet the increased British Administration Cost. However, obtaining these taxes come with a lot challenges and resistant through tax evasion. Over the years, though Ghana has undergone several tax reform policy to improve the economic wellbeing of Ghanaians through infrastructural development, the existing situation in the country remain fragile. Tax mobilization domestically in Ghana is lagging. According to Crentsil-Taylor (2010) as cited in Tenakwah, E. J (2015), taxation has always been one of the most important policies for every government, regarding the raising of revenue for developmental projects. However, certain lapses in tax policies, coupled with various schemes adopted by taxpayers, of which tax evasion is no exception has resulted in the government loosing much of the tax revenue. The level of poverty in Ghana requires an increase in internally generated income to be able to minimize over-reliance on foreign income.

There are two possible means by which tax revenue in Ghana can be increased; by increasing the tax base or by minimising the evasion by existing tax payers. To increase the tax base means expanding the number of people who pay tax to the informal sector. When it comes to paying taxes, the tax payer is a dodger. However tax audit and investigation have the tendency to prevent or minimise tax evasion by individuals and firms.
Tax Audit is the examination of taxpayer records to ascertain whether he/she accesses and report their tax liabilities correctly and pay appropriate amount. According to Kircher (2008), tax audit refer to the individual or organizational tax report examination by the tax authorities to determine compliance with law and regulation applicable to taxation in an economy. Tax audit also involves the process by which the Ghana Revenue Authority sought to confirm the number of people who filed their tax. OECD (2006) indicated that, tax audit refers to the examination of whether a taxpayer has appropriately evaluated and reported their tax liability and satisfied other responsibilities. Likewise Ola (2001), however, asserted that, tax audit involves tax returns that has been selected for auditing using a specific criteria. Tax audit can be seen as an extension of the normal audit that are conducted for the purpose ascertaining fairness by auditors and certification statement. Adediran et al (2013) asserted that, tax audit is similar to financial audit which involves gathering information and processing it to ascertain level of compliance of the tax law of the state.

Tax audit is essential because it aids the government to minimise tax evasion and mobilize appropriate tax revenue by ensuring individual and organisations files appropriate tax return to support the budget. Tax audit ensure strict compliance with tax law by taxpayers and improves voluntary compliance. According to Harelimana (2018) tax audit determines the accuracy of tax returns and ensure the payment of penalty by those who default. The effect of tax audit will therefore lead to an increase in tax revenue mobilization. Tax Audit involve use of various audit tools to identify tax evaders and to officially carry-out enforcement on any company.

GRA is divided into two main divisions namely Domestic Tax Revenue Division (DTRD) and Customs Excise and Preventive Service (CEPS). DTRD is further divided into three offices and that is: Large Taxpayer Office (LTO), Medium Taxpayer Office (MTO) and Small Taxpayer Office (STO). The tax audit unit operate under Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority. The main responsibility of the Tax Audit unit is to
ascertain financial statements of taxpayer’s with the aim of establishing their reliability, accuracy and completeness. The unit also sought to detect and counter any strategy to avoid or evade taxes and ensures the Tax Laws compliance in Ghana.

1.1 Problem statement

A lot of developmental projects (infrastructural and social amenities) and public services (health service, education etc.) of every country is the responsibility of its government. It is challenging for governments globally to meet their responsibilities considering limited revenue available. This problem required governments globally to devise means of generating adequate and reliable revenue to meet their increasing needs. In most countries taxation remain major source of funding government, however the situation is a little different because tax revenue is woeful inadequate. Ghana happen to be in situation where it’s more than 60 percent it internally generated fund (mostly tax revenue) are used to pay wage bills. Very little is left for infrastructural development and other statutory payments, hence the government of Ghana relies heavily on foreign donors and borrowing to finance its projects. The interest on these borrowed monies compile over the years and become a burden to government.

These are the main reason why authorities need policy reform to be able to mobilise enough resources internally through taxation. Though formulating good tax policies and laws creates potentials for increasing the tax revenue, the actual amount that gets to the government is highly dependent on effective tax administration. A very efficient and effective tax administration will result increase tax revenue mobilization while weak administration result into inadequate mobilization. The government is therefore between three policy decisions: Borrow to fund it project (comes with interest payment), devise means of getting more from taxation (faces resistance form citizens) and printing more currency (destabilises the economy). From the
options available, it is clear devising proactive measures to improve upon tax revenue mobilization will be appropriate.

Ghana’s tax to GDP ratio is 16 percent which is far below the targeted 25 Percent in 2017. The low tax to GDP ratio is an indication that a lot more taxes were evaded, despite the strenuous effort made by government to increase ratio. According to Haque (2012), developing countries globally suffer from inadequate resources despite efforts made to raise revenue internally. Ter-Minassian (2012) also noted that, low tax to Gross Domestic Product (GDP) ratio is a popular challenge to most developing nations.

One major setback for inadequate resource running into government coffers is as a result of corrupt tax and custom officials. Most revenue from taxation run into private pocket at the expense of the nation. The nation suffers key resource leakages as corrupt revenue officials allow unpardonable tax breaks to willing tax evaders. Moreover taxpayers who sought to do the right thing are being sabotaged by these corrupt tax and custom officials in the form of harassment, inflated assessment, high litigation cost and leniency towards non-compliant competitors. Any serious determination to minimize corruption in the nation and improve governance, in all likelihood, has to involve reform of the revenue administration.

Finally, with globalization, goods and services are produced by taxable entities in multiple countries. This presents vast opportunities for manipulating transactions to reduce the tax burden. Without a matching increase in the professional and technological capacity of the revenue administration, the existence of corruption, tax havens and increasing use of electronic financial transactions will continue to pose major challenges in enforcing the tax laws. This will further reduce the chances of monitoring taxable activity and countering tax evasion. For this reason tax audit plays an important role to increase the capacity of revenue administration.
1.2 Aims and Objectives of the Study

This research aims at investigating whether tax audit practice plays any significant role in the tax administration system in Ghana. Specifically, the study sought to:

1. Examine Corporate Income Tax Compliance and Revenue Mobilisation through Tax Audit

2. Examine the influence of Tax Audit on Revenue mobilization in Ghana.

3. Investigate the challenges faced in Tax Audit.

1.3 Significant of the Study

One common topic of discussion in Ghana has been the level of economic hardship and how it keep compiling day after day. One popular question which left unanswered has been, how we got here, upon the abundant of resources at our disposal. This study sough to find out if tax audit has the tendency to increase our tax revenue, which in turn promote development that we seek. Limited research have been done on the effect of tax audit on revenue mobilization, hence the outcome of the study is expected to bridge the literature gap in this field. Also the outcome of the research could help to inform policy decision to see how Ghana as a country can minimize tax evasions and improve upon revenue mobilisation.

The study contributes in evaluating the prevailing tax audit practice and in making some adjustments on the existing tax audit systems. Moreover, it provides constructive feedback about the efficiency and effectiveness of the existing tax audit practice in GRA. For those who are interested to make further study on the related issue it may be used as an indication.
1.4 Scope of the Study

This study sought to analyse tax audit practices in Ghana with focus on large tax payers. The reference group is Domestic Tax Revenue Division (DTRD) (Previously Internal Revenue Service and Value Added Tax Service) of the Ghana Revenue Authority. The data for the study is drawn from tax officials at the Large Taxpayers Office of DTRD unit in Accra. Though the study is limited in terms of area coverage, tax laws apply across the country, hence the outcome from Accra is highly likely to run through the country.

1.6 Organization of the Study

The study is grouped into five chapters. Chapter one focused on the background to the study, statement of the problem, the study objectives and significance, methodology adopted in the research, delimitations and limitations.

Chapter two is devoted to systematic review of existing literature. It provides evidence regarding the tax audit practice and its role in increasing revenue of the government. The third chapter deals with the methodology employed in the research including techniques used in sampling, population, Data collection methods and the research instruments employed. Chapter four also looked at how data collected were analysed into details and information presented with the help of statistical and quantitative models. The fifth chapter deals with the summary, conclusion and recommendation.
CHAPTER TWO - LITERATURE REVIEW

2.0 Introduction

In general, literature review gives an account and analyses on renowned scholarly works on the study under consideration (Taylor, 2008). Saunders et al (2007) also noted that, literature review provides detailed and in-depth analysis on the merit and demerits of literature in a specific aspect which has been already known with regards to the topic under research. This chapter provides a detail account on literature (theoretical and empirical) regarding definition of Taxation in general as well as meaning of Audit. The chapter further provides the meaning of Tax Audit, essence of Tax audit, conditions necessary for a good Tax Audit and nature of tax compliance.

2.1 Concept of Taxation

The extent to which a country can develop depends highly on the quantum of resources (revenue) accumulated by the government and spent on public infrastructural development as well as provision of energy and public utilities and services. The primary or fundamental means of securing resources in an attempt to undertake developmental projects especially in developing world are taxes and tax system (McKerchar and Evans, 2009). Brautigam (2008) noted that, taxes underwrites the potential of the nation to undertake their objectives. The government constitutes one of the areas for the display of society – state relations and put in place the relationship that exists between redistribution and accumulation which the government uses to accomplish their social responsibilities. With regards to this, government uses tax revenue to undertake project including: provision of security, foster economic
development and provision of basic needs. Also Azubike (2009) argued that a tax system creates the opportunity for government to accumulate resources needed in order to discharge its task effectively and efficiently.

Moreover tax revenue are used to support the poor in various ways: social security system sought to support the poor, the disabled, retirees, on the taxes of those working. In other words, tax sought to reduce the level of inequality in an economy as well as controlling or restricting the consumption of certain products indirectly. Also resource accumulated through taxation are applied to foreign aid and military aid to influence the macroeconomics performance of a country or to alter consumption pattern.

Historically taxation can be traced to past thousands years. In the ancient civilization including Romans, Greeks and Egyptians imposed several varied taxes on their citizens to fund the military operations, public services and maintain key strategic reserves of food stocks, gold to mention a few. In the context of Africa, taxation has started far before colonialism. The Chief and Kings had their subjects to submit a portion of their harvest in the form of taxation. History has it that, several powerful kingdoms and empires which existed in Africa included a tax systems which ensured the expansion of these empires or kingdom. A classic example can be cited as the Zulu empire in southern Africa which was ruled or governed by a king known as Shaka Zulu. The Zulu made demand consistently to tributes from their subjects to be able to operate an effective and efficient army which subjugated nearby empires by confiscating livestock and valuable product. It is also believe that, there is a humanitarian ground to payment of taxation. A contribution made by any individual in cash or kind are made towards the promotion of a common goal. Based on the African culture, it is believe that people are people through “humanity” therefore any individual who pays tax sought to support any project that enhances the common goal of a society (Kiprotich, 2016).
Taxation according Economic Cooperation and Development (OECD) refer to a “compulsory unrequited by a payments to general government”. However Tax Justice network Africa (TJNA) defined taxation as a fee levied by a government on transaction and various activities to finance the expenses of a nation. Whilst Business Dictionary.com argued that taxation is the means by which government finance its expenses through the imposition of levies on citizens and corporate organization. Arnold and McIntyre (2002) also noted that, taxation is a compulsory levying through contribution by public authorities having tax jurisdiction, to pay of the cost of their activities. The tax payer gains no direct or specific reward from tax payment. The cash accumulated through tax collection is normally use for the common good of the public. Some of the funds are used for certain productive activities, as aforementioned, which is seen to be more efficiently provided by the government instate of individuals example water, electricity, maintaining law and order, transportation etc.

In Ghana, the tax system has not meet the needed expectation with regards to its administration. Corporate and Personal tax administration in Ghana from time in memorial do not measure up to the appropriate standard. Generally, self-employed individuals earn far above what is earned by paid employed individuals. However, bulk of the income tax generated comes from the paid workers who rather earn very small income. Due to the inadequate ways of monitoring tax paid by self-employed, a lot of them resort to evading tax. This necessitate the need for a standard and effective tax audit and investigation.

2.2 Tax Evasion and Tax Avoidance

Taxation experts of developing economies indisputably concur to the fact that, there is a huge potential of increasing domestic revenue through taxation. A policy paper by the IMF in 2011 indicated how an increase is not just possible but also very essential (IMF, 2011). According
to the World Bank as presented in Le et al (2011), most of the lower income economies have both low level of tax collection and low tax effort, where the later indicates that amount of generated tax revenue are far below the potential level. Couple with earning revenue far below potential level, many lower income economies remained to be faced with tax share (of GDP) lower than 15 percent which normally regarded as a reasonable threshold to ensure the government function effectively and efficiently.

The difference that exist between the actual and potential tax revenue broadly defines what is termed the aggregate tax gap. In other words, tax gap can strictly be referred to as “the between collected tax revenue and the tax revenue that should have been collected”. The second definition is also known as the theoretical liability which represents the appropriate tax revenues that would have been paid should the individual and organizations complied with both letter of the law and the spirit of the law (HMRC, 2013). However tax gap can as well be broadly defined the difference between what the state could earn through tax, given the features of the national economy and what have been actually collected.

One important and legit question may be what the reason for the large tax gap within developing countries. The number one reason can be attributed to tax evasion and avoidance as payment of taxes is not a pleasant thing for any individual. No one likes to pay taxes. The terms “Tax Evasion” and “Tax Avoidance” are more often used interchangeably but they are very different concepts all together. Basically, tax avoidance is legal, whiles tax evasion is not.

Tax avoidance could take different forms. The Commissioner General of Ghana Revenue Authority is allowed by the Income Tax Act, 2015 (ACT 896), section 34 to be specific, to re-characterise or disregard an arrangement that is entered into or carried out as part of a tax avoidance scheme whose form does not reflect its substance and also which is fictitious or does not have a substantial economic effect. It is during tax audit that tax avoidance schemes are
known to the Tax Authorities and as such Tax laws have been enacted to counter such tax
avoidance schemes. The Tax Authorities would classify any transaction as artificial or fictitious
if the object of the transaction was to avoid tax.

The Income Tax Act, 2015 (Act 896), and the Internal Revenue Act, 2000 (Act 596), mention
anti-avoidance measures which aid during tax audit to mobilise more revenue for the nation.
We have the income splitting which according to section 69 of the Internal Revenue Act (IRA)
2000 (Act 596) normally occurs between related parties and involves transfer of value from
one taxpayer to another. We also have transfer pricing under section 70 of IRA 2000, (Act 596)
which talks about transactions not conducted at arm’s length between persons who are
associates. Thin capitalization is also another means employed by the tax authorities backed by
the IRA to counter tax avoidance schemes. Here the excess interest payment on the debt is
disallowed if the debt to equity ratio exceeds the allowable threshold of 2:1.

Tax evasion is strictly and narrowly define as the illegal manipulation of person’s or
company’s activities with the main goal or aim to reduce the total amount to pay as a tax.
Define in a broader sense, tax evasion refer to a set of activities, legal or illegal which persons
and companies can undertake to minimize their tax payment. The broader definition includes
aggressive tax planning and tax avoidance – actions which cannot be generally be referred to
as illegality but rather considered moral and accepted socially. Hence the broader definition of
tax evasion is what developing economies must look into critically.

2.3 Definition of General Financial Audit

Audit as a term had it source from the Latin word “Audire” which means to hear. Historically
an individual obligated to check on the account used to hear from the bookkeeper issue with
regards to the business transaction. With the passage of time, the mode of audit was altered in
accordance to accounting system of several varied types of business. Today, an Auditing is a specialized function which possess complex, legal and economic implication.

Auditing is the independent examination of financial statement of an entity whether profit or non-profit oriented. This activities are done irrespective of the entity’s size with the aim of expressing needed opinion thereon. According to the American Accounting Association (2008) which provided a broader definition, auditing refers to systematic means of securing and evaluating evidence objectively, with regard to the assertions regarding economic activities to examine the extent of correspondence between the assertions and the established criteria and finally communicate outcomes to stakeholders. Narrowly auditing can be define as an “attestation communication” due to the presentation of the auditor’s view with regards to the extent of relationship between established criteria and accounting information.

An audit is concerned with the process which sought to verify accounting data with the determination of accuracy and reliability of accounting statements. Audit practice has exploded since the late 1980s which was translated by the appearance forms of auditing, for instance audit and performance audit (Power, 1997). Presently, audit is seen as a universal solution to the challenges of control induced notably by the decentralization of management. Anyone who refuses to be audited is seen as having a hidden agenda or possibly misappropriated organization’s resources.

Present studies undertaken by researchers according to Rezaee (2009) indicated that an efficient and effective internal audit system could aid in preventing frauds in a firm’s financial statement. Management of an organization have the tendency to make use of complex constructed accounting terminologies to project a viable financial standing of the organization when they engaged in fraudulent acts. However the auditors with same background must be sceptical and critical in auditing the financial statement. Prawitt et al. (2009) noted that a good
internal audit system can facilitate quality reporting by mitigating potential weakness in incentive system design. It has been demonstrated by researchers that internal audit plays a vital role in an organization. It is therefore believe that, tax payers mostly have the tendency to report the tax liabilities accurately should they know they know an existing tax system has the capacity to identify all unreported liabilities which will be accompanied by a heavy penalty.

2.4 The Concept of Tax Audit

Tax auditing according to OECD (2006) refers to the examination of taxpayers to ascertain if they have adequately reported their tax labilities and hence fulfilled their tax and other required obligations. Tax audit is a more extensive and detailed relative to other types of examination like general document matching and general desk check. With regards to tax administrators, tax auditing can be define as the process where concern tax authorities examine the tax return through basically checking timely fulfilment of tax obligations, the inclusion of all documents and ensuring arithmetical accuracy.

Also Kircher (2008) referred to tax audit as an examination of organizational tax report by necessary tax authorities to find out whether the level of compliance is in line with the tax law of the country. He further noted that, tax audit is a process by which internal revenue service ensure that the figures on the tax return is accurate. With regards to this, tax audit can be said to be the examination of or tax report to find out whether taxpayer file the correct amount of tax obligation. Issues with regards to taxation and tax audit can be historical traced as far back in the biblical era. However many finds it uncomfortable to discuss taxation, least talk of tax audit and investigation.
Biber (2010) argued that, in recent times the role of tax audit in tax administration must go beyond the normal verification of taxpayers reported tax obligation and seeking to detect if there exist any discrepancies between existing documents and taxpayers’ declarations.

Public accountants historically performs the audit function which is associated with the process of confirming financial statements. Therefore tax auditing which one can deduced to be conducted by public accountant can be regarded as the extension of the confirmation function.

With regards to tax auditing, one assesses (taxpayer) is required to file a tax return in accordance with law to an assessing officer (Tax official) accompanied with necessary supporting document. The assessee (Taxpayer) at times are being called upon by the assessing officer (Tax official) in accordance with law to provide a certain document. Here arise the question of the meaning of tax audit. Tax auditing in this context can be refer to as the audit of assessee’s financial statement and other relevant documents to aid in computation of the appropriate tax returns.

Aside the basic objective of deterring and detecting tax noncompliance, tax auditors mostly require understanding and interpreting complex laws, undertaking an intensive examination of the record and books or taxpayers. Micci-Barreca and Ramachandran (2004) revealed that, there are two possible means increasing tax revenue as a result of tax auditing: directly through the evaluation of additional taxes and indirectly by inducing compliance of taxpayers with rules and regulations. Hence for tax audit to be able to improve tax revenue mobilization in the short and long term, the level of tax compliance need to be improved for an efficient tax system. Tax auditing remains very sensitive interaction between the revenue body of a state and the taxpayers. Intruding the privacy of the taxpayers and exploring their business and private activities and the processes involve in gathering necessary information from the taxpayer just disrupts the day-to-day operation of the business. These activities can be observe as great burden on the taxpayer and deprive them privacy. Despite the above disadvantage, tax auditing
remains one of the most effective means of confirming the information provided by tax payers and ascertain additional facts.

Tax audit has the potential of facilitating effective tax administration and the overall compliance by taxpayers. A study by Mebratu (2016) which examined the impact of tax audit on tax compliance in Ethiopia which revealed that, there exist a strong correlation between probability of audit detection and the level of tax compliance. Likewise Ola (2001) argued that tax auditing aids to facilitate or encourage taxpayers to voluntarily comply through detecting and bringing to book those who do not pay appropriate amounts. Tax audit is among the most efficient means to minimize or eradicate tax evasion (Slemrod and Yitzhaki 2002).

Tax audit is very essential as a result of the support it renders to the government in accumulating a suitable tax revenue essential in budgeting, maintaining order financially and economically. This helps to ensure stability and enables that a satisfactory tax returns are filed by the various tax payers, minimize the avoidance of tax and tax evasion, make sure tax payers comply strictly with the tax laws, facilitate the degree of voluntary compliance and finally to make sure the appropriate amount are collected and channel to the government. In line with this, Berreca and Ramahandran (2004) stated that the main essence of tax audit is to check tax evasion and ensure the compliance of the tax laws. Badara (2012) argued that, the main objective of tax audit includes putting techniques in place to ensure tax dispute are resolve between the tax authorities and liable tax payers, establishing an effective and efficient tax administration to ensure things move in line with fast changing economy, to ensure a viable mechanism to prevent a situation of tax avoidance at various organizations, bringing tax defaulters to book, to ensure accuracy and prompt filing tax returns.
2.5 Types of Tax Audit

Tax audit can be classified into various groups taking into consideration different degree and level of power to which they are being directed. Therefore various terminologies have been adopted to depict or describe the diverse means of audit activities.

Full Audit: this is a type of tax audit which examines every information in relation to the computation of an individual’s tax liability within a period of time. The scope of this type of audit encompasses all. Full audit sought to identify the accuracy of tax liability for a financial statement as a totality. They are carried out as part of non-systematic audit program which are undertaken to secure information with regards to the degree, nature and particular aspect of tax compliance risks. This type of audit is usually very expensive to undertake as a result of the wide spectrum they cover which implied that in considering a full tax audit program, a huge more resources are needed. This type of audit is mostly known as comprehensive audit with the GRA. Comprehensive audits may cover several years, up to the limit provided by law (three years) and cover all taxes. Where serious under-reporting or evasion has been detected, comprehensive audits of all tax liabilities is considered.

It also lead to the reduction of the rate coverage of the taxpayers which would have been undertaken when using other types of tax audit like diverse mix of audit type.

Limited scope audit: this type of tax audit sought to just review the main potential risk areas of nonconformity. It is limited to a specific issues on the tax return or with regards to a specific tax system program which is arranged to engage taxpayers. The limited scope audits does not involve the use of enormous economic resources and enables the coverage of larger spectrum of taxpayers to be attended to within a period of time.

Single issue audit: This type of audit is limited to only a single item of potential nonconformity which could be apparent after investigating the taxpayer’s return. It does not waste time to be
undertaken and can be employed to review a sizable number of taxpayers who engaged in similar system to conceal non-compliance. The nature and degree of any tax review normally embraces specific taxpayer which relies on the accessibility of possible risks of noncompliance and the past history a taxpayer. The request of a broad review may as well be projected essentially in light of the fact that a taxpayer’s financial activities are surprisingly mind boggling.

Issue oriented audit: This type of audit focuses on no more than one tax-type and no more than one or two accounting periods. This kind of short and targeted audit is highly recommended for VAT, Withholding taxes and PAYE. These audits require less time, allowing for the coverage of more taxpayers, and help identify those taxpayers that may require a full, comprehensive audit.

Period under examination: With regards to periods to be examined, reviews may focus on one financial accounting period or may be undertaken within a few monetary periods. Also a review may focus on just a specific aspect of the taxpayer’s activities (e.g. purchases, sales, stock etc.), or particular commitment assessment or particular exercises. There is a point in time where it is possible for review to change in its level of interest. Sometimes, individual’s issues may be inspected in point of interest and under varied circumstances, with regards to the level of risk saw, simply externally (Bukenya, 1996).

2.6 Tax Audit and Compliance

Modern tax systems are based on self-assessment and voluntary compliance. Voluntary compliance works most effectively when the Tax Authorities have earned the trust of taxpayers, so they are not discouraged from providing all relevant information in their dealings
with the tax authorities because of the perception that the tax authorities lacks integrity and will use information improperly.

Tax compliance can be define as the willingness of corporate entities or individual to comply with tax officials by filing correct amount of tax returns and fulfilling tax obligations (Verboon and Dijke, 2007). Similarly Jackson and Milliron (1986) referred to tax compliance as the means by which all incomes and payment are reported willingly by taxpayers and fulfilment of provisions in the laws, regulation and court judgement. In another words, Singh (2003) argued that, tax compliance is a process by which, person’s or corporate entities file their tax return, declare all their taxable income correctly, and payment of all required amount within a stipulated time without the need to make follow up by the tax authorities. With regards to theory, the definition of tax compliance outlined above is appropriate. However, with regards to the situation where obligations are imposed, the taxpayers does not always comply. Mostly taxpayers fail to voluntary fulfil their tax obligation out of ignorance or lack of understanding the advantages of being compliant.

The more compliant taxpayers are, the more revenue the nation will get. Tax compliance has to do with the effect of the tax audit effort on the entire taxpayer population. It is presumed that the more audit coverage achieved, the greater the incentive for taxpayers to correctly self-assess. Also, it is presumed that targeting specific industries with reporting issues will ensure greater compliance within those industries. The more frequently taxpayers are audited, the higher the likelihood for them to be compliant. Thus Tax audit can be used as a tool to measure the compliance level of taxpayers.

According to Tax Compliance and Legal Definition, Tax compliance has to do with the degree with which an individual or a taxpayer complies or does not comply with the tax rules and
regulations existing in his or her country. For example by declaring income, filing a return, and paying the tax due in a timely manner.

2.7 Tax Audit and Revenue Mobilization

The rise in tax evasion coupled with the inability to remit the actual tax revenue collected to the government necessitates the need for Tax Auditing. When it comes to issue of tax payment, the tax payer is a dodger. Thus there was need to either use force or seductive motivation to enable them pay. Mostly, taxpayers are unwilling to fulfil their tax obligation. According to Adediran et al (2013), tax Audit aids in government revenue mobilization. They further noted that tax audit is just like financial auditing which involve gathering information and to ascertain the level of compliance of an organization to the tax law of the state. An increase in tax compliance level means limited level of tax evasion and avoidance. A minimizing tax evasion result into increase mobilization of tax revenue. In other words, an increase in tax compliance will result into an increase in revenue mobilization. According Wuyah et al (2018) referred to tax audit as a means of ensuring voluntary compliance of taxpayers with the state’s tax laws. The prime motive of tax auditing is to maintain the level of confidence in self- assessment system’s integrity. It aids in improving the level of voluntary compliance through detecting and bringing to book individuals who evade tax.

2.8 Annual Audit Plan:

Audit coverage is limited by the resources available for audit and planning is used to make the most effective use of those resources. The annual audit plan defines the overall coverage for the audit program that is consistent with the audit resources of the tax administration and the degree of non-compliance in the country. The objective of the plan is to define the number of
audits to be carried out by type of audit and which taxpayers are to be audited, given the resource constraints of the tax administration. Again the objective of the audit program is to allocate audit resources to areas that have the most potential for generating revenue, which is why GRA uses methods that focus on high-risk taxpayers to select cases for audits.

The annual audit plan also refers to the year by year review arrangement which outlines the general number of taxpayer to be reviewed within a particular year. Annual audit plan put into consideration the total number of registered taxpayers compare to the total accessible resources and the kind of review regards to be essential by the audit official at the head office. The creation of the arrangement enables the aims to become simply numerical and will be used for making choice after risk base choice program has been undertaken.

The exercise to be undertaken at this stage includes the decision by the head office on the time to be used on average for the each of the various type of audit chosen. Should the head office set up separate and special measures to improve turnover of taxpayers, the necessary resource required for the implementation of these measure should not be included in the actual calculations for the annual audit plan. Year by year tax review arrangement must include input emanating from various sources. The year review objectives are given out by the head office example an estimation of evaluated income, the number of review files etc. Aside the head office, annual audit input may come from different sources which includes:

- Experience acquired previously and auditors particular knowledge
- Audit scope indicating a conformity need
- Recommendation of general taxpayer’s categorization e.g. the type of industry, the size of the business etc.
- The nature of the business e.g. whether the business is commercial, industrial, construction etc.
• Application of risk based choice

Speculation of staff levels in the review capacity and the net accessible time for direct review work

It is the responsibility of the review section at the head office to have an ideal goals for the various type of review and measure of extra found at the time of formulating the yearly review arrangement. However this action must be at par with the thought of the resources accessible and examination in collaboration with the regional or field office directors. To be able to coordinate assets to review target demand, there is the need for collaboration between head office and a based up data from the field workplaces with regards to their assessments of the year’s accessible asset for culmination of various types of reviews. By the time all these are done both the head office and the district level workplaces would have their goals streamlined for the year and put in place mechanisms to appoint various review cases from the risk choice in case it is run.

Risk management is also an important element of effective and efficient management of compliance, and correspondingly of tax audit program. It is impossible to control and check every single taxpayer. Tax administrators do not have sufficient resources to perform audits on every taxpayer every year. However, a well-designed annual audit plan will provide enough audits to effectively deter non-compliance at all levels. It must be stressed that it is unnecessary to waste scarce enforcement resources on routinely examining low-risk compliant taxpayers,
2.9 Condition Necessary for Good Tax Audit

Adediran and Alade (2013), identified five major condition which enables easy and effective tax audit. They noted that, in order for tax authorities to undertake an effective audit exercise, certain fundamental conditions must be fulfilled which include:

Familiarity of the tax auditor with the environment in which he/she operates. The condition is very essential and crucial as the tax authorities must familiar with the dynamics including social dynamics, economic dynamics, political dynamics, religious dynamics and cultural dynamics of the taxpayers in that environment. This knowledge will help the tax inspector in decision making regarding tax auditing.

Secondly tax inspectors must be provided with enough incentives to undertake effective job, he must have enough training and experience in the job area. This is to control the tendency of tax authorities being corrupt which may render the intention or purposes of the tax audit useless.

There need a serious supervision to been done by senior members who are profession and in case a new inspectors are deplore to undertake tax audit somewhere, they must be under supervision of the older ones to ensure a job well done.

The available cases must be sorted to ensure specialization on the job. This will ensure and enable tax audit official to be highly specialized in a specific field of tax audit. Specialization will in turn effectiveness and efficiency at the work place.

The way by which tax audit is carried out must be changed along with technological advancement. The use of electronic instead of manual and hardcopy papers must be encouraged which will help to facilitate effective job outcome delivery. Going electronic may also help to preserve information.
2.10 Effectiveness and Efficiency of Tax Audit

Measurement of the effectiveness of audit is done through the examination of the quantum of evidence selected to be examined with regards to the total available evidence and an optimal level of evidence. According to Kangave (2004), efficiency of audit however is referred to as effectiveness of audit per unit time through dividing audit effectiveness by minute spent of the task. The major outcomes were that, time does have effect on performance only at the extremes, where the highest time pressure grouping are said to be relatively performing more efficiently compare to auditors with lowest time pressure grouping. Audit efficiency can be affected by audit program structure, where high structures are said to be associated with increased efficiency.

Also, efficiency of audit according to Apostolou et al. (1993) is referred to as the ability to attain the budget and operationalized it as the percentage deviation between budgeted time and actual time. Their research has studied the effect of leader behaviours on the efficiency of audit. The two leader behaviour includes, facilitation of corporation and teamwork and instilling discipline: which could result into increased level of efficiency.

Couple with the economic reasoning, the concept of efficiency has its root in the idea to minimize input, prevent wastage, and at a minimal cost of production methods. McGrath and Holingshead (1993) indicated that, auditing practitioners refer to efficiency as the accomplishment of audit task in less time hence increase the profit margin. Undertaking audit activities effectively and efficiently demands that revenue entity’s investigation and audit staff have the required powers to access information held by the taxpayers and other parties and to ensure that taxpayers liabilities reported in the returns can be appropriately verified or accurately established. Moyi and Muriithi (2003) argued that, there must exist appropriate regime of sanction to reprimand, punish and deter non-compliance.
As a result the above reasons, it is argued that revenue entities need an appropriate powers and sanctions in the legal framework supporting the conduct of tax administration activities that includes providing enough powers to secure information and needed regime to sanction for all offenses that may arise (Cheeseman and Griffiths, 2005). Frameworks in legal term could be outlined independently in case of laws overseeing every assessment directed for purpose of simplicity of legislation support, in a solitary comprehensive law on tax organization that gives a typical arrangement of procurement covering all taxes. For example in United State the official structure known as Cost Benefit Analysis is used to gauge the cost benefit advantage of proceeding with a review.

2.11 Challenges Facing Tax Audit

There are several challenges facing tax audit processes. These challenges hinder free flow of tax audit. Tax payers may intentional or unintentionally frustrate the tax auditing process to favor them. However, organizational system and corruption from tax auditors can also frustrate the process. Okonkwo (2014) however outlined certainly challenges that hinders tax audit exercise. These include:

i. Taxpayers do not maintain adequate records. Inadequate record makes assessment of firm with regards they should file as tax returns difficult.

ii. Difficult locating taxpayers selected for audit. At times how to locate the firm for audit is a challenge on itself.

iii. Taxpayers corporate with auditors during audit

iv. Reconciliation meetings not taken seriously

v. Deliberate introduction of delays
vi. Despite the existence of legal framework on access to records, taxpayers are mostly unwilling to release vital records

vii. Lack of audit skills by some Tax Auditors leading to prolonged reconciliation meetings

2.12 Empirical Review

There are several researches done to empirically examine tax systems in both developing and developed nations, specifically in relation to tax audit program. Most of them in exception Gebeyehu (2008) and Mihret (2011), have emerged from developed nations and applying various settings. This sub-section sought to briefly discuss studies done by various researchers across the globe in relation to tax audit and revenue, tax administration, tax audit program and tax compliance.

Adediran et al (2013) in a study examined the effect of tax auditing and investigation on revenue mobilization in Nigeria. The study sought to find out if tax auditing and investigations can actually result to an increase in government’s tax revenue base and also if it can minimize the incidence of tax evasion. Data was obtained through primary source from three hundred and twenty respondents who were staff of the Edo State Board of Internal Revenue and Federal Inland Revenue service. The hypotheses of the study was tested using Pearson Correlation Coefficient. The outcome of the study indicated that, Tax audit and investigation have a high tendency to increase tax revenue mobilization and also minimize the incidence of tax evasion.

Onoja and Iwarere (2014) in their research examined the impact of tax audit on revenue mobilization in Federal Inland Revenue Service ans to American Journal of Business and Society. The objective of the study was to investigate the relationship between tax audit and revenue mobilization in Federal Revenue Service. The targeted population of the research
includes staff of Federal Inland Revenue Service. Primary data collection techniques was employed to gather information (data) for the analysis. The research hypotheses were test by employing Analysis of Variance (ANOVA) technique. Result from the study indicated that, tax audit has a significant impact on revenue mobilization in Federal Inland Revenue Service.

A study done by Bright et al (1988) which sought to statistically sample tax audit in the United State of America and also review whether using of sampling as a statistical tool for audit is enough a condition to determine the unpaid liability of taxpayers rather than the review of all transaction to ascertain the exact amount owed in terms of tax. A case studies approached was adopted, cases and data were secured from primarily sales, consumption tax and make use of taxes of three agencies including: the revenue department in New York, Internal Revenue Service (IRS), and revenue department in Pennsylvania. It was found from the outcome of the research that, assessment of audit based on a well analyzed and appropriately drawn statistical sampling never suffer the defect that have been correctly concluded by the courts mar assessments are based on non-statistical sampling. In the absence of statistical sampling, it can become literally not possible for a tax official which has restricted staff strength to involve in auditing the entire period with regards to dealing with a taxpayer who possess a huge volume of transaction. It was further revealed by the study that, sampling techniques pave way for improved economies is using government limited resources in that tax administration to become more fairer, effective, efficient and less intrusive if the technologies used to identify and measure tax deficiencies are expanded to cover controlled use of statistical sampling. Sampling techniques can be used to attain the common interest of minimizing the amount of time use for tax auditing for both the taxpayer and the tax administrator. Although the use of sampling approach has a deficiency of not providing the exact determination of tax owned and the uncertainty adjustment may forgo enormous amount of revenue.
Collins and Plumlee (1991) researched into the effect of tax audit schemes on the taxpayer’s and reporting decision. The research sought to ascertain the effect of alternative tax rates and the levels of penalty on noncompliance. The study adopted experimental design and laboratory labour setting was employed to test the impact of tax rate, audit scheme and the sanctions levels of non-compliance. The outcome revealed that, audit scheme which incorporate some preliminary information signs from the taxpayers may be more fruitful in minimizing if not eradicating underreporting than purely audit models. Schemes that are non-random seems to be most effective at the time tax rate are low and penalty levels are at the very high side.

Also Smith and Stalans (1994) undertook a study into the strategies of negotiating preferred by auditors and taxpayers in resolving disputes associated with tax audit. A pre-audit open-ended interview was adopted by the study couple with a random selected sample of tax auditors and taxpayers that which were drawn from four field offices of the Oregon Department of Revenue. The outcome indicated that, the strategic preference by both auditors and taxpayers has been influenced by the type of dispute, the attitude of the taxpayer and the tax administration, the variation in in formal powers and the perceived responsibilities of the tax auditor. As indicated by the study results, tax auditor have higher tendency of preferring the cooperation strategies whilst the taxpayers who think they can possibly alter the decision making of the auditors may prefer the assertive strategies. The outcome further indicated that tax payers sought to take advantage of gaps and uncertainties in the laws with regards to tax are likely to go for the strategies that are assertive in nature and others who sought to reduce their engagement are likely to prefer the cooperative strategies.

Chan and Mo (2000) carried a research in China on the effect of tax holiday on foreign investors. A case study approach was adopted and the use of tax audit data totally 585 cases of 1996 tax returns of foreign companies audited in 1997. This case study selected the samples randomly and a non-compliance measurement was undertaken in terms of tax audit judgement
which is an overstatement of cost of sales in pre-holiday period and over-provision for staff welfare in the post-holiday period. The study revealed that, tax holidays position of companies affect noncompliance. Organizations are least compliant at the period of pre-holiday whereas most compliant at the period tax exemption. It was further noted that, domestic market oriented organizations, service firms, and joint ventures are less compliant relative to export oriented organizations, manufacturing companies and wholly foreign owned companies.
CHAPTER THREE - RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents a blueprint regarding how the research was conducted to enable the researcher to obtain a valid outcome. Research methodology can be as the method, techniques and procedure employed in an effort to secure unknown information. The chapter involves the approach used in the collection of data for the research work. The focus of this chapter is the method used by the researcher to secure information for the study, which consist of identifying study population, data collection, sample frame, sampling procedure, research instrument employed, how the research instrument was administered and the techniques undertaken in the data analysis.

3.1 Research Design

Research design refer to undertaking plans systematically to understudy a scientific problem and secure a logical outcome. Put differently it is referred to as a plan developed to guide the researcher in the process of data collection, analysis and interpretation of observation. A research design is employed to structure the research as well as outline how the various component of the research come together to attain their objective. In order words, it can be refer to as a logical model of proof employed to facilitate drawing of inference with regards to causal relationship between variable under study by the researcher.

A case study approach was adopted for this study, which is descriptive and analytical in nature. The objectives of the study directly influenced the choice of the design of the study. As indicated earlier the aim of the study to ascertain the effect of tax audit on government revenue mobilization and to identify various challenges confronting tax audit.
Mixed data collection (secondary and primary) techniques were used so as to corroborate research outcomes. Data was gathered extensively from middle level and senior level employees of Large Tax Office. Time series design techniques was employed to secure information on relevant variables, from 2010 to 2017 at Large Taxpayers Office. Thus a comprehensive questionnaire was designed to collate relevant data necessary to tackle the objective of this study.

Mixed method (qualitative and quantitative) was employed in the study. According to Ivankova and Stick (2007), neither quantitative method nor qualitative method by themselves are sufficient to give the answers required. Likewise Molina –Azorin (2012) argued that, employing both qualitative and quantitative (Mixed method) for research will give a better understanding of the research questions and provide a stronger inferences on a given data.

3.2 Population

Patton (2002) defines the target population of a study as constituting the group of persons, objects or institutions that define the objects of the investigations. The study’s targeted population is the middle and senior level employees of Large Taxpayers unit. The choice of these group of people was influenced by the fact that, they are the main player in tax auditing within Accra.

3.3 Sample

Crucial to undertaking research is data gathering, because data determine whatever result is obtained. It has therefore become imperative when selecting the means of obtaining data, to be very diligent. Individual or group from whom data is collected must be selected in a way to obtain a sound, logical and unbiased data, because there is no amount of analysis that can make
up for improperly collected data. At times, due to the large size of the targeted population, data cannot be collected from the entire population hence the need for sampling. Sampling therefore must be done in a way that adequately represent the population.

The study employed the purposive method of sampling. This method of sampling is non-random techniques which need not a set of number of respondents. It is also referred to know as judgment sampling, because it deliberately chooses respondents base on their qualities. Judgment sampling is as well referred to as a non-probability approach that ensures a researcher to choose a sample based on personal judgment regarding some appropriate characteristics required of the sample (Fisher, 2010). The main objective of the study which sought to find the effect of tax audit on revenue mobilization demands individuals who are well experienced in the industry.

Based on purposive sampling technique, for the purpose of this study, 30 official were drawn from the Large Tax Office of the Ghana Revenue Authority (GRA) in Accra.

3.4 Data Collection and Analysis

In general there exist two different type of data collection namely; Primary data collection and Secondary data collection. Primary data are yet data to be collected and clean by the researcher whilst secondary data are the data have already been in existence and just needed to access. Secondary data are information or data already conducted by the researchers or institutions, usually for different purposes (Blumberg, 2008). Secondary data enable the researcher to place the study in the context of existing knowledge as well as broadens the researcher’s understanding to the research topic. Also the ability of the secondary data becoming familiar with research without necessarily raising much new data, in preparation for the collection primary.
To attain or address all the objectives enumerated at chapter of this study, both primary and secondary data are required. The major source of secondary data for this study is the report of Large Taxpayers Office from 2010 to 2017. Other secondary data includes newspapers and manuals on the subject matter which gave the researcher information about the effect of leadership styles on organizational growth. The internet as well as other relevant publications were also consulted.

Primary data was collected with the aid of questionnaires. Various interrogation techniques were used to elicit primary data from respondents. Questions include close and open – ended questions. The open – ended questions intended to give respondents the latitude of freedom to express their views in an unconstrained manner. The close – ended questions were intended to restrict respondents’ answer; this provided an objective base for comparative analysis.

3.5 Questionnaire

The main instrument used to collect the primary data was questionnaire. Robson (2002) states that, a questionnaire is a document containing a number of questions on a particular problem or issues to be investigated, in which each person is asked to respond to the same set of questions in a pre – determined order. Questionnaire method of data collection is the most commonly employed method. It is mostly observed as an efficient instrument for data collection especially when seeking the perception and opinion of individuals on the area of study. Questionnaire that is effectively designed is imperative to obtaining a good and reliable research outcome in every social research.

The questionnaire were in two sections. Section A comprises Bio data of respondents (age, gender and marital status), whiles the other sections consist of questions relating to challenges that hinder the tax audit process in Ghana which sought to address the third research objective.
The questions asked were combination of both open and close ended problems. Open – ended questions were used in instances where we believed there were more options than captured by the close questions.

After constructing the questionnaires, its validity, reliability and layout were taken into consideration. The aim was to avoid any weakness before producing the final version for implementation. Examination of the validity aimed to make the adopted instrument measure what it was supposed to measure (Cohen & Manion, 1994)

Frankel and Wallen (2000) explain that reliability refers to the consistency of scores obtained from one administration to another and from one set of items to another. Miles (2001) on the other hand explains reliability as the ability of a measure to give consistent scores. From these authorities, one can infer that reliability is something that recurs under identical or very similar condition.

3.6 Data analysis and Interpretation

The information obtained from the respondents was analyzed using the Statistical Package for the Social Science (SPSS) software programme. This data was interpreted by using descriptive statistical table and summary. The primary techniques employed for the classification of data includes; charts tables and graphs. The analysis includes the computation of statistic like percentage and ratios analysis methods. The above means will help address the objective two and three of the study.

3.6.1 Probit model

This model is one of the probability models. In probability model, the dependent variable is a dummy and the independent variable may be continuous variables and or dummy variables. For the purposes of objective one of this study, multiple regression model (specifically probit) was adopted. Panel data was collected from 100 tax payers over four years.
Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + u

Y is the dependent variable which is dummy of whether the variation of tax assessment and return filed tax payers is less than 5 percent (1) or more than 5 percent (0).

X_1 is an independent variable, which represent the tax audit assessment

X_2 is also an independent variable, is a dummy of whether the tax payers auditor is any of the big four audit firms (1) or not (0).

X_3 is as well one of the independent variable which represents the size of board.

<table>
<thead>
<tr>
<th>Variables (Independent)</th>
<th>Expected Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax assessment (X_1)</td>
<td>Positive</td>
</tr>
<tr>
<td>Dummy of Auditor type (X_2)</td>
<td>Positive</td>
</tr>
<tr>
<td>Board Size (X_3)</td>
<td>Positive/Negative</td>
</tr>
</tbody>
</table>

3.7 Diagnostic Tests

This study tests for presence of heteroscedasticity and multicollinearity in the model since the presence of heteroscedasticity and multicollinearity in a model can make the estimates of the regression coefficients inefficient, among others (Granger & Newbold, 1974).

3.7.1 Serial Correlation and Heteroscedasticity

Batagi et al (2010) mentioned that the component of cross-sectional data with the standard error assumes homoscedastic variance of the disturbance and constant serial correlation based on the random individual effects. Empirically, with these assertions, the claims of cross-sectional data models are weakened. Serial correlation and heteroscedasticity are often
estimation problems related with time series data and cross sectional data respectively. The existence of serial correlation (autocorrelation) in a model can make the estimates of the regression coefficients inefficient, among others (Granger & Newbold, 1974).

With Heteroscedasticity (i.e. the correlation between error terms of different periods). The assumption of constant variance of the error term (i.e. \( \text{var}(\epsilon_{it}) \neq \sigma^2 \), thus heteroscedasticity) is violated. Again, according to (Wooldridge, 2008), the presence of heteroscedasticity renders parameters inefficient, thereby making inferences from the t and F tests unreliable any longer.

As a result of these statistical problems identified with serial correlation and heteroscedasticity, the study tests for their presence by adopting the (Wooldridge, 2008) test for the existence of serial correlation in linear panel models and the Breuch-Pagan (BP) test for heteroscedasticity. In correcting for the presence of heteroscedasticity, we run a robust command as part of our Probit estimation techniques. This method gives standard errors of regression coefficients that are robust to heteroscedasticity and multicollinearity.
CHAPTER FOUR - DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter is dedicated to the presentation and data analysis of the study. The data analysis is basically based on the information gathered from the field study with respect to response by respondents as well as secondary data on various tax assessment and revenue generation from tax audit. With regards to the quantitative analysis, multiple regression, descriptive statistics which includes: the means, standard deviations, maximum and minimum values were to explain the salient point the research. Also graphs and tables were used for some part of the qualitative analysis.

The first sub-section described the features the respondents have in term of sex, age, working experience and level of education. Follow by the analysis of effect of tax audit on compliance level. The next sub-section the effect of tax audit on revenue generation and finally challenges of tax audit was analyzed using descriptive statistics.

4.2 Demographic Characteristics

This section is very essential as it focuses on of the sex, job position, the educational level, age and experience of the respondents. The respondents of this study were selected using purposive sampling approach as a result of experience and knowledge in the subject area under study. However, the background of these respondents were assessed the results presented below. A total 30 questionnaires which was distributed and all of them were completely filled and returned. This represent a 100 percent return rate is which a positive outcome for the purposes of this study.
4.2.1 Gender distribution of Respondents

Out of 30 respondents, 22 were male and 8 were female. From figure 4.1 below, the number of male respondents express in terms of percentage is 73 percent while females represent 27 percent. The age distribution outcome is bias towards the female. However, this can be explain as to the total distribution of male and female working the large tax office department of Ghana Revenue Authority. The outcome from the gender distribution, is however not expected to affect the outcome of this study.

Figure 4.1 Gender Distribution of Respondents

Source: Field Survey

4.2.2 Age Distribution of Respondents

Table 4.1 below represents age distribution of the respondents. The table depicts that, the staff basis consist of smaller younger workers. Out of 30 respondents, only 4 representing 13.33 percent were less than 30 years old. A sizeable number of staffs which 11 out of 30 staffs representing 36.67 percent fall within 40 to 49 years of age. Also 6 out of 30 staffs representing
20 percent fall within the range of 30 to 39. Finally 9 out of 30 respondents representing 30 percent fall within 50 to 59 years of age.

Table 4.1: Age Distribution

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 29</td>
<td>4</td>
<td>13.33</td>
<td>13.33</td>
</tr>
<tr>
<td>30 – 39</td>
<td>6</td>
<td>20</td>
<td>33.33</td>
</tr>
<tr>
<td>40 – 49</td>
<td>11</td>
<td>36.67</td>
<td>70</td>
</tr>
<tr>
<td>50 – 59</td>
<td>9</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

4.2.3 Staff Position Distribution

There are three category of workers who were sampled purposively for the study. This consist of the Manager, Senior Manager and Senior Staff. The table 4.2 depicts the respondent’s distribution in terms of position. From the table, it can be observe that, the respondents are more concentrated at senior staff level. Out of 30 respondents, 17 of them representing 56.67 percent were senior staffs. Also respondents consist of 6 Senior managers representing 20 percent of the total respondents. Finally 7 out of 30 respondents representing 23.33 percent were at the manager level.

Table 4.2: Staff Distribution

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>7</td>
<td>23.33</td>
<td>23.33</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>6</td>
<td>20</td>
<td>43.33</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>17</td>
<td>56.67</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey
4.2.4 Educational Distribution of Respondents

The educational background of the respondents is very essential for the purposes of this study. The educational background of this study as represented in figure 4.2 blow consist of degree holders, postgraduate degree holders and professionals. Majority of the respondents are degree holders. That is 14 out of 30 respondents representing 46.67 percent are degree holder. Also 9 out of 30 respondents are professionals and finally 8 respondents out of the 30 respondents hold postgraduate degree.

Figure 4.2 Educational Distribution of Respondents

![Educational Distribution of Respondents](image)

Source: Field Survey

4.2.5 Working Experience Distribution of Respondents

Table 4.3 below represents the experience distribution of the respondents engaged for this study. It can be observed from the table that, out of 30 respondents 25 of them representing 80.33 have been working for more than 7 years. However, 2 out of the total of 30 respondent
representing 6.67 percent have been working between 3 to 7 years and 3 of the respondents actually worked for less than 3 years.

### Table 4.3: Working Experience Distribution

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 to 7 Years</td>
<td>2</td>
<td>6.67</td>
<td>6.67</td>
</tr>
<tr>
<td>Above 7 Years</td>
<td>25</td>
<td>83.33</td>
<td>90</td>
</tr>
<tr>
<td>Less Than 3 Years</td>
<td>3</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey

**4.3 Tax Compliance and Revenue Mobilisation**

The prime motive of tax auditing is to maintain the level of confidence in self-assessment system’s integrity. It aids in improving the level of voluntary compliance through detecting and bringing to book individuals who evade tax. Singh (2003) argued that, tax compliance is a process by which, person’s or corporate entities file their tax return, declare all their taxable income correctly, and payment of all required amount within a stipulated time without the need to make follow up by the tax authorities. A high level of tax compliance has the impact of increasing revenue.

Data for this section’s analysis was obtained from Large Tax Office of the GRA. The variables obtained include various tax payers’ return, taxpayers auditor type and tax audit assessment. The difference between the tax payer’s return and the tax audit is what the researcher refer to as deviation. The deviation was also expressed as a percent of tax assessment. The researcher defined compliant tax payer as the one whose deviation in terms of percent is less than 5 and non-compliant tax payer as the one whose deviation is more than 5 percent.

From the table 4.4 below, it can be observed that out 205 taxpayers audited, 113 of them represent 55.12 percent had high compliance level. What it means is that, what these tax payers
filed as their tax return is not substantially different from what the tax auditors obtained. However, 92 out 205 taxpayer representing 44.88 percent were non-compliance. Meaning these taxpayers understated their tax return by a significant value. As a country, the level of non-compliance is too high to accommodate the kind of development at stake. Since non-compliant taxpayers are being detected through tax auditing, there should be penalty impose on all non-compliant firms to deter them from repeating same act.

### Table 4.4: Compliance Distribution

<table>
<thead>
<tr>
<th>Tax Payers</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Compliance</td>
<td>92</td>
<td>44.88</td>
</tr>
<tr>
<td>Compliance</td>
<td>113</td>
<td>55.12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>205</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Large Taxpayer Office*

The table 4.5 below depicts the summary of the probit regression result. The dependent is compliance which is a dummy, where taxpayers who are compliant assume the value 1 and non-compliant taxpayers assume 0. As explain earlier a taxpayer is said to be compliant if the deviation from their tax return after tax assessment is less than 5 percent. And it is non-compliant when the deviation is more than 5 percent.

The independent variables include Auditor type, Board size and Deviation. Auditor type is also a dummy variable of whether the tax payers auditor is any of the big four audit firms (1) or not (0). Board size is the number of board members of the taxpayer. Finally deviation has been already defined as the difference between the tax return file voluntarily and the tax assessment value.

From the table 4.5 there is a significantly positive relationship between compliance level and auditor type. What this means is that, there is a higher probability of increasing compliance
level if taxpayer has any of the big four audit firms as auditor. It assumes a coefficient of 1.2 which is strong significant at 1 percent.

Board size was found to be insignificantly related to compliance level. What it means is that, the number of board membership has no significant effect of compliance level. Finally there is a significantly negative relationship between deviation and the compliance level. This is not surprising because, the higher the deviation the lower the possibility of compliance. Higher deviation means there is a higher difference between what tax payers file and tax assessment value. The deviation is significant at 1 percent.

<table>
<thead>
<tr>
<th>Table 4.5 Regression Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLIANCE</td>
</tr>
<tr>
<td>AUDITORTYPE</td>
</tr>
<tr>
<td>BOARDSIZE</td>
</tr>
<tr>
<td>DEVIATION</td>
</tr>
<tr>
<td>_cons</td>
</tr>
</tbody>
</table>

4.4 Tax audit and Revenue Mobilization

The rise in tax evasion couple with the inability to remit the actual tax revenue collected to the government necessitates the need for Tax Auditing. Tax audit sought to enhance voluntary compliance which will in turn lead to high revenue mobilization. Adediran et al (2013) noted that, Tax audit and investigation have a high tendency to increase tax revenue mobilization and also minimize the incidence of tax evasion.

From the table 4.6 below, there exist a high positive correlation between tax audit and revenue mobilization. The correlation of 0.85 can be explain as 85 percent correlation between tax audit
and revenue mobilization. The positive relationship means an increase in Tax audit will result into an increase in total revenue, which is in line with both theoretical and empirical literature.

Table 4.6: Correlations of the Relationship between Revenue base and Tax Audit

<table>
<thead>
<tr>
<th></th>
<th>Total Revenue</th>
<th>Tax Audit Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>1</td>
<td>0.8517</td>
</tr>
<tr>
<td>Tax Audit Assessment</td>
<td>0.8517</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 4.3 below is a line graph to emphasize the relationship between total revenue and tax audit with available data from large tax department of GRA. It can be seen clearly from the graph the line move together meaning an increase in tax audit will to an increase total as a confirmation to the correlation outcome.
Figure 4. 3 Line Graph Show the Relation Between Tax Audit and Tax Revenue

Table 4.7 below depicts tax audit performance from 2010 to 2017. Tax audit performance was calculated by express tax audit assessment as a percentage of total revenue. From the table, it can be noticed that, tax audit performance has been fluctuating, from 2014 it has seen a steady increase to 2017. The greatest increase over the period under study is from 2016 to 2017.

Table 4. 7 Tax Audit Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Revenue (GH¢MILLION)</th>
<th>Tax Assessment Value (GH¢MILLION)</th>
<th>Tax Audit Performance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,830.40</td>
<td>90.73</td>
<td>4.96</td>
</tr>
<tr>
<td>2011</td>
<td>2,797.06</td>
<td>95.28</td>
<td>3.41</td>
</tr>
<tr>
<td>2012</td>
<td>4,315.50</td>
<td>105.25</td>
<td>2.44</td>
</tr>
<tr>
<td>2013</td>
<td>4,728.76</td>
<td>286.24</td>
<td>6.05</td>
</tr>
<tr>
<td>2014</td>
<td>6,345.01</td>
<td>185.27</td>
<td>2.92</td>
</tr>
<tr>
<td>2015</td>
<td>7,523.59</td>
<td>309.70</td>
<td>4.12</td>
</tr>
<tr>
<td>2016</td>
<td>8,519.73</td>
<td>363.39</td>
<td>4.27</td>
</tr>
<tr>
<td>2017</td>
<td>10,730.49</td>
<td>953.34</td>
<td>8.88</td>
</tr>
</tbody>
</table>

Source: Large Taxpayer Office
4.5 Challenges of Tax Audit

Table 4.8 depicts challenges facing tax audit at Large Taxpayers Office of GRA. It can be observed that, the problem of taxpayers not keeping good records and non-reliability of auditors on records of taxpayers are not challenges faced by Large Taxpayers Office of GRA. The two variables obtained a mean of 2.3 each, which can be described as a disagreement according to likert scale used for designing the questionnaire. However it should be noted that, a standard deviation of more than 1 show a high variability among respondents. This means whilst some see these variables a challenge majority see it as not a challenge. This result is contrary to Okonkwo (2014), where outlined various challenges of tax audit which includes inadequate maintenance of record by taxpayer. This outcome might be as a result of the kind of firms that are audit under the department under study. The department deals with very large firms which are well structure hence book keeping cannot be a problem.

From the table, what can be observed as challenges facing tax audit are taxpayers not cooperating with tax auditors and unwillingness of tax payers to release essential information to tax auditor despite the existence legal framework to have access to records. The two variables obtained a mean of 3.5 and 3.7 respectively. With the means of 3.5 and 3.7, it be describe that on average respondents fairly agreed to these challenges. However the standard deviation more than 1 can be describe as variability of respondents.
Table 4. 8 Descriptive Statistics

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>OBS</th>
<th>MEAN</th>
<th>STD. DEV.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority of audited taxpayers do not maintain adequate records.</td>
<td>30</td>
<td>2.3</td>
<td>1.149213</td>
</tr>
<tr>
<td>Most taxpayers’ records are not reliable</td>
<td>30</td>
<td>2.3</td>
<td>1.178836</td>
</tr>
<tr>
<td>It is very difficult locating taxpayers selected for audit</td>
<td>30</td>
<td>2.689655</td>
<td>1.391388</td>
</tr>
<tr>
<td>Most do not taxpayers cooperate with auditors during audit</td>
<td>30</td>
<td>3.533333</td>
<td>1.136642</td>
</tr>
<tr>
<td>Audit assessments are not mainly based on best judgment of auditors</td>
<td>30</td>
<td>3.2</td>
<td>1.297212</td>
</tr>
<tr>
<td>Taxpayers are mostly unwilling to release vital records.</td>
<td>30</td>
<td>3.733333</td>
<td>1.080655</td>
</tr>
</tbody>
</table>

**Source:** Field Survey

However an open question was asked the respondents to outline various challenges they faced on the field. Some have enumerated few which includes: “the challenge relating to the independence of the tax auditor”, “Lack of technological advancement”, “Tax payers sometimes delay the audit for so a long time”, “Tax payer at times deliberately contesting audit outcome”.
CHAPTER FIVE - SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction:

This chapter focuses the research summary, conclusion and recommendation base on the outcome of the study. The conclusion and summary give support to the result from data analysis from previous chapter which was on tax audit and compliance, tax audit and revenue generation and finally the challenges of audit at the Large Tax Department of the GRA. The recommendation provided sought to help GRA to maximize revenue mobilize from taxpayers.

5.2 Summary

A lot of developmental projects (infrastructural and social amenities) and public services (health service, education etc.) of every country is the responsibility of its government. It is challenging for governments globally to meet their responsibilities considering limited revenue available. This problem required governments globally to devise means of generating adequate and reliable revenue to meet their increasing needs. In most countries taxation remain major source of funding government, however the situation is a little different because tax revenue is woeful inadequate.

Ghana’s tax to GDP ratio is 16 percent which is far below the targeted 25 Percent in 2017. The low tax to GDP ratio is an indication that a lot more taxes were evaded, despite the strenuous effort made by government to increase the ratio. An effective and efficient tax audit practice is suggest as a solution to tax evasion and encouragement of voluntary compliance.

The study therefore to examine the effect of tax audit on compliance and also assess the effect of tax audit on revenue mobilization in the country using Large Tax Department as a case study. The study also examined the various challenges confronting tax audit in the country.
Mixed research approach was adopted for the study to adequately tackle all three objectives set for this study. The research used both the primary source of data as well as the secondary source of data collection. The primary data was collected through issuing a questionnaire which comprises of mostly close ended question with few open-ended questions. And secondary data was obtained from the Large Tax Department of GRA which include data on total revenue from 2010 to 2017, aggregate tax audit assessment and firm level tax audit assessment.

The study found that about 55 percent of the 205 firms analyzed were tax compliance whilst 45 percent were tax non-compliance. Deviation is found to be negatively related to compliance. What this means is that, tax audit is very essential for compliance. Because, without tax audit the possible deviation cannot be detected hence lead to loss of substantial revenue to government. Therefore effective tax audit will increase the deviation in an economy where tax evasion and under declaration of tax returns is the order of the day. Also auditor type is significantly related to tax compliance. This means that taxpayers with any of the big four audit firms as their auditor are seen to have a high level of compliance than those without.

Furthermore from a correlation analysis, it was found that tax audit is highly correlated with revenue mobilization. This was confirm by a line graph where tax assessment and total revenue move together.

Finally the outcome of the study noted that major challenges facing tax audit are taxpayers not cooperating with tax auditors and unwillingness of tax payers to release essential information to tax auditor despite the existence legal framework to have access to records. As well as “the challenge relating to the independence of the tax auditor”, “Lack of technological advancement”, “Tax payers sometimes delay the audit for so a long time”, “Tax payer at times deliberately contesting audit outcome”.
5.3 Conclusion

The rise in tax evasion couple with the inability to remit the actual tax revenue collected to the government necessitates the need for Tax Auditing. When it comes to issue of tax payment, the tax payer is a dodger. Thus there was need to either use force or seductive motivation to enable them pay. Mostly, taxpayers are unwilling to fulfil their tax obligation. Tax audit serve as a check and balances for taxpayer. Tax audit according to literature result to increase compliance. Increase voluntary compliance also leads to increase in revenue. Kircher (2008) referred to tax audit as an examination of organizational tax report by necessary tax authorities to find out whether the level of compliance is in line with the tax law of the country.

From this study, it was argued that tax audit result to increase compliance in confirmation of existing literature. And it is further noted from the correlation analysis and the line graph that, there exist a very strong positive correlation between tax audit and revenue mobilization. What this means is that, for government to increase tax revenue collection they should improve upon the efficacy of tax audit. But not for tax audit, a lot more money would have gone down the drain.

The level of tax compliance amongst taxpayers in the Large Taxpayer Office of the Domestic Tax Revenue Division of Ghana Revenue Authority is significantly high. The type of external auditor of a taxpayer has a significant influence on the level of tax compliance as a good number of the compliant taxpayers in the study have one of the big four audit firms as their external auditor.

Various challenges the tax audit encounters according to the respondents from Large Tax Office of GRA are the unwillingness of tax payers to corporate with auditor, taxpayer being economical with respect to information and tax payers deliberating delaying the process. All
these challenges frustrate the tax audit process, hence necessary action must be taken to resolve them.

5.4 Recommendations

Based on the outcome of this study, the following recommendation are outline:

1. As a result of the essence of tax audit on compliance and revenue generation, it is recommended tax auditors should be well equipped to undertake efficient and effective tax audit. Necessary equipment and technology must be made available for auditors.

2. More taxpayers should be audited to increase total tax revenue

3. Most of the tax audit efforts should be centred on non-compliant taxpayers (i.e. taxpayers with none of the big four audit firm as their external auditor) whiles risk / issue based approach is adopted for the compliant taxpayers.

4. The study also suggests that, necessary penalty should be lashed on non-compliant firms beyond certain percentage to improve voluntary compliance.

5. Enforcement of tax laws to punish taxpayers unwilling to corporate and economical on information to aid effective tax audit process.
REFERENCES


degree in Accounting and Finance, Faculty of Business and Economics, Addis Ababa University.

Ghana Revenue Authority, Domestic Tax Revenue Division, Audit Operational Manual (2013), pp 11-15


Income Tax Act, 2015 (Act 896) with amendments

Internal Revenue Act, 2000 (Act 592) with Amendments


Tax Compliance and Legal Definition / US Legal, Inc. available at https://definitions.uslegal.com/t/tax-compliance/


APPENDIX

QUESTIONNAIRE

Thank you for participating in this survey. This is an anonymous questionnaire. I am a student pursuing Msc. Accounting and Finance at University of Ghana (Legon). Undertaking research in the subject area is a requirement for the successful completion of the program. Please ensure that you do not write your name (or any other comments that could identify you) on the questionnaire. The purpose of the study is to analyze the impact of Tax Audit on Revenue Mobilization. Any information provided would only be used for academic purpose. As a result it would be kept confidential and utmost secrecy would be maintained. Should you have any query on this study, kindly contact me at the following email address:

PART 1

**Individual information**

1. Gender
   a. Male ( )
   b. Female ( )

2. Age
   a. 20 – 29 ( )
   b. 30 – 39 ( )
   c. 40 – 49 ( )
   d. 50 – 59 ( )
   e. above 60 ( )

3. Management level
   a. Executive ( )
   b. Middle Management ( )
   c. Senior Management ( )

4. Educational Background
   a. Diploma ( )
   b. Degree ( )
   c. Postgraduate ( )

5. Years of experience
   a. Less than 3 years ( )
   b. 3 – 7 years ( )
   c. Above 7 years ( )
### PART 2
Challenges confronting Tax Audit

*Indicate the extent to which you agree or disagree with the following statements by ticking the appropriate response where 1 = strongly disagree 2 = disagree 3 = neutral 4 = agree 5 = strongly agree*

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Majority of audited taxpayers do not maintain adequate records.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Most taxpayers’ records are not reliable.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. It is very difficult locating taxpayers selected for audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Most do not taxpayers corporate with auditors during audit.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.Audit assessments are not mainly based on best judgement of auditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Despite the existence of legal framework on access to records, taxpayers are mostly unwilling to release vital records.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Please indicate any other challenge/s the hinder Tax Audit aside the above listed ones if any</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


University of Ghana http://ugspace.ug.edu.gh