

WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTINGAND FINANCE

DETERMINANT OF TAX AUDIT PRACTICE IN ETHIOPIAN MINISTORY OF REVENUE: (CASE STUDY OF NORTH WEST ADDIS ABEBA SMALL TAX PAYERS REVNUE OFFICE)

BY
ABDIRFETA NEGASH
ID NO: BEGE/001/13
MAIN ADVISOR: ABDU M.
CO ADVISOR: BIRHANU D.

A Thesis Submitted to Wolkite University in Partial Fulfillment of the Requirements for the Degree of Masters of Science in Accounting and Finance

February: 2023
Wolkite: Ethiopia

SCHOOL OF GRADUATE STUDIES

WOLKITE UNIVERSITY

ADVISORS' APPROVAL SHEET

This is to certify that a **Abdirfeta Negash Denbe**r have read and his thesis entitled "**Determinant Of Tax Audit Practice In Ethiopian Minatory Of Revenue (Case Study Of North West Addis Ababa Small Tax Payers Revenue Office)** submitted Partial Fulfillment of the Requirements for the Master of Accounting and Finance, the Graduate program of the School of Business And Economics, and has been carried out by **Abdirfeta Negash Denbe**r Id.No ACFNW/001/13, under our supervision. Therefore we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to school if Business And Economics.

APPROVED BY

Abdu M. (ASSIST. PROF) ----------
Advisor Signature

BIRHANU D. (MSC) ----------
Co-advisor Signature

SCHOOL OF GRADUATE STUDIES
WOLKITE UNIVERSITY
EXAMINERS' APPROVAL SHEET

We, the undersigned, members of the Board of Examiners of the final open defense by **Abdirfeta Negash Denbe**r have read and his thesis entitled "**Determinant Of Tax Audit Practice In Ethiopian Minatory Of Revenue: (Case Study Of North West Addis Ababa Small Tax Payers Revenue Office)** and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree of Masters of Science in Accounting and Finance.

_____	_____	_____
Name of the Chairperson	**Signature**	**Date**
_____	_____	_____
Name of Principal Advisor	**Signature**	**Date**
_____	_____	_____
Name of Internal Examiner	**Signature**	**Date**
_____	_____	_____
Name of External examiner	**Signature**	**Date**
_____	_____	
SGS Approval	**Signature**	**Date**

Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the School Graduate Committee (SGC) of the candidate's department.

STATEMENT OF DECLARATION

I, Abdirfeta Negash Denber, have carried out a research work on the factors affecting tax audit effectiveness independently in partial fulfillment of the requirement of the Masters of Science (MSc) Degree in Accounting and Finance with the guidance and support of the research advisors, Abdu M**.** (ASSIST.PROF) and Co-advisor Birhanu d (MSC)

I, also declare that this thesis is my original work and that all sources of materials used for the thesis have been duly acknowledged.

Declared by:

Abdirfeta Negash Denber _____

Researcher Signature

Date

ACKNOWLEDGMENTS

First of all, I would like to thank the almighty ALAH who helped me throughout my life in all aspects for all his sincere, faithful and immense devotion to help me for the accomplishment of this thesis work and to bring me here from the start. Much appreciation is expressed for my principal advisor Asst. Prof. Abdu M and my co-advisor Mrs. Birhanu D. who put me in the right track of the research and for continuous and constructive comments with friendly approach and unreserved assistance from early title selection till the final write up of the thesis. My warmest gratitude is of course reserved for my family's specially my **Mather, Rewuda Seman** who was giving me invaluable encouragement and support throughout my studies.

Table of Contents

ADVISORS' APPROVAL SHEET.....i

EXAMINERS' APPROVAL SHEET.....ii
STATEMENT OF DECLARATION.....iii
ABSTRACT.....v
LIST OF ABBREVIATIONS.....vi
CHAPTER ONE.....1
INTRODUCTION.....1
1. Background of the study.....1
1.2.Statement of the problem.....4
1.3. Objective of the study.....7
1.3.1. General objective.....7
1.3.2. Specific Objectives.....7
1.4. Hypotheses of the study.....7
1.5. Significance of the study.....8
1.6. Scope of the Study.....8
1.7. Organization of the study.....9
CHAPTER TWO.....10
LITERATURE REVIEW.....10
2. Introduction.....10
2.1. Theoretical and Literature Review of Tax Audit Practice.....10
2.1.1. Meaning of Audit.....10
2.1.2. Meaning of Tax Audit.....11
2.1.3. Meaning of Tax Audit practice.....12
2.1.4. Major Activities of Tax Audit Program.....13
2.1.5. Condition for Good Tax Audit.....14
2.1.6. Types of tax audit.....14
2.1.7. Factors those Affect of Tax Audit practice.....17
A.Information system (IS**)**.....18
- Core Tax System.....18
C. Audit Attributes.....20
2.1.8. Risk Based Audit Selection.....20

2.1.9. Tax Audit Performance Measurement....22
A. The Effective Tax Audit Program....22
2.2. Empirical Studies....24
2.3. Identified research gap....27
2.3. Conceptual Framework....29
CHAPTER THREE....31
3. RESEARCH DESIGN....31
3.1. Introduction....31
3.2 Research Design....31
3.3. Research approaches....31
3.4 Target Population....32
3.5. Source of Data....32
3.5.1. Primary Data Sources....32
3.5.2. Secondary data....32
3.6. Methods of Data Analysis and Interpretations....33
3.8 Model Specification....33
4.2 Descriptive statistics result for Respondents....35
4.2.1 Personal Information....35
4.4 Test of Reliability....57
4.7.1 Correlational Results....58
Table: 4.15. Pearson Correlations Matrix....59
Source: Survey Result, 202....59
4.6.1.2 Linearity Test....63
4.6.1.3 .Multi-collinearly test....63
Multiple Regression Model Results....64
4.7. **Discussion of Results**....68
Top management support and tax audit practice....68
CHAPTER FIVE,....71
5.1. Summary....71
5.2. Conclusions....71
5.3. Recommendations....73
REFERENCE....74
Questionnaire to be filled by Tax Auditors....78

ABSTRACT

The purpose of this study is to investigate Determinant of Tax Audit Practice in Ethiopia Minatory of Revenue Case Study of North West Addis Ababa Tax Payers Revenue Office. *The study aims to examine the statistical significance between* Determinant *and tax audit* Practice. The study adopts mixed method approach in order to achieve the research objectives. *In light of this objective the study adopted quantitative method of research approaches to test a series research hypothesis. Specifically, the study used survey of questionnaire analysis of revenues offices' tax auditors.* Researcher used Census method to select the survey respondents. *Consequently Data was then analyzed on quantitative basis using Pearson's correlation, multiple regression analysis and descriptive statistics quantitatively. Specifically, the study used survey of questionnaire analysis on tax auditors and tax audit process owners. The results showed that there is positive and statistically significant relationship between* top management support, *information system, audit quality and organizational independence positively, and statistically significant relationship with tax audit* Practice. *But audit attribute is negatively and statistically significant relationship with tax audit* Practice, *The study recommends that Information system is dominant influence on tax audit* Practice *so it should be support more to become appropriate, easy and simple use for auditors. Also audit quality and organizational independences are giving more attention that a great impact on tax audits.*

LIST OF ABBREVIATIONS

AA	Audit Attribute
AICPA	American Institute of Certified Public Accountants
AQ	Audit Quality
BPR	Business Process Reengineering
ASUCUDA	Automated System for Customs Data Base
BOEFD	Bureau of Finance and Economic Development
ERCA	Ethiopian Revenue and Customs Authority
ETB	Ethiopian Birr
FASB	Financial Accounting Standard Board
GAAP	General Accepted Accounting Principles
GDP	Gross Domestic Product
H	Hypothesis
IA	Internal Audit
ICT	Information communication technology
IFA	International Federation of Accountants
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IS	Information System
IT	Information Technology
JCB	Jordanian Commercial Bank
NBE	National Bank of Ethiopia
OECD	Organization for Economic Co-operation and Development
OI	Organizational Independence
OLS	Ordinary Least squares
TMS	Top management support

CHAP*TER ONE*

INTRODUCTION

1. Background of the study

Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions. It is done to ascertain the accuracy of financial statements provided by the organization (ERCA, 2014).

Audit can be done internally by employees or heads of a particular department and externally by an outside firm or an independent auditor. The idea is to check and verify the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no misrepresentation or fraud that is being conducted (ERCA, 2014).

Tax audit is an examination to determine whether a taxpayer has correctly reported and assessed their tax obligations. Tax audit is a detailed exploration into the activities of a taxpayer by determines whether he/she has been correctly declaring the tax liabilities. Thus, tax audit is needed to increase tax revenue and taxpayer compliance. Tax audit is a detailed exploration into the activities of a taxpayer to determine whether he/she has been correctly declaring the tax liabilities ((Melat, 2016).

Taxation is strengthening to the effective functioning of the the country and to the social contract between governments and citizens. By encouraging dialogue between states and their citizens, the taxation process is key term to more for effective and accountable states [CITATION IMF11 \l 1033]. To reap the proceeds from taxation, in the world developing countries should give great attention to the policy and administration of taxation. (World Trade Organization, 2003).

Tax administration, in any time, mainly consists of varied degree, taxpayers' services, collection and enforcement, audit and assessment taxpayers' education. All these relate with each other and facilitate and revenue raising capacity in an integrated business

process. One of the basic tools to enforce the tax laws is tax audit practice whose objective is to assess the correct amount of tax in accordance with the tax provisions (ERCA, 2010).

Several developing countries do not yet have effective audit programs due to; there is insufficient numbers of the required highly skilled and appropriately paid audit practitioners, absence of a sound institutional audit practice, illegal and un accepted cooperation between taxpayers and auditors, there is lack of clear political support for the tax administration, and the deficiency of an appropriate legal and judicial environment. Additionally, these countries have a tendency to offset very weak tax audit by adopting complex procedures, such as increased filing requirements and massive cross-checking. This, in turn, might result administrative difficulties and increase the compliance cost of taxpayers (Misrak, 2008 cited in Shewamene, 2011).

Recently many developing countries have become preoccupied with improving tax systems. For instance, most of African country amended the tax laws with new provisions and procedures to assist the taxpayers in complying with self-assessment process so as to reduce tax evasion there by increasing the revenue generated through tax, such as government replaced the sales tax with Value Added Tax (VAT) and Turnover Tax "TOT" (Misrak, 2008 cited in Showmen, 2011).

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

However, the role of an audit program in a modern tax administration must extend beyond merely verifying a taxpayer's reported obligations and detection of discrepancies between a taxpayer's declaration and supporting documentation. An effective audit program will have significantly wider impacts than just raising revenue directly from audit activities. By selecting the highest risk cases, efficiently detecting non-compliance, applying

appropriate sanctions, and publicizing results of audit activity (either generally or specifically), taxpayers are put on notice that attempting to avoid tax will result in a high likelihood of detection and imposition of significant sanctions(Melat, 2016).There by, a well-planned audit program can provide the Administration with significant leverage across the community rather than only impacting on the taxpayer selected for audit and collecting the tax that should have been paid in the first place (Biber,2010).

The inspection of the taxpayer's activities indirectly drives voluntary tax compliance, and directly generates additional tax revenue collections. As a result, both (compliance by the taxpayers and the additional tax revenue collected) help tax agencies to reduce the tax gap between the amount due and collected (Barreca,, and Ramachandran, 2004).

The level of tax audit can be determined by two elements: one is how many taxpayers are selected for audit and the second is how much intensive the audit is. The first element is easily measured by the number of audited taxpayers divided by the total number of taxpayers. However, the second 2 element is so difficult to measure due to no published information about the process of tax audit. It is commonly measured by the first element to indicate the level of tax audit for practical comparison (Nicoleta, 2011).

In general most developing countries like Ethiopia; the revenue generated by tax for the government is relatively less than the expenditures spent (NBE, 2009). This low revenue yield of taxation can affect by different factors. In tax revenue practice there are internal and external factors which affect and decries the tax revenue amount in Ethiopia specifically related with tax audit. In this study, the Researcher is focused to study that, determinant factors affecting the tax audit practice; then, this paper focused on those determinant factors which are: top management support, information systems, audit quality, organizational independence and audit attributes.

Tax audit play a significant role in revenue collection and tax payers become more compliant. The purpose of this the study is analysis's statistically the practice of tax audit in its operation with respect factors which affect audit practice in the eyes of audit standards' and testable research hypothesis.

1.2. Statement of the problem

Obviously, a properly designed and administered taxation system is very vital in generating revenue as well as increasing the tax base to the government of developed, developing, and transitional economies. As Bird (2008) noted, it is unquestionable to ensure that the revenue collected from tax should be raised in efficient and effective manner although it is difficult without fear or favor in countries that are politically unstable.

However, the tax base of developing countries adversely affected by administration problems including poorly conceived tax policies and lack of certainty regarding future policy changes. In addition, tax administrations can also create problems for the tax payers as they impose onerous reporting and record keeping requirements, perform excessive inspections and audits, fail to deal with their corrupt employees, and failure to provide transparency in the operations of tax administration (Nicoleta, 2011).

Ethiopian tax rule and regulation is based on tax payers' voluntary compliance i.e., self-assessment. It is geared towards encourage investment, encourage industrial development; and improving and wide the tax base and downward the tax rate, at least maintaining the current reduced tax rates compared to most other countries, in view of financing the ever-growing needs of the government expenditure. has the mission for accomplishment of these policy objectives. The mission, vision and value statements of ministry of revenue form the backbone of the tax audit policy and strategy. ERCA mission and one of key principles of tax audit policy and strategy is promoting the voluntary compliance of taxpayers. The main purpose of tax audit in ERCA is improving future compliance and deters non-compliance (ERCA, 2014).

Among the factors that affect the collection of tax revenue of a country, determinant of tax audit practice plays a vital role on the side of tax authority (OECD 2012, Drogas's et al. 2015 and Ayalew 2014). in reality, under in adequate tax administration including insufficient and unsuccessful audit program, the potential amount of tax revenue in developing and transitional countries has not been collected in an efficient and equitable

manner (Edmiston and Bird 2004).According to LA mensch (2010), many developing and transitional countries audit performance is weak aspect of tax audit administration. These countries do not yet have effective audit programs due to; insufficient numbers of the required highly skilled and appropriately paid audit practitioners, absence of a sound institutional audit practice, lack of clear political support for the tax administration, and the deficiency of an appropriate legal and judicial environment. Additionally, these countries have a tendency to offset weak tax audit by adopting complex procedures, such as increased filing requirements and massive cross-checking. This, in turn, might result administrative difficulties and increase the compliance cost of taxpayers (Hellenrstein, and McLure, 2005).

It is unmoving under a number of challenges regarding to its operation and administration that are not yet resolved. Particularly in developing countries tax audit program faced different challenges and problems which hinder the effectiveness of tax audit (Chalu &Mzee 2018, Tewabe 2016, Drogalas et al. 2015). In Ethiopia the main sources of government revenue are taxation. But different empirical literatures show, in tax authorities' tax audits functions is not effective and the collection of revenue from taxes is affected by effective tax audit activities (Miheret, 2011).

Tax audit practice is a current issue for both developing and developed countries. In the theoretical review, the knowledge of the researcher, there is no adequate literature regarding the appropriate audit examination techniques and determinant those used for tax audit practice to be used for checking the accuracy of tax returns in line with the level of economy and technological advancement (Hellenrstein, and McLure, 2005).

For instance, according to Alemu and Deresse (2009) it is not often the case to collect the potential tax revenue in the country due to lack of awareness of taxpayers as well as paucity of tax agencies‟ cooperation with the business community. Tax systems are usually elaborated without proper discussion with the business community. In addition, the business owners do not have easy access to and clarification on information of the tax laws. The tax agencies do not also provide advising services. As a result, taxpayers misinterpret tax rules and regulations. Moreover, they lack awareness regarding the tax type to be

imposed on their doings, purpose and operation of desk audit, goods and services exempted from tax, negative upshot of contraband trade, and reporting and filing requirements of the tax law.

There are different studies that have been reviewed in the preceding section focused on In Ethiopia, taxation has been used for the purpose of raising as much revenue as possible to meet the ever-expanding public expenditure needs of the government. It is also a mechanism for reduction of inequalities in income distribution, promotion of capital investment and trade, encouraging and/or discouraging certain industries depending on how suitable for country's economic development program (Hellenrstein, and McLure, 2005).

However, it is not often the case to collect the potential tax revenue in the country due to lack of awareness of taxpayers as well as paucity of tax agencies‟ cooperation with the business community. Tax systems are usually elaborated without proper discussion with the business community. In addition, the business owners do not have easy access to and clarification on information of the tax laws. The tax agencies do not also provide advising services. As a result, taxpayers misinterpret tax rules and regulations (Hellenrstein, and McLure, 2005).

Moreover, they lack awareness regarding the tax type to be imposed on their doings, purpose and operation of desk audit, goods and services exempted from tax, negative upshot of contraband trade, and reporting and filing requirements of the tax law. as far as the knowledge of this study is basically concerned, that determinant of tax audit practice and those the determinant factor those affect the audit practice specifically on north west Addis Ababa small tax payers Revenue Authority branch office.

Based on the gap this study will address How tax audit are practices in this tax center, some basic determinant factors for tax audit, those are top management of the tax center, audit quality of the tax center, organizational independence of the tax center, Information system (IS) and taxpayers' attributes, of this tax center. So, it is very important to have knowledge and fill the gap determining the basic key determinants of tax audit practice on north west Addis Ababa small tax payers' branch office and used for in order to collect efficient and effective tax for tax collector office.

1.3. Objective of the study

1.3.1. General objective

The major objective of this study was to examine the determinants of tax audit practice On North West Addis Ababa small tax payers branch office

1.3.2. Specific Objectives.

- ✓ To determine the role of top management support for tax audit practice in North West Addis Ababa tax payers Revenue Authority branch office.
- ✓ To investigate how Information system (IS) influence tax audit practice in North West Addis Ababa small tax payers' branch office.
- ✓ To determine how Audit attributes influence tax audit practice in North West Addis Ababa small tax payers branch office.
- ✓ To determine how Audit quality influence tax audit practice in North west Addis Ababa tax payers Revenue Authority branch office.
- ✓ To find out how Organizational independence influence tax audit practice on North West Addis Ababa small tax payers branch office.

1.4. Hypotheses of the study

Based on the general objective stated above, this study has developed the following five hypotheses. (H1-H5)

- ✓ H1: Top management has a positively and significant impact on tax audit practice.
- ✓ H2: Information system (IS) has a positively and significant effects on tax audit practice.
- ✓ H3: Audit attributes has a positively and significant effects On-tax audit practice.
- ✓ H4: Audit quality has positively and significant impacts on the On-tax audit practice.
- ✓ H5: Organizational independence for tax auditors has a positively and significant effects on Audit practice.

1.5. Significance of the study

The research is expected to identify the main problems and key determinant factor of tax audit program performed, that affects tax revenue collection. might be able to comprehend the existing tax audit performance, and learns some lessons & builds some corrective measures for the weaknesses of tax audit practice based on the recommendations that enhance the performance in the revenue generation process. Second, it will help also tax policy makers to make use of out puts of the study in addressing the determinants that influence tax audit practice by the branch office. In addition, it will help the revenue office tax auditors to know their role in the tax system and the results offer an objective assessment of issues that will make them more effective, particularly for the application of regulations and standards for tax audit.

1.6. Scope of the Study

The study was focused on the audit part of the tax administration, that manse this study was focused on the determinant factor that affect tax audit practice on category 'A' tax payer's in The scope of this study was limited to the examination determinant factor that affect tax audit practice in small taxpayer's branch office, in the case area of North west Addis Ababa small tax payers branch office. And also, among the all officers this study was proposed to distribute the questionnaires only for the tax audit officers in the tax audit department without considering the taxpayers for conducting this research. Even though wide ranges of variables were expected to be studied, but this study was contemplated on examination of tax audit practice are focus on, top management support, audit quality, organizational independence, Information system and audit attributes, beyond the above mentioned were not included in this study.

1.7. Organization of the study

The study was organized in to five chapters. Chapter 1 incorporates the introduction part including background of the organization, background of study, statement of the problem, *Hypotheses of the study***,** objectives of the study, significances of the study, methods adopted and de limitation/Scope of the study. The review of related literature and different researches dealing with the assessment of Tax Audit was reviewed and presented in the second chapter. In the third chapter, the research designed including the methodology was adopted and techniques use in data collection and analysis was also presented consequently. Chapter four was discussed about data presentation, analysis and interpretation, different tables and figures have been used in this part to describe and analyze the quantitative data. Finally, the fifth chapter presented the major conclusion drawn from analysis and findings of the study and possible recommendation for the identified problems also included.

CHAPTER TWO
LITERATURE REVIEW

2. Introduction

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

2.1. Theoretical and Literature Review of Tax Audit Practice

2.1.1. Meaning of Audit___

Audit is the examination or inspection of various books of accounts by an auditor followed by physical checking of inventory to make sure that all departments are following documented system of recording transactions. It is done to ascertain the accuracy of financial statements provided by the organization (Kitillya, 2011).

Audit can be done internally by employees or heads of a particular department and externally by an outside firm or an independent auditor. The idea is to check and verify the accounts by an independent authority to ensure that all books of accounts are done in a fair manner and there is no misrepresentation or fraud that is being conducted (Getaneh, 2011)

Audit is defined as the structured examination of business relevant commercial systems financial and non-financial records, physical stock and other assets, internally generated data and that produced independently of the business. Adesina (2005) defined an Audit as the examination of accounting documents and of supporting evidence for the purpose of reaching an opinion concerning their propriety. It is an examination intended to serve as a basis for an expression of opinion regarding the fairness, consistency, and conformity with accepted accounting principles of statement prepared by a corporation or other entity for submission to the public or to other interested parties. Tax audit is therefore a means of ensuring compliance with the tax laws.

A tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax liability and fulfilled other obligations. Tax audits are often more detailed and extensive than other types of examination, such as general desk checks, compliance visits reviews or document attaching programs (OECD, 2006a).

Tax audit is a critical and significant component of the compliance activities of tax administration by means of proper use of enforcing tax laws; it is the conduct by audit staff of appropriate verification of selected taxpayer's whether he/she has been correctly declaring the tax liabilities including a review of taxpayer's systems, books of account and other related information. It may include crosschecks of taxpayer's records with those of taxpayer's supplier's or with other government departments and agencies source of information and its effectiveness and efficiency must be guaranteed by means of proper procedures and application of modern audit tools and techniques (OECD,2012).

Adams (1994) used agency theory to explain that it is in the interest of management to maintain a strong internal audit department. Implementation of audit recommendations is highly relevant to audit effectiveness (Van Ginsberg, 2005) and the management of an organization is viewed as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness (Sawyer, 2014).

2.1.2. Meaning of Tax Audit

A tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax liability and fulfilled other obligations, On the other hand a tax audit is defined as an activity or a set of activities performed by tax auditors to determine a taxpayer's correct tax liabilities for a particular accounting or tax period, by examine of a taxpayer's organization products and financial records in order to assess compliance to tax laws and verifying the true, fair, reliable, and accuracy of tax returns and financial statements (ERCA, 2010).

The tax audit function plays a critical role in the administration of tax laws in all countries. In addition to their primary role of detecting and deterring noncompliance, tax auditors are often required to interpret complex laws, carry out intensive examinations of taxpayers' books and records, while through their numerous interactions with taxpayers operating very much as the "public face" of are venue body. These factors, as well as the absolute size of the audit function in most revenues 9 bodies, provide a strong case for all revenue bodies paying close attention to the overall management of the tax audit function (OECD, 2006).

Tax audit is therefore a means of ensuring compliance with the tax laws. The primary purpose of tax audit is to maintain the confidence in the integrity of the self-assessment system. It helps to improve voluntary compliance by detecting and bring to book those who do not pay the correct amount of tax. The numerous roles assigned to tax auditors require a recruitment and maintenance of competent tax auditors with technical knowledge, audit skills, and tactical knowledge. Moreover, the attitudes of tax auditors during the conduct of an audit may affect tax payers' compliance behavior in the future (Kariuki, 2013).

2.1.3. Meaning of Tax Audit practice

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

Furthermore, a well-structured tax audit program can provide valuable support in gathering information on the health of the tax system, educating taxpayers (improving future compliance), and identifying areas of the tax law that require clarification. Accurate and timely self-assessment and compliance with tax by taxpayers is achieved only through highly visible and effective audit programs, including the consistent application of strong sanctions where

noncompliance is encountered. Taxpayers must feel that there is a good chance that unreported liabilities and other forms of non-compliance have been detected during an audit (Biber, 2010).

2.1.4. Major Activities of Tax Audit Program

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

A, motivation of voluntary compliance**:** The basic function of the audit program is to promote voluntary compliance by taxpayers being abide by the tax laws. It tries to achieve this by reminding taxpayers of the risks of non-compliance and also by instilling confidence in the entire population that serious abuses of the tax law will be detected and sanctioned.

B, identification of non-compliance at the individual taxpayer level**:** If major risk areas are being focused, audit may reveal major understatements of tax revenue which may be evaded by individual taxpayers.

C, gathering intelligence: Audits may unveil information on evasion and avoidance schemes involving a number of taxpayers.

D, collecting information on the 'health' of the tax system: The results of normal audit activity may provide information on the general well-being of the tax system. Audits conducted on a random basis can assist overall revenue administration by gathering critical information required to form judgments on overall levels of tax compliance, that over time can be used to identify trends in overall organizational effectiveness and to gather more precise information that can be used to inform decision-making on future compliance improvement strategies, to refine automated risk-based case selection processes, and even support changes to tax legislation.

E, continues training of taxpayers: Audits can assist to clarify the application of the law by every taxpayer and to identify improvements required in book keeping and thus may contribute to improved compliance by taxpayers in the future. Identify areas of the law that require clarification: Audits may bring to light areas of the tax law that are causing

confusion and problems to large numbers of taxpayers and thus require further efforts by the revenue body to clarify the laws' requirements and/or to better educate taxpayers on what they must do to comply into the future.

2.1.5. Condition for Good Tax Audit

For the tax inspector to carry out a good audit exercise, the following conditions must be fulfilled (MOR 2019).

1. The tax auditor must be familiar with the environment in which he works. It is a condition which is highly critical that the tax inspector must be properly schooled in the political, economic, social, cultural and religious environments of the taxpayer. A good knowledge of his environment will affect the decision made by him.

2 The tax officials should be motivated to carry out tax audit, he should be properly trained and have experience in his area. The tax inspector should not be carried away by corrupt practices that render the aim of the tax audit useless.

3 The tax audit should be properly supervised by those who are professional and when new tax inspectors are sent to carry out the audit, they should be monitored by older ones so as to make sure that the right thing is done.

4. Specialization should be encouraged. The cases should be grouped. This will allow the tax audit staff to become specialist in specific field and the manner in which the audit is being carried out should be changed. The use of computer should replace the manual process as this will go a long way in facilitating the job and helping to preserve information for a long time. This will improve the efficiency of the exercise (MOR 2019).

2.1.6. Types of tax audit

Based on Ethiopian Revenue and Custom Authority tax audit manual the types of audits are defined classifying according to the three major factors (MOR 2019).

a) The audit scope and intensity

b) The time period(s) under examination

c) The location of the audit activity,

A. Comprehensive audit: - Comprehensive audit is wide and it audit the whole total of tax payers' transaction. It is encompassing in scope and entails an in-depth examination of all information relevant to the calculation of a taxpayer's tax liability for all tax type for a given period. Given the broad scope, comprehensive audit is typically costly to undertake in terms of time and resources, and thus reduces the rate coverage of taxpayers that could otherwise be audited. Comprehensive audit is classified into very complex, complex and simple. This classification will depend on a number of factors ranging from size, group, trade or profession, volume of records or transactions, nature of business to location. In practice the scope and nature of any comprehensive audit activity to be undertaken will depend on the available evidence pointing to the likely risks of 14 non-compliance and a taxpayer's history .an audit may also be classified and justified as complex or very complex because of the taxpayer's financial and/or business activities which are unusually complex (MOR 2019).

B. Issue audit: - it is a single-Issue audit that is limited scope audit that may be confined to specific issues in tax return and /or a particular tax type. The objective here is to examine key potential risk areas of non-compliance. this type of audit is recommended because it consumes relatively fewer resources than comprehensive audits and allows for an increased coverage of the taxpayer population. the audit will normally focus on a single tax type, period or item. Where afield issue audit escalate the case into comprehensive audit, the team coordinator's concurrence must be sought and the procedures for comprehensive audits adhered to. issue audits may be conducted either on the desk or in the field.

Desk issue audit: - this can be conducted in relation to single specific issue(s) of a taxpayer or enterprise when the auditor is confident that all the necessary information can be ascertained by conducting an examination in the office. All the required or relevant information or data may be accessed from internal sources or official reference without the need to contact the taxpayer (MOR 2019).

Field issue audit: - this is the escalation of a desk audit into afield activity or exercise .it is important to remember that the audit is limited to key issues of compliance or to a tax type or period. Field issue audit is commonly used in examining whether a taxpayer has met his/her obligation in respect of vat/tot and excise tax, withholding tax or income tax normally for a specified tax period. Care should always be taken to guard against being derails and thus progressing field issue audits into comprehensive audits. The objective of the field issue audit is to focus on a shorter period for a single tax item for a faster and effective outcome.

This audit type should therefore be the commonest and most effective audit type to be utilized for faster results (MOR 2019).

C. Desk audit: - Desk audit is used as preliminary examination of declarations analyzing accuracy, completeness, and ratios and crosschecking information to determine if further audit or investigation is warranted.

D. Special audit projects: - Special audits can be organized as a separate project for a targeted or specific group of tax payers in a given period to verify compliance in the sector. These audit projects may cover an industry, trade, 15 profession or a line of business. This will consist of specific checks and are used to address a particular risk or to establish the degree of non-compliance in a particular sector, industry or trade. For this audit type to be effective, all taxpayers in the targeted sector must be considered and handled with in the shortest time possible (MOR 2019).

E. Advisory visit audits: - Advisory visit audits it is visit for audit in order to gat aurati information for the right types of audit, all registered tax payers or business need to be visited with the aim of offering advice on tax obligation and the taxpayers rights, and any other development pertinent to the tax system and administration .it is highly recommended that auditors carry out these audits to keep abreast with compliance trends of their taxpayers and offer timely advise so as to improve compliance, these audits are expected to be spontaneous and hence should not take more than a day (MOR 2019).

F. Refund audits: - Refund audits this is a verification of a taxpayer’s claim for a tax refund prior to processing the refund. The predominant claim for refund is vat and/or withholding which is submitted monthly. Today’s tax agencies typically lose some percentage of total

raven use due to tax evasion and other types of noncompliance known as the “tax gap” Browne Tal, (2003:4).

Revenue authorities’ aims to manage and improve overall compliance with the tax laws and in the process sustain confidence in the tax system and its administration. Tax audit is a sole treatment for compliance risk available to administrations that allows exercising effectives actions (imprisonment and penalties and/or interest). It acts as a public sanction making the extent of the administration’s enforcement powers visible within the community and encouraging others to comply (OECD2004a).

However, tax administrations do not have sufficient resources to perform thorough on-site audits of the activities of all taxpayers or comprehensive cross checking of all invoices or transactions. Tax administration, with limited resources and relatively large numbers of taxpayers to administer (especially in the small and medium enterprises), must design the audit program to deploy audit resources in a risk-based way with a view to achieve the most possible compliance and revenue objective (Thomson2008).

G. De-registration audits: - De-registration audits in order to establish outstanding obligations or liabilities, de-registration audit will be conducted for all reported cases of cessation of business, winding up or uncertainty the audit will focus on determining taxes due and any other pertinent issues. The objective of de-registration audit is to ensure orderly exit from the tax register with attendant obligations and liabilities sorted out (MOR 2019).

2.1.7. Determinants of Tax Audit practice

There are many factors those affect tax audit practice some of those factor are explained in the following.

Tax audit practice, the extent to which a tax audit office meets arguably the end result of the interplay among five factors: Information system (IS); audit quality; organizational independence and attributes of the audit. Tax audit practice should be viewed as a dynamic process that is continuously shaped by the interactions among the four factors mentioned above.

This study attempts to introduce a new perspective for evaluation of audit practice by identifying factors within an organization that affect the tax audit practice. The audit effectiveness fosters the achievement of a common goal; there would be a natural incentive

in an organization to improve it. The model considers five potential factors –Information system, audit quality, organizational independence, auditee attributes, and top management support to explain tax audit practice.

A.Information system (IS)

Historically, the most prevalent use of IT systems in tax administrations has been to under pin the core tax administration tasks of processing returns and payments and collecting relevant information. The 'core tax' component of contemporary IT systems continues to provide support for these tasks, enabling the tax administration to move way from heavy manual processing and to direct its resources to facilitating, monitoring, and enforcing compliance(Jimenez, Sionnaigh, & Kamenev, 2013).

Today, IT also facilitates voluntary compliance by opening multiple interactive and electronic channels with taxpayers. This component of modern IT systems, dubbed there-tax system', may include support for electronic registration, filing, payment, information dissemination, and other functions. With respect to compliance monitoring and enforcement, the 'compliance performance system' of modern IT systems provides support to the tax administration's audit and collections function in collecting and managing target areas, where noncompliance poses greatest risks to revenues. In addition, as with any organization, the' management information system' (MIS) component of the modern IT solutions facilitates decision-making by getting the right information to managers and staff (Jimenez, Sionnaigh, & Kamenev, 2013).

- Core Tax System.

The core tax system is the central system of recorded in a tax administration and the basic enabler for automation and straight through processing. It provides technology support, at varying levels, to all functions of the tax administration: processing of registration filing and issuing taxpayer identification numbers (TIN); validating and processing returns and payments received through different channels; maintaining the taxpayer's accounts; providing tools to identify and pursue delinquent taxpayers; automating appeal tracking; and providing taxpayer service staff with access to taxpayer information to enable a better level of service to taxpayers, among others to (Drogalas,2015).

SIGTAS is an integrated information system that was TAK the administration of tax information. This system was designed in order to meet the countries' needs, in order to increase its control over tax revenues. The system is also designed to adapt to changes in tax policies. SIGTAS function is designed to enable the management of every tax process management aspect, from registration of businesses to the control and information management related to it. (Drogalas, 2015).

In addition, the system offers the possibility of interconnection (interface) with other systems for the use of data, including the Central Bank. Some of the main types of taxes that are supported by SIGTAS are: Income tax; Value Added Tax; and Withhold taxes, etc.

SIGTAS is a comprehensive system that supports all TAK processes and all types of taxes in an integrated system (Republic of Kosova Office of Auditor General, 2013). The revenue department periodically audits taxpayers to verify compliance to tax law. An audit is a thorough examination of a taxpayer's self-assessments and any other documents related to their tax accounts. In many cases, the amounts that are declared by the taxpayer, such as taxable income and allowable deductions and exemptions are reviewed and compared against similar returns for previous years. With SIGTAS, it can find self-assessments that contain questionable amounts and that should be audited. When such cases are found, it can open an audit case in SIGTAS and track the progress of the audit process.

The audit planning process can also be registered and tracked in SIGTAS. Many reports related to auditing activities can be created in SIGTAS. It can view information about one or more audit cases, or statistics concerning the impact that audits have on the revenue department's income. It can also create reports that show various statistics about the audit cases and audit plans registered in SIGTAS (ERCA, 2010).

B. Organizational Independence

Organizational independence to IA was considered as a determinant of IA effectiveness (Aaron & Gabriel, 2010). The role of OI in organizations is complex. Van Peursem (2009) identifies strong potential for confusion in the relationship between internal auditors and management: internal auditors are expected to asses' managers in doing their jobs, and at the same time to independently evaluate management's effectiveness.

Internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management, regardless of the consequences. tax Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference, and equally important to be seen to do so. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report.

There are argued that organizational independence will increase the internal auditor's effectiveness. This independence both lessens the conflict between loyalty to the employer and loyalty to specific managers, and gives auditors a supportive work environment in which they can conduct their tasks objectively and without pressure. Organizational independence is more crucial to the effectiveness of internal auditors, as it protects the auditor from pressure or intimidation, and increases the objectivity of the auditing work (Elias, 2014).

C. Audit Attributes

Audit attributes is key for as a determinant of effectiveness the auditee attributes relate to the knowledge of the audit to meet its intended objectives. Auditee attributes with implications on audit effectiveness include the auditees' proficiency to efficiently and effectively meet organizational sub-goals; their attitude towards tax audit; and the level of cooperation provided to the auditor. To achieve effective audit work, the auditors are required to have full and unrestricted access to all activities, records and properties, and be provided with cooperation from the audit (Mihret and Yismaw, 2007).

D. Top management support

Management needs to monitor the audits to ascertain if the legislation is deficient, not understood, or inconsistently applied, in any of these areas, and develop plans to address such deficiencies. Plans may include: proposing amendments to existing laws or developing a tax procedure code; testing the law and establishing

precedent before the courts; clarifying the law through interpretive rulings and education; and improving the training of auditors (Edmund, 2010).

-

2.1.8. Risk Based Audit Selection

Audit risk is defined as the risk that the auditor may unknowingly fail to appropriately modify an opinion on financial statements that are materially misstated. audit risk can be thought of in terms of the following three component risks (MOR 2019).

Inherent risk**:** - is the susceptibility of an assertion to a material misstatement, assuming that there are no related internal controls.

Control risk: - is the risk that a material misstatement that could occur in an assertion will not be prevented or detected and corrected on a timely basis by the entity's internal control. Internal control consists of five components:

1. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

2. Risk assessment is the entity 's identification and analysis of relevant risks to achievement of its objectives, forming basis for determining how the risks should be managed.

3. Information and communication are the identification, capture, and exchange of information in a form and time frame that enable employees to carry out their responsibilities.

4. Monitoring is a process that assesses the quality of internal control performance over time.

5. Control activities are the policies and procedures that help ensure that management directives are carried out.

Detection risk: - is the risk that the auditor will not detect a material misstatement that exists in an assertion.

Materiality: Materiality is one of several tools the auditor uses to determine that the planned nature, timing, and extent of procedures are appropriate as defined in financial accounting standard board. Materiality represents the magnitude of an omission or misstatement of an item in a financial report that, in-light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item. Materiality is based on the concept that items of little importance, which don't affect the judgment or conduct of reasonable user, don't require auditor investigation. Materiality has both quantitative and qualitative aspects. In practice, the materiality level will vary depending up on the level of audit risk assessed. When the level of risk assessed is high the materiality level will be set at lower level, and when the risk assessed is low, it will be set at a higher level (OECD 2006).

2.1.9. Tax Audit Performance Measurement

The international best practice, although not very widespread, is to evaluate the tax authority's audit and its auditors by developing performance measurement systems. The measurement of the tax audit function can involve a balanced scorecard approach. Tax audit functions are primarily evaluated based on the quality of tax audit by the tax audit team leader and information provided to the Tax Audit Committee and top management. However, this is primarily qualitative and therefore not as easy as to measure. "Customer satisfaction surveys" sent to key managers after each tax audit project or report can be used to measure performance, with an annual survey to the audit Committee. Scoring on dimensions such as professionalism, quality of guidance, timeliness of work product, and convenience of meetings are typical with such surveys. Understanding the expectations of audit policy statement and the virtual audit committee represent important steps in developing a performance measurement process, as well as how such measures help align the audit function with tax risk priorities (OECD 2006).

A. The Effective Tax Audit Program

Tax auditing program is a key for tax administration. The tax audit program provides visibility to the compliance and enforcement arm of the tax administration (Thomson,

2012). The auditing and spot- checking of records, coupled with a system of adequate penalties for detected cases of fraud, is the universal method for tax control and the prevention of tax evasion. According to Tait 2012), effective tax auditing minimizes tax evasion and also helps tax agencies to achieve revenue objectives that ensure the fiscal health of the country and individual states. It derives voluntary compliance and generates additional tax collections, both of which help tax agencies to reduce the tax gap between the taxes due and the amount collected (Barreca and Ramachandran 2013).

Furthermore, a well-structured tax audit program can provide valuable support in gathering information on the health of the tax system (including patterns of taxpayers' compliance behavior), educating taxpayers (improving future compliance), and identifying areas of the tax law that require clarification or addressing deficiencies in the law (OECD 2006).

Tax compliance can be facilitated through improving services to taxpayers by providing them with clear instructions, understandable forms, and assistance and information. Monitoring compliance requires information systems as well as appropriate procedures to detect non-compliance (ECED 2006).

Voluntary compliance is generally enhanced by increasing the number of taxpayers audited than by auditing fewer taxpayers with large tax potential. Perversely, revenue is increased by concentrating on those taxpayers where a large amount of revenue is at risk. But there should be a careful planning when there is a widespread belief that most tax returns are underreported, otherwise there may be an over selection of returns for audit, with the result that the inventory of work in process may increase to unmanageable proportions and make an orderly approach to an annual audit work plan impossible (Tait 1988).

As argued by Biber (2010), effective planning is required to ensure that the audit program is adequately developed to: focus on and address the most significant risks, target noncompliant taxpayers and not harass compliant taxpayers, make optimal use of limited resources and influence compliance across the broader taxpayer community. Based on OECD (2006), effective audit plan should be:

a) Flexibility to allow for unusual audit issues, adequacy of internal controls and the adequacy of books and records;

b) Alignment with any quality assurance framework; and

c) A clear focus, with potential areas of concern noted during the preliminary review and audit procedures selected that can address the concerns.

2.2. Empirical Studies

Regarding empirical evidences on Tax Audit practice the study comes across different researches Among them, those researches conducted are: -

According to Tait (1988), effective tax auditing minimizes tax evasion and also helps tax agencies to achieve revenue objectives that ensure the fiscal health of the country and individual states. It derives voluntary compliance and generates additional tax collections, both of which help tax agencies to reduce the tax gap between the taxes due and the amount co llected Tait (1988)

Accurate and timely self-assessment and compliance with tax by taxpayers is achieved only through highly visible and effective audit programs, including the consistent application of strong sanctions where noncompliance is encountered. Taxpayers must feel that there is a good chance that unreported liabilities and other forms of non-compliance have been detected during an audit (Biber 2010).

When an audit program is ineffective, it may result in the deterioration of tax compliance and a loss of credibility of the tax administration. Taxpayers may not be deterred from minimizing their tax liabilities if they believe that there is a little chance of being audited (LA mensch 2010).

Moreover, Getaneh (2011) focused on key problems in tax audit operation regarding the appropriateness of audit type used, audit rate, aptness of audit case selection methods, audit examination techniques used, and the experience and capability of audit staff

resources at Federal Government level. The result of the study indicates that, tax audit program remains undeveloped with slight range of tax audit activities performed targeting aptly specific risks. Further, low audit coverage, absence of compliance risk-based audit case selection strategy, scarcity of audit resources, and absence of proficient and experienced tax auditors are revealed as major problems in this study.

A good audit program employs strategies to optimize both the direct and the deterrent effects of audits. The first can be achieved by auditing a higher percentage of the large taxpayers (Biber 2010). Although the frequency of audit is a contentious issue, the judgment is always a delicate balance between the treat of audit to check the temptation to evade and the cost. Where the tax system is fairly well established, audits of 15 percent to 20 percent of registered traders a year are sufficient. However, it is not only the crude number of audits that is the most useful measure of need (Tait 1988).

According to Tait (1988) With proper audit planning, strong supervision, and effective use of the review staff as a training vehicle, it is not unreasonable to expect an office auditor to complete an average of 10 to 20 cases a month, and for a field auditor (exclusive of auditors dealing with controlled cases) to complete an average of 4 to 6 cases a month. Allocation of about 200 cases a year should be reasonable for experienced junior auditors, who should be eligible for advancement to senior auditor after four years of satisfactory service in that grade.

As argued by Biber (2010), effective planning is required to ensure that the audit program is adequately developed to: focus on and address the most significant risks, target noncompliant taxpayers and not harass compliant taxpayers, make optimal use of limited resources and influence compliance across the broader taxpayer community.

Based on OECD (2006), effective audit plan should be: a) Flexibility to allow for unusual audit issues, adequacy of internal controls and the adequacy of books and records; b) Alignment with any quality assurance framework; and c) A clear focus, with potential areas of concern noted during the preliminary review and audit procedures selected that can address the concerns.

Chalu and Mzee (2018) studied determinants of tax audit effectiveness in Tanzania, the study used an explanatory approach, whereby data from 225 auditors in 23 tax regions in Tanzania were collected using a mailed questionnaire.The collected data were analyzed using both descriptive and inferential statistics. In the case of descriptive statistics, the study used frequency, percentage, mean and standard deviation. For the inferential statistics, the study used exploratory factor analysis and multiple regression analysis. The study findings argued that tax audit effectiveness was affected by different factors. Specifically, it can be concluded that some factors had a strong positive relationship with tax audit effectiveness, namely, the availability and application of regulations and standards for tax audit and the adequacy of the tax audit unit. These 24 were followed, in order of importance, by implementation of tax auditors' recommendations by management and taxpayers' attitudes towards tax audit. Only one factor, leadership and tax policies on tax audit, was found to have a weak positive relationship Chalu and Mzee (2018).

The study conducted according to Belay (2017) examines challenges of tax audit administration in Addis Ababa evidence from small tax payer branches, and investigates key problems in tax audit operation regarding the appropriateness of audit type used, verification of tax payers' income, framework of regulation, audit rate, audit case selection methods, evaluation and performance measurement, audit examination techniques used, and the experience and capability of audit staff resources. The study adopts mixed method approach in order to achieve the research objectives and to answer research questions. Specifically, the techniques used in the study include survey with tax auditors, semi structure interviews with tax audit head and team leaders and documentary analysis. With these research methods, the results of the study reveal that tax audit program faced different challenges and problems which hinder the effectiveness of tax audit. The study also shows low audit coverage.

Among study conducted at global level, Bright et al. (1988) studied statistical sampling for tax audits in United States of America. The study tried to review whether the use of statistical sampling for audit is a sufficient basis for determining the taxpayer's unpaid liability rather than reviewing all transactions to determine the exact amount of tax owed. The study relied on the cases and data from consumption taxes, primarily sales and use taxes. The universe-documented transactions available for audit are used as a sample

frame. The finding of the study indicated that audit assessment based on appropriately drawn and analyzed statistical sample do not suffer from the defects that the courts have correctly concluded mar assessments based on non-statistical samples. The study further indicated that sampling techniques allow improved economies in the use of government resources in that tax administration can be more efficient, fairer, and less intrusive if the technologies used for identifying and measuring tax deficiencies are expanded to include controlled use of statistical sampling. other study was conducted by Smith and Stalans (1994) in USA, on negotiating strategies preferred by taxpayers and auditors for dealing with tax audit disputes. The study adopted a preaudit open-ended interview conducted with a randomly selected sample of taxpayers and state tax auditors that drawn from four field offices of the Oregon Department of Revenue. The results of this study revealed that the strategic preferences of both taxpayers and auditors is influenced by the nature of the dispute, general taxpayers' attitudes toward taxpaying and tax administration, the difference in formal power, and the perceived role obligations of auditors. As the study results 25 showed, tax auditors are more likely to include holding firm as one of their strategic choices. Whereas taxpayers who has an objective to minimize the time and effort they devote to the audit are more likely to prefer the cooperative strategies, but those taxpayers who believe that they can influence the decision making of the auditor are more likely to prefer the assertive strategies. The study further indicated that taxpayers who support taking advantage of loopholes and ambiguities in the tax law tend to prefer the assertive strategies, and those who want to minimize their involvement are more likely to prefer cooperative strategies.

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

2.3. Identified research gap

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

Tax audit administration is a current issue for both developing and developed countries. There is no sufficient theory regarding tax audit activities. In addition, there is no adequate literature regarding tax audit operation, developing countries in particular. The empirical studies that have been reviewed in the preceding section focused on the different problems that affect tax audit practice. In addition, most prior studies regarding tax audit issues tried to examine the possible audit strategies including the use of audit information for the purpose of compliance improvement and fraud detection, and the impact of component reporting requirement

firms to take up the task of tax audit. The hesitation of chartered accountant 26 firms is because the sensitivity of the tax audit task spreads not only in the relevant year, but also in the future years until the finalization of the audit. Moreover, they often reluctant to perform the audit of tax basis accounting due to inadequacy of information, lack of efficient personnel, absence of audit continuity over the years, and want of logistic supports to maintain track record of information for future reference in tax cases. All of these studies did not fully comprehensively examine issues regarding to determinants of tax audit practice focusing on those entire five researchers variable this is one of research gap.

Similarly, a study conducted in Gombe state of Nigeria by Gurama (2015), with the main objective to examine the problems and prospect of Tax Audit and internal revenue services; also identified tax audit problems related to poor staffing, lack of facilities, poor record keeping and poor conducive environment. The findings shows that insufficient public

awareness, lack of training, poor working condition, poor remuneration and lack of motivational incentives are among the issues lead to low tax generation.

Generally as discussed above, all of the studies were attempted to assess Tax Audit focusing on the significance of Tax audit practice in increasing revenue, and issues of Tax audit related to tax payers and tax collector office. They attempted to assess the issues of Tax audit with variable and aspects of increasing revenue, strengthening tax administration capacity, challenges in the application of tax audit in the large taxpayers, reduction of tax avoidance and evasion, ability of tax auditors, and Tax audit operation at reginal and City Administration levels. These showed that, there is a research gap, on the topic of determinants of tax audit practice particularly on North West Addis Ababa small tax payers Revenue Authority branch office at branch level. In addition, the scopes of the study for all of them were not the same with this study. And also the Target Population of this fending are different from the above research because the researcher use as respondent all Tax auditors were selected Therefore, this study is carried-out where such study has not been sufficiently conducted on the area and the study topic. As well as the result of this finding are different from the above fending.

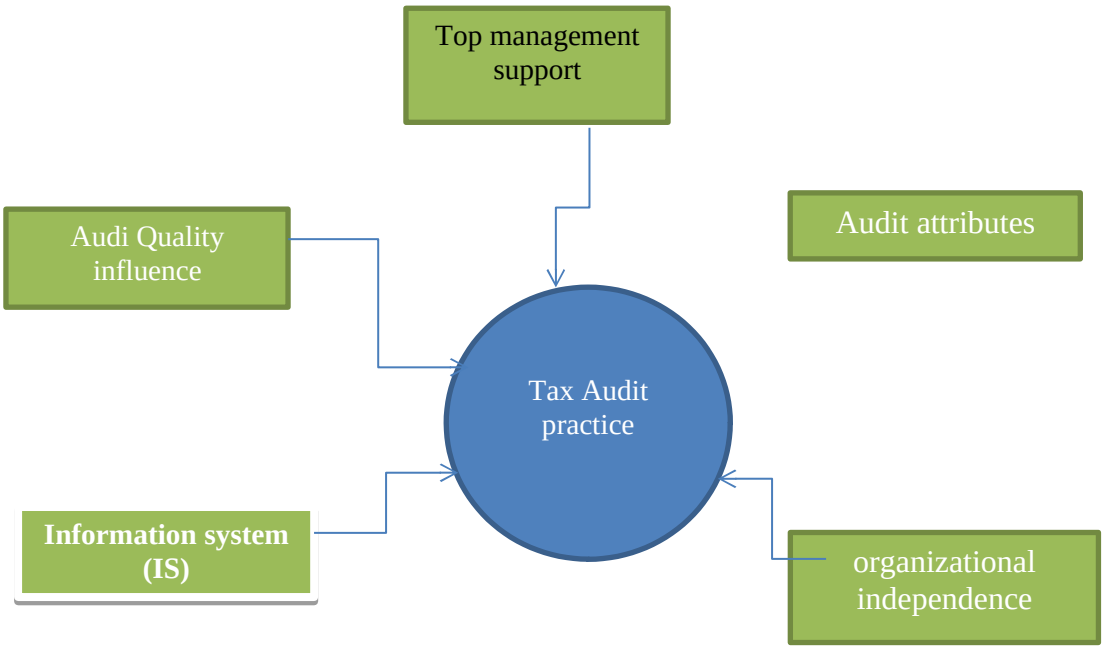
The result of the study reveals that audit quality, information system, top management, as well as organizational independence support as a linear combination significantly influence tax audit practice. However, organizational setting and audit attribute are not significantly influence tax audit effectiveness whereas, audit quality significant; organizational independency and top management support moderate significant influence on tax audit effectiveness.

2.3. Conceptual Framework

The conceptual framework is the basis of research problem. It stems from the theoretical framework and usually focuses on the section(s) which become the basis of study. Whereas the theoretical framework consists of the theories or issues in which your study is embedded, the conceptual framework describes the aspects it selected from the theoretical framework to become the basis of enquiry. Hence the conceptual framework grows out of the theoretical framework and relates to the specific research problem (Kumar.R, 2011).

Therefore, this study assumes that the factors under discussion have a direct influence on tax audit practice on North West Addis Ababa tax payers Revenue Authority branch office at branch level. The relationship between the dependent and the independent variables is illustrated in the conceptual framework presented in figure.

Figure 1: Conceptual framework for Independent Variable & Dependent Variable



Sources, Authors design. (2023)

In this diagram shows there are two variables those are dependent variable and independent variable. On the category of dependent variable tax audit practice is

the key one, on the category of independent variable there are five key determinants those are top management support, audit quality influence, organizational independence, audit attribute, information system.

CHAPTER THREE

3. RESEARCH DESIGN

3.1. Introduction

On previous chapter reviewed both theoretical and empirical studies, and it tried to give a brief explanation and excavate the gap in the existing knowledge. This chapter will present research design and its methodology will use in this study. It includes the research design, research approach, research methods, sampling technique, data collection method, data analysis method and other aspects of the research.

3.2 Research Design

Orodho, (2000) defines a research design as the scheme, outline or plan that is used to generate answers to the research problems. A research design can be regarded as an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance with the research purpose. It was the conceptual structure within which research was conducted. It constitutes the blueprint for collection, measurement and analysis of data Kothari, (2003). For the purpose of this study both descriptive and explanatory research design was applying. Because, explanatory research design was used to for quantitative data it attempts to explain the relationship between the dependent and independent variables (Cruse, 2003) while descriptive research design is use for describing people ‘s views and opinions were sought and describe accordingly and establish how determents' of tax audit practice.

3.3. Research approaches

Researchers who adopt a more deductive approach use theory to guide the design of the study and the interpretation of the results. In line with this, the overall objective of quantitative research is to test or verify a theory, rather than to develop one. Therefore, the theory offers a conceptual framework for the entire study, and it also serves as an organizing model for the entire data collection

procedure. Quantitative techniques as an attempt to test a hypothesis by incorporating it into the research design and responding to it by measuring its strength and weaknesses that give numerical measurements to the data collected (Elias, 2014). The researcher was used questionnaire as a data collection method. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis.

3.4 Target Population.

According to Dawson (2002) a population is the full universe of people or things, which a sample was drawn from all Tax auditors were selected as a target population because, all are working in tax audit department and they are expected to know the determinants of tax audit practice, the challenges and performance of tax audit operation of the branches. The target population of the study includes tax audit department or the entire set 71 tax auditors which organized on the tax audit processes on this branch office.

3.5. Source of Data

3.5.1. Primary Data Sources

The main base for the study is primary data only which was collected through field work survey in order to get information on the issue of determinants of tax audit practice through questionnaire. The structured questionnaire consists of closed ended questions to collect quantitative data from the respondents.

3.5.2. Secondary data

Secondary data will also collect from the ERCA north west Addis Ababa tax payers Revenue Authority branch office annual report from HR department, which are a number of taxpayers registered, and also the respecter read different brasher, and also the researcher read audit instructions and motto of ERCA

3.6. Methods of Data Analysis and Interpretations

In study both descriptive statistic and multiple regression analysis were used to analyze the data. The descriptive statistics utilized in this research was used to analyze the demographic data included frequency, percentages. Inferential analysis is concerned with the various test of significance for testing hypothesis, normality, autocorrelation, multicolinearity in order to determine with what validity data can be said to indicate some conclusion(s).

3.8 Model Specification

Multiple regression analysis is performed to estimate the magnitude of the effect of the "Top management support (TMS)"; "Audit Quality (AQ)", "Organizational Independence (OI)", Information system (IS) and "Audit Attribute (AA)" on "Tax Audit practice (TAP)".

Therefore, the model that the researcher adopts from (Drogalas et al. 2015; Melat, 2016) and used in this study is:

$$\mathbf{Y = b_o + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b5X5}$$

$$\mathbf{TAP = b_o + b_1\,(TMS) + b_2\,(AQ) + b_3\,(OI) + b_4\,(AA) + b_5\,(IS) + E}$$

Where:

TAP=Tax Audit practice

TMS =top management support,

AQ=Audit Quality,

OI=Organizational Independency,

AA=Auditee Attribute.

(IS) Information system

Where, **Y** Stands for mean values of tax audit practice whereas $\mathbf{b_0}$, $\mathbf{X_1}$, $\mathbf{X_2}$, $\mathbf{X_3}$, $\mathbf{X_4}$, $\mathbf{X_5}$, and **E** denotes the intercept of the equation, mean values of top management support system, mean values of audit quality, mean values of organizational independency, mean values of auditee attributes and error term of the equation respectively. In addition, $\mathbf{b_1}$, $\mathbf{b_2}$, b_3 b_4 and b_5 are the parameter of the equation.

CHAPTER FOUR 4

RESULT AND DISCUSSION

4.1. Introduction

This section deals with the finding and discussion of data analysis results from the study about the determinant of tax audit practice s in ministry of revenue North
waste Addis Ababa small tax payers branch office.

The main aim of this research was five selected determinant of tax audit practice on ministry of revenue north waste Addis Ababa tax payers branch office, such as top management support, audit quality, organizational independence, Information system and audit attribute as a research variable. In this research, the researcher used both closed ended and open questionnaires on the objectives of the study to measure the determinant of tax audit practice on the ministry of revenue north waste Addis Ababa tax payers branch office 71 questionnaires'' distributed to the ministry of revenue north waste Addis Ababa tax payers branch office.

The target population for this study is tax auditors and taxpayers from north waste Addis Ababa tax payers branch that conduct tax audits. A total of 71 copies of questionnaires were distributed to tax auditors tax office. The questionnaire for the tax auditors were dealt with the effectiveness of the revenue office tax auditing processes, and covered the independent variables. The data collection process took about one and half months. At the end of the collection process, the researcher had received 62 respondents who's from tax auditors responded to the questionnaires.

However, 9 questionnaires have not returned from 71 taxpayers. Those auditors' who are took the questionnaires in various locations because of the office work, annual license and so on. They promised fill out and back promptly the questionnaires but they can't do that

the researcher tried use different mechanism to get the taxpayers until data analysis. Since, they haven't brought back the questionnaires. If we look the collected data response rate of 87.3% is typical for a sent survey in general and quite good for more complex data collection.

In this study both descriptive statistic and regression analysis were used to analyze the data. The descriptive statistics utilized in this research used to analyze the demographic data included frequency, percentages. Inferential analysis is concerned with the various test of significance for testing hypothesis, normality, autocorrelation, multicollinearity in order to determine with what validity data can be said to indicate some conclusion(s). The data collected from the returned questionnaire were entered into SPSS (Statistical package for social science software) version 25 for analysis. The data was sorted to group questions according to applicable constructs under test. Finally, correlation and regression analysis were performed. In this study, a multiple regression analysis was performed by using all the discrete variables (dependent and independent) variables available in the dataset.

4.2 Descriptive statistics result for Respondents

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

4.2.1 Personal Information

This section provides a profile of respondents who involved in the study and data collected on basic characteristics. Accordingly, the following variables about the

respondents were summarized and described in tables below. These variables include: educational level, field of study, current position and years of experience.

Table 4.1: Gender Distribution of Respondents'

	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	45	72.6	72.6	72.6
	Female	17	27.4	27.4	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023).

With regards to Gender; as illustrated in Table 4.1, In order to determine the gender distribution in Ethiopian ministry of revenue North waste Addis Ababa small tax payers branch office, the respondents were asked to indicate there by checking either male or female in the 62 questionnaires. the number of male respondents was higher than female. This indicates that among (62) respondents, 17 (27.4 %) were females whereas 45 (72.6%) were males, so This showed that the participation of female was very low when compared to male as Tax Auditor in the study area.

Table 4.2: Age Distribution of the Respondents

	Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 30 years	32	51.6	51.6	51.6
	31-40 years	27	43.5	43.5	95.2
	above 51 years	3	4.8	4.8	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023).

In terms of age, the data illustrated in Table 4.2 showed that, the age of most respondents was found between an age group of less than 30 years those are

32(51.6%) of the respondent. Next to this Tax auditors' age was found between 31-40 years those 27(43.5) of total respondent are cover on the other hands, the number of respondents above 50 years old accounts only 4.8 % In general, the data of the figure showed that, majority of the respondents' age was found between less than 30 years. This implies that, in terms of age, most of respondents were yang.

Table 4.3: Educational Background of the Respondents

	Education	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BSc/BA	41	66.1	66.1	66.1
	MSC/MA and above	21	33.9	33.9	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023).

As shown in table 4.3. it is clearly visible that with regard to the level of education,41 (66.1%) of the respondents are bachelor degree holders, whereas one of them 21 (33.9%) are master's degree or above holders, this figure revealed that the tax auditors' educational qualification is seem to be adequate to perform audit tasks. As international standards almost 100 of auditors are university and college graduated (IFA,2016), therefore it can be concluded that educational qualification is important on individual's attitude for knowing the tax laws and regulation and other international business transactions, the consequence of this is that an organization was achieved it audit objective.

Table 4.4: field of the study for the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting and Finance	50	80.6	80.6	80.6
	Economics	2	3.2	3.2	83.9
	Management	9	14.5	14.5	98.4
	Others	1	1.6	1.6	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023)

As shown in table 4.4, 50(80.6%) of the respondents are having accounting and finance field of study, 2(3.2%) are having Economics field of study, 9(14.5%) has Management field of study and the remaining 1(1.6%) are others field of study. Most of them are accounting and finance graduate and to be an auditor a person needs to have deep knowledge of accounting and principles therefore, the findings indicated that an organization audit staff almost have sufficient knowledge of their field of study. Then, the researcher concluded that educational level attainment of respondents is very good and which may be related to their profession.

Table 4.5: current Job Position of the Respondents

current position		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	process owner	3	4.8	4.8	4.8
	Team leader	6	9.7	9.7	14.5
	Auditor	45	72.6	72.6	87.1
	Assistant auditor	8	12.9	12.9	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023).

The data in Table 4.5 illustrated current job position of the respondents. According to the data of this Table, among of Tax auditor participated in this study, 72.6% of them were currently working as an auditor position of the organization. Moreover,12.9% of them were currently. Assistant auditor position, In Addition 9.7% of them were officers assigned as Audit Team Leader. The remaining few respondents (4.8%) were prosses owner and Tax Assessors (3.13%). Overall, according to the data of this Table, more than 86% of those respondents (Tax Auditors group) were those individuals assigned as Tax Auditor and Tax Audit of Team Leader at Head Office of Oromia Revenue Authority. This indicated, the majority of respondents are tax have tax auditor position.

Table 4.6: work Experiences of the Respondents

Working experience	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	less than two years	11	17.7	17.7	17.7
	2-4 years	9	14.5	14.5	32.3
	4-6 years	26	41.9	41.9	74.2
	above 6 years	16	25.8	25.8	100.0
	Total	62	100.0	100.0	

Source: tax auditors' field Surveys and own computation December (2023).

With regard to work experiences of the respondents; the data illustrated in Table 4.6 showed that, majority of the respondents (41.9%), had 4-6 awork experiences, Next to this, (25.8%) of the respondent had a work experience in this Revenue Authority are the respondent (17.7%) had 2-4 awork experiences, few

respondents (17.7%) of the respondent had less than two years. In general, the data illustrated in the Table showed that, the experiences of most respondents were lie above four years (41.9%); implying respondents' capability to respond the questionnaire in terms of their experiences was sufficient.

Table 4.7 regard with top management sport for tax audit practice

Statement	Percent						mean	Standard division
	Strongly disagreed	Disagreed	Neutral	agree	strongly agree	total		
The number of employees in tax audit is sufficient given the amount of auditing work planned and needed to be done in the near future in this branch.		36.8	19.9	35	7.9	100	3.15	1.022
Management is sufficiently aware of the needs of tax audit, as demonstrated by the small budget assigned to this process.		11.1	31.7	30.2	25.4	100	3.27	1.439
The management encourages by providing adequate Support for professional education and training for staff in the tax audit.	14.3	30.2	4.8	39.1	11.1	100	3.02	1.324
Audit reports are valued by top management.		27.2	31.7	35.9	4.8	100	3.18	0.897
Overall results(mean standard division)							3.15	0.988

Source: Tax auditors' Surveys and own computation (may,2023)
Scales: 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1= Strongly Disagree

Descriptive Statistics the table 4.7

According to Murry.J. (2013) and" kind of rule of thumb to create equal intervals for a range of five points Likert scale (that ranges from strongly disagree to strongly agree in the survey questionnaire). According to Scott 1999 explained for Likert scale data from1 (Strongly disagree) to 5 (Strongly agree) if the sample is

approximately normally distributed the interpretation should be intended for 62 mean up to 2.8 is “disagree”, mean between 2.9 and 3.2 is “Neutral”, and mean above 3.21 is “agree. Therefore, the decision of each variable statistics is done based on these criteria

Regard with top management sport for tax audit practice, the data illustrated in Table 4.7 showed tax auditors rating results. According to the responses of tax auditors The number of employees in tax audit is sufficient given the amount of auditing work planned and needed to be done in the near future in this branch, (μ=3.15, =1.022). Moreover, tax auditors also rated highest mean score (μ=3.27, =1.439) regarding Audit reports are valued by top management. In a similar manner, issues regarding the management encourages by providing adequate Support for professional education and training for staff in the tax audit. (μ=3.02, =1.324). On the other hands, as can be seen from the table 4.7, the issue of Management is sufficiently aware of the needs of tax audit, as demonstrated by the small budget assigned to this process (μ=3.18, =0.897) was not fully available to perform . In general, the date of the table clearly indicated that, the top management nearly sport for tax audit practice by facilitating so many infrastructures.

Table 4.8 Regards with Information System for tax audit practice

Statement	Percent						mean	Standard division
	Strongly disagreed	Disagreed	neutral	agree	strongly agree	total		
Standard Integrated Government Tax Administration System (SIGTAS) is simple and easy to use in this branch office.	-----	11.3	32.3	30.6	25.8	100	3.15	1.022
SIGTAS helps auditors in audit process /procedures.	37.1	19.4	------	35.5	8.1	100	3.27	1.439
SIGTAS provides appropriateness and accurate information.	14.5	30.6	4.8	38.7	11.3	100	3.02	1.324
Computer information system used to provide accurate and sufficient information to reach the most control requirement	-------	27.4	32.3	35.5	4.8	100	3.18	0.897
Computer information system used and applied in the tax audit department to reduce of tax evasion.	1.6	24.4	14.5	50	9.7	100	3.42	1.017
							3.2065	0.9031

Source: Tax auditors' Surveys and own computation (may,2023)

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

Regard with Information System for tax audit practice, the data illustrated in Table 4.8. Showed tax auditors rating results, According to the responses of tax auditors SIGTAS helps auditors in audit process /procedures,(μ=3.15, □=1.022). Moreover, tax auditors also rated highest mean score (μ=3.27, □=1.439) regarding Standard Integrated Government Tax Administration System (SIGTAS) is simple and easy to use in this branch office, issues regarding SIGTAS provides appropriateness and accurate information (μ=3.18, □=0.897). On the other hands, as can be seen from the table 4.8, the issue of Computer information system used to provide accurate and sufficient information to reach the most control requirement (μ=3.42, □=1.017) was fully available to perform. And also Regard Computer information system used and applied in the tax audit department to reduce of tax evasion, (μ=3.73, □=0.908) In general, the date of the table clearly indicated that, the Information System are nearly sport for tax audit practice and nearly sport for tax audit practice. Information system are helpful for the branch.wich are the mean and standard division of the variable are (μ=3.7806, □=0.65157).

Table 4.9 Regards with Tax Audit practice

Statement	Strongly disagreed	Disagreed	neutral	agree	strongly agree	total	Mean	Standard division
Tax audit improves organizational performance	**8.1**	**22.6**	**------**	**48.4**	**21**	**100**	**3.52**	**1.277**
Tax audit determines the adequacy and effectiveness of the audited organization's systems of internal accounting and operating controls		9.7	33.9	53.2	3.2	100	3.50	0.719
Tax audit reviews the accuracy and reliability financial reports	-------	22.2	21	38.7	17.7	100	3.52	1.036
Tax audit reviews the means of safeguarding assets		9.7	12.9	66.1	11.3	100	3.79	0.771
Tax audit evaluates and improves the effectiveness of risk management		21	12.9	46.8	19.4	100	3.65	1.026
Tax audit evaluates the internal control system of the audited company	**12.9**	**16.1**	**-------**	**53.2**	**17.7**	**100**	3.47	1.315
Tax audit improves the organization's productivity of the company	12.9	21	1.6	54.8	9.7	100	3.27	1.276
Tax audit improves the organization's productivity of the company		8.1	30.6	38.7	22.6	100	3.76	0.900
Tax audit develops appropriate annual audit plans	12.9	40.3	11.3	29	6.5	100	2.76	1.197
Tax audit provides adequate follow up to ensure that appropriate corrective action is taken and that it is effective	11.3	21	12.9	40.3	14.5	100	3.26	1.267
Overall result(mean &standard division)							3.448	0.73166

ce:

Source auditors' Surveys and own computation (may,2023)

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

Regard with tax audit improves organizational performance for tax audit practice, the data illustrated in Table 4.9. Showed tax rating results, the respondents give the response tax audit improves organizational performance illustrated in Table 4.9. Showed that, majority of the respondents (48.4%) Tax Auditors agree on the issues, Next to this, (22.6%) of the respondent had disagree and also, and also out of the respondent and also out of the respondent had (8.1%) disagree on the issues, (21%) respondents give the strongly agree response, overall mean (μ=3.52, σ=1.277).Of these shows that tax audit improves organizational performance are very essential and used for in order to analyses tax data for revenue office.

Table 4.9. showed that, Regard with Tax audit determines the adequacy and effectiveness of the audited organization's systems of internal accounting and operating controls majority of the respondents (53.3%) Tax Auditors agree on the issues, Next to this, (9.7%) of the respondent had disagree and also out of the respondent (3.2%) had strongly agree on the issues, (33.9%) respondents give the neutral response, the mean and standard division for this (μ=3.50, σ=0.719) these shows that tax audit determines the adequacy and effectiveness of audited organization system of accounting and operating control of in this branch.

Table 4.9. showed that, Regard with Tax audit reviews the accuracy and reliability financial reports, majority of the respondents (38.7%) Tax Auditors agree on the issues, Next to this, (22.6%) of the respondent had disagree and also out of the respondent (17.7%) had strongly

agree on the issues, (33.9%) respondents give the neutral response, and mean and standard division are (μ=3.52, σ=1.036). these shows that tax audit determines the adequacy and effectiveness of audited organization system of accounting and operating control are very essential and used for in order to analyses tax data for revenue office.

Regard with Tax audit reviews the means of safeguarding assets, majority of the respondents (66.1%) Tax Auditors agree on the issues, Next to this, (9.7%) of the respondent had disagree and also out of the respondent (11.3%) had strongly agree on the issues, (12.9%) respondents give the neutral response, and mean and standard division are (μ=3.79, σ=0.771). these shows that tax audit reviews the means of safeguarding asset are very essential and used for in order to analyses tax data for revenue office.

Regard with, tax audit evaluates and improve effectiveness of risk management. Majority of the respondents (46.8%) Tax Auditors agree on the issues, Next to this, (21%) of the respondent had disagree and also out of the respondent (19.4%) had strongly agree on the issues, (12.9%) respondents give the neutral response, and mean and standard division are (μ=3.65, σ=1.026) these shows that tax audit evaluates and improve effectiveness of risk management and also tax audit is very essential and used for in order to analyses tax data for revenue office.

Regard with tax audit reviews the economical effective and efficient use of resources in this branch, most of the respondents which are (53.2%) Tax Auditors agree on the issues, Next to this, (16.1%) of the respondent had disagree and also out of the respondent (12.9%) had strongly disagree on the issues, (17.7%) respondents give the strongly agree response, and mean and standard division are (μ=3.47, σ=1.35),

according to the table result shows that tax audit reviews the economical effective and efficient use of resources in this branch and also tax audit is very essential and used for in order to analyses tax data for revenue office.

Regard with tax audit evaluates the internal control system of the audited company in branch office, Table 4.9 showed that, most of the respondents which are (54.8%) Tax Auditors agree on the issues, Next to this, (21%) of the respondent had disagree and also out of the respondent (12.9%) had strongly disagree on the issues, (9.7%) respondents give the strongly agree response, and also few respondents give response which are (1.6%) neutral on the issue, and mean and standard division are (μ=3.27, □=1.27).

According to the table result shows that tax audit evaluates the internal control system of the audited company in branch office and also tax audit is very essential and used for in order to analyses tax data for revenue office. 4.9, the issue of tax audit improves the organizations productivities of the company, as demonstrated by the respondent mean and standard division value, (μ=3.76., □=0.90). Regard with Tax audit develops appropriate annual audit plans the respondent mean and standard division value, (μ=2.76., □=1.19). And also regard with Tax audit provides adequate follow up to ensure that appropriate corrective action is taken and that it is effective in the branch, then the respondent mean and standard division value(μ=3.26., □=1.267). In general, the data of the table clearly indicated that, In the questionnaires distributed to tax auditors relate to the tax audit practice parameter. The mean distribution of the dependent variable (TAP) of the study is 3.4484 which is greater than 3 and standard deviation statistics for TAE is 0.73166, which is less than 1, it indicated for tax auditors suggest that there existed variability in ratings of the respondents. The questionnaire mean responses revealed that the tax audit practice is medium as might be desired to attain a tax audit department so which indicates that still there is a gap between tax audit.

Table 4.10 Regards with **Audit Attribute** for tax audit practice

Statement	Percent						mean	Standard division
	Strongly disagreed	Disagreed	neutral	Agree	strongly agree	total		
There is transparent audit procedure and audit decisions are made based on facts in North west Addis Ababa small tax payers branch office..	-	37.1	19.4	35.5	8.1	100	3.15	1.022
Taxpayers have a good attitude and cooperation with the tax system and auditors.	11.3	32.3	------	30.6	25.8	100	3.27	1.439
The current working capacity of audit staff is well aware of the tax laws and regulations	14.5	30.6	4.8	38.7	11.3	100	3.02	1.324
Audit procedure is transparent and clear to the tax payers during the course of the audit.	---	27.4	32.3	35.5	4.8	100	3.18	0.897
The existing audit program is promoting voluntary compliance through public confidence	1.6	24.1	14.5	50	9.7	100	3.42	1.057
This Office has an effective motivation scheme to the compliance taxpayers	1.6	22.6	16.1	54.8	4.8	100	3.39	0.947
During auditing, auditors give justification and clarity on tax laws and regulations to taxpayers.	3.2	6.5	---	66.1	24.2	100	4.02	0.896
On this branch there is good work relationship between the taxpayers and tax auditors.	4.8	6.5	---	80.6	8.1	100	3.32	0.937
Auditors accept taxpayers' suggestion to improve the tax function.	--------	27.4	17.7	50	4.8	100	3.81	0.865
Overall results mean standard division							3.3961	0.76257

Source: Tax auditors' Surveys and own computation (may,2023)

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

Table 4.9. Regard with ON North west small tax payers there is no transparent audit procedure and audit decisions are made based on facts showed the respondents which are (37.1%) Tax Auditors disagree on the issues, Next to this, (35.5%) of the respondent had agree and also out of the respondent (8.1%) had strongly agree on the issues, and also respondents give response which are (19.4%) neutral on the issue, respondent mean and standard division value (μ=3.15, □=1.022). according to on the above table result shows that ON North west small tax payers there is no transparent audit procedure and audit decisions are made based on facts.

Regard with Taxpayers has a good attitude and cooperation with the tax system and auditors the respondents which are (32.3%) Tax Auditors disagree on the issues, Next to this, (30.6%) of the respondent had agree and also out of the respondent (25.8%) had strongly agree on the issues, and also respondents give response which are (11.3%) strongly disagree on the issue, mean and standard division value (μ=3.27, □=1.439). according to on the above table result shows that Taxpayers have a good attitude and cooperation with the tax system and auditors, As presented in table 4.10, regard with current working capacity of audit staff is well aware of the tax laws and regulations,(30.6%) of respondents disagreed that current working capacity of audit staff is well aware of the tax laws and regulations. The other respondents (38.7%) agree that current working capacity of audit staff is well aware of the tax laws and regulations. (4.8%) of the respondents were neutral in giving their response, and also the other respondents which are (11.3%) are strongly agree, (14.5%) of respondents give the response strongly disagree Therefore from the above we can conclude that the current working capacity of audit staff is well aware of the tax laws and regulations. Regard with The current working capacity of audit staff is well aware of the tax laws and regulations mean and standard division value are (μ=3.02, □=1.324). Regard with Audit procedure is transparent and clear to the tax payers during the course of the audit mean and standard division value are (μ=3.18, □=.0.897). regard with This Office has an effective motivation scheme to the compliance taxpayers mean and standard division value are

(μ=3.42, =1.017), regard with the existing audit program is promoting voluntary compliance through public confidence, Mean and standard division value are (μ=3.39 =.0.947).regard during auditing, auditors give justification and clarity on tax laws and regulations to taxpayers with mean and standard division value are (μ=4.02, =.0.896) and also according to table 4.10 shows, On this branch there is good work relationship between the taxpayers and tax auditors Mean and standard division value are(μ=3.32, =.0.937). According to table 4.10 about auditors accept taxpayers' suggestion to improve the tax function has Mean and standard division value (μ=3.42, =1.017). In general, the data of the table clearly indicated that, Audit Attribute for tax audit practice. The grand mean of audit attribute holds a value of (μ=3.3961, =0.76257) as shown in table 4.10. The respondents agreed that there is a transparent audit procedure and that audit decisions are made based on facts, tax payers have a good attitude and cooperation with the tax system and auditors and that they have an appropriate legal power of access to get any document from tax payer and third party information sources without restriction. Effective and transparent tax audit procedure which minimizes number of complaints from the tax payers and that tax audit reviews the accuracy and reliability of financial reports and also it evaluates and improves the effectiveness of risk management and that tax audit evaluates the internal control system of the company.

Table 4.10 Regards with **Audit Quality** for tax audit practice.

Statement	Percent						mean	Standard division
	Strongly disagreed	Disagreed	Neutral	agree	strongly agree	total		
Tax auditors have appropriate audit plan in all their audits		9.7	17.7	58.1	14.5	100	3.77	0.818
Audited areas are focused on specific risk of the organization operations.	29	16.1		48.4	6.5	100	3.32	0.971
Auditors are cover all organizational units and issues in their audit activities		12.9	17.7	69.4	------	100	3.56	0.716
The response of tax payers to the audit is submitted in written and has a power to appeal on the findings		12.9	12.9	51.6	22.6	100	3.84	0.927
There is regular follow upon those taxpayers to examine actions taken to correct the audit findings found		27.4	19.4	45.2	8.1	100	3.34	0.974
Tax auditors have appropriately prepared working papers after their audit work in this office.	1.6	19.4	-----	66.1	12.9	100	3.69	0.985
Quality assurance is an appropriate tool to ensure quality of audit work on North west small tax payer office.		22.6	12.9	41.9	22.6	100	3.65	1.073
Overall result for mean &standard division							3.5968	0.58102

Regard with auditors accept taxpayers' suggestion to improve the tax function, As presented in table 4.11, (4.8%) of respondents disagreed that on this branch auditors accept taxpayers' suggestion to improve the tax function. The other respondents (80.6%) auditors accept taxpayers' suggestion to improve the tax function (8.1%) of the respondents were strongly agree in giving their response, and also the other respondents which are (4.8%) are strongly disagree, as revealed the table the majority of the respondent are agree by the essu, Mean and standard division value (μ=3.77, σ=0.818).therefore from the above we can conclude that on

this branch there is auditors accept taxpayers' suggestion to improve the tax function. regard to Audited areas are focused on specific risk of the organization operations, showed that, the respondents which are (32.3%) Tax Auditors disagree on the issues, Next to this, (30.6%) of the respondent had agree and also out of the respondent (25.8%) had strongly agree on the issues, and also respondents give response which are (11.3%) strongly disagree on the issue, Mean and standard division value (μ=3.32, □=0.971), according to on the above table result shows that Taxpayers have a good attitude and cooperation with the tax system and auditors.

Regard with Auditors is cover all organizational units and issues in their audit activities, the respondents which are (12.9%) Tax Auditors disagree on the issues, Next to this, (17.7%) of the respondent had neutral and also out of the respondent (69.4%) had agree on the issues, according to on the above table result shows, Mean and standard division value (μ=3.56, □=0.0.716), that Auditors are cover all organizational units and issues in their audit activities. That means there are sufficient auditors those successfully cover the whole audit of the branch. Regarding the response of tax payers to the audit is submitted in written and has a power to appeal on the findings, Mean and standard division value are

(μ=3.84, □=0.927), regard with There is regular follow upon those taxpayers to examine actions taken to correct the audit findings found, Mean and standard division value are

(μ=3.34, □=0.974), regard with Tax auditors have appropriately prepared working papers after their audit work in this office. As presented in table 4.11. (19.4%) of respondents disagreed that Tax auditors have appropriately prepared working papers after their audit work in this office The other respondents (66.1%) agree that Tax auditors have appropriately prepared working papers after their audit work in this office,(1.6%) of the respondents were strongly disagree in giving their response, and also the other respondents which are (12.9%) are strongly agree, Mean and standard division value for this are Mean and standard division value are (μ=3.69, □=0.985),Therefore from the above we can conclude that Tax auditors have appropriately prepared working papers after their audit work in this office.

Regard to Quality assurance is an appropriate tool to ensure quality of audit work on North West small tax payer office. (22.6%) of respondents disagreed that Quality assurance is an

appropriate tool to ensure quality of audit work on North west, The other respondents (41.9%) agree that Quality assurance is an appropriate tool to ensure quality of audit work on North west,(22.6%) of the respondents were strongly agree in giving their response, and also the other respondents which are (12.9%) are neutral Mean and standard division distribution (μ=3.65, □=1.073), Therefore from the above we can conclude that Quality assurance is an appropriate tool to ensure quality of audit work on North west Addis Ababa small tax payer branch. In general, the data of the table clearly indicated that, Audit Attribute for tax audit practice. The grand mean of audit attribute holds a value of (μ=3.3961, □=0.76257) as shown in table 4.10. The respondents agreed that there is a transparent audit

Table 4.12 Regards with **Organizational Independence** for tax audit practice.

Statement	Percent						mean	Standard division
	Strongly disagreed	Disagreed	Neutral	agree	strongly agree	total	Mean	Standard division
Tax auditors have appropriate ethics of international profession in this branch.	-------	29	4.8	41.9	24	100	3.61	1.150
Tax auditors are free from any Corruption.	6.5	32.3	43.5	12.9	408	100	2.77	0.931
Reputation of auditors related with corruption has impact on audit practice.	------	14.5	12.9	29	43.5	100	4.02	1.079
All organizational data pools (data bases, contracts, etc.) are accessible to the tax auditor and examined by the auditor.	------	25.8	3.2	59.7	11.3	100	3.56	1.002
Rotation of tax auditors into a variety of organizations and into different sectors has an impact on audit effectiveness	3.2	9.7	1.6	66.1	19.4	100	3.89	0.943
Tax audit perform the auditing activities without any interference from anybody and without any influence from other offices or sectors..	9.7	22.6	25.8	25.8	16.1	100	3.16	1.23
Tax audit can include any audit finding in audit work and report directly to responsible body.	-----	8.1	4.8	38.7	48.4	100	4.27	0.890
Overall results mean& standard division							3.6129	0.69476

Regard with Tax auditors has appropriate ethics of international profession in this branch(29%) of respondents disagreed that Tax auditors have appropriate ethics of international profession in this branch, The other respondents (41.9%) agree that Tax auditors have appropriate ethics of international profession in this branch,(24.2%) of the respondents were strongly agree in giving their response, and also the other respondents which are (4.8%) are neutral, Mean and standard division distribution (μ=3.61, □=1.150),Therefore from the above we can conclude that Quality assurance is an appropriate tool to ensure quality of audit work on North west.

Regard with Tax auditors are free from any Corruption, (32.3%) of respondents disagreed that Tax auditors are free from any Corruption, the other respondents (12.9%) agree that Tax auditors are free from any Corruption (4.8%) of the respondents were strongly agree in giving their response, and also the other respondents which are (43.5%) are neutral, (6.5%) of the respondent give response strongly dis agree, As over 35% percent of survey respondents are disagrees showed that the majority of the respondent are disagree on the issue Tax auditors are free from any Corruption, Mean and standard division distribution (μ=3.77, □=0.931), therefore from the above we can conclude that in this office there is Tax auditors are not free from any Corruption, because of this the top management of the organization are should strongly control Corruption.

Regard with Reputation of auditors related with corruption has impact on audit practice. (14.5%) of respondents disagreed that Reputation of auditors related with corruption has impact on audit practice, the other respondents (29%) agree that Tax auditors are free from any Corruption Reputation of auditors related with corruption has impact on audit practice on, (43.5%) of the respondents were strongly agree in giving their response, and also the other respondents which are (12.9%) are neutral, Mean and standard division distribution (μ=3.65, □=1.073), therefore from the above we can conclude that in this office there is the Reputation of auditors related with corruption has impact on audit practice.

About All organizational data pools (data bases, contracts, etc.) are accessible to the tax auditor and examined by the auditor. Mean and standard division distribution are (μ=4.02, □=1.079), regard with Rotation of tax auditors into a variety of organizations and into different sectors has an impact on audit effectiveness respondents give 53.3% are agree that

there is its Owen impact for tax audit practice, Mean and standard division distribution are (μ=4.02, =1.079), regard with Tax audit perform the auditing activities without any interference from anybody and without any influence from other offices or sectors. The respondents give their response over 75% are agree on the issue, Mean and standard division distribution are (μ=3. 16, =1.231), regard to Tax audit can include any audit finding in audit work and report directly to responsible body. On the issue the respondents give their response, then Mean and standard division distribution are (μ=3. 4.27, =0.89) In general, the data of the table clearly indicated that, **tax** Audit for tax audit practice. The grand mean of audit quality hold that holds a value of (μ=3.6120, =0.6947) as shown in table 4.10. The respondents agreed that there is a transparent audit, According to the questionnaires distributed to tax auditors related to the audit quality parameter, quality of audit is determined by audit planning, audit experience, execution and communication, working papers and quality assurance approval.

Table 4.13 Descriptive Statistics Results results for

Variable	Grand Mean	Std. Deviation
Top Management Support	3..15	0.988
Information System	3.2065	0.9031
Tax Audit practice	3.448	0.73166
Audit Attribute	3.3961	0.76257
Audit Quality	3.5968	0.5810
Organizational Independence	3.6129	0.69476

Source: own computation, 2023

According to Murry.J. (2013) and" kind of rule of thumb to create equal intervals for a range of five points Likert scale (that ranges from strongly disagree to strongly agree in the survey questionnaire). According to Scott 1999 explained for Likert scale data from1(Strongly disagree) to 5 (Strongly agree) if the sample is approximately normally distributed the interpretation should be intended for mean up to 2.8 is "disagree", mean between 2.9 and 3.2 is "Neutral", and mean above 3.21 is "agree. Therefore, the decision of each variable statistics is done based on these criteria.

In the above descriptive statistics table 4.12, employees thought about the top management support of the organization is shown. The grand mean of the item is 3.3266. Which implies that the employees of Ethiopian ministry of revenue North West Addis Ababa small tax payers Revenue Authority branch office.
Agree on the statements stated related to the top management support for the

Variable Quality of audit, this variable was measured by five items. All the items dealt with the information System of Ethiopian Revenues and Customs Authority (ERCA) North WestAddis Ababa small tax payers Revenue Authority branch office.

The mean distribution of the information system variable (IS) of the study is 3.2068 which is greater than 3 and standard deviation statistics for information system is 0.9031, which is less 2 of its moderate score, it can be understood that the branch tax payers office have moderate implementation of information system.

In the questionnaires distributed to tax auditors relate to the tax audit practice parameter. The mean distribution of the dependent variable (TAP) of the study is 3.448 which is greater than 3 and standard deviation statistics for TAP is 0.73166, which is less than 1, it indicated for tax auditors suggest that there existed variability in ratings of the respondents. The questionnaire mean responses revealed that the tax audit practice is medium as might be desired to attain a tax audit department so which indicates that still there is a gap between tax audit.

The grand mean of audit attribute holds a value of 3.3961 as shown in table 4.13. The respondents agreed that there is a transparent audit procedure and that audit decisions are made based on facts, tax payers have a good attitude and cooperation with the tax system and auditors and that they have an appropriate legal power of access to get any document from tax payer and third party information sources without restriction.

According to the result, which are questionnaires distributed to tax auditors related to the audit quality parameter, quality of audit is determined by audit

planning, audit experience, execution and communication, working papers and quality assurance approval. The mean value of audit quality was 3.5968, which is greater than 3 and moderate score. It implies that auditors' perception on quality of audit in branch tax office audit as in it's from planning up to working paper preparation, the audit was work is averagely done as the audit manual indicates. The variation of audit quality measured by standard deviation was 0.58102 which is less than 2 of its moderate score, it can be understood that the branch tax payers office have medium level audit quality.

According to the questionnaires distributed to tax auditors relate to the organizational independence parameter, the mean value of organizational independence was 3.6,Which is greater than its moderate value of 3? It indicates that for the branch tax payers' office has moderate organizational independence. The standard deviation of organizational independence was 0.69476 which indicates the branch tax payers office have less average deviation of 2 from the average score. Its implication is that according to auditor's perception organizational independence is low level on ethical practices.

4.3.3. Validity and reliability of instrument

To ensure validity of instruments, initially the instruments were prepared by the researcher and developed, who was involved in providing his inputs for validity of these data gathering instruments. To test for the reliability, the questionnaire was distributed for selected ministry of revenue workers. This was done on 71 employees of ministry of revenue. According to the results obtained, the data collection instrument was consistent and dependable in measuring what it intends to measure. From the result of the 71 distributed and evaluated questionnaires the Following result was obtained using Cronbach's Alpha on SPSS.

4.4 Test of Reliability

The text below discusses various regression diagnostic tests that are based on the calculation of a test statistic. These tests can be constructed in several ways, and the precise approach to constructing the test statistic will determine the distribution that the test statistic is assumed to follow Pilot study (preliminary test) was carried out using convenient sampling method in the North West Addis Ababa small tax payers Revenue Authority branch office. Having the same characteristics with the participants of the main study. The advantage of doing a pilot study helps to detect potential defects in the measurement procedures, it assists in identifying ambiguous items, and it allows the researcher to become aware of nonverbal behavior that may occur due to the wording question. Therefore, the researcher tried to insure the reliability and validity of the questionnaire. To measure the reliability of the questionnaire, the researcher applied a preliminary reliability test. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.7 is very acceptable.

According to Cronbach's (1951), a reliability value (α) greater than 0.6 is also acceptable.

Table: 4.14 Reliability Analyses

Variables	No of Items	Cronbach's Alpha
Top Management Support	4	**0.849**
Information System	5	**0.839**
Tax Audit practice	10	**0.861**
Audit Attribute	9	**0.885**
Audit Quality	7	**0.740**
Organizational Independence	**7**	**0.794**

Source: Output of SPSS 25, 2023

The Cronbach's alpha result in table 5 above shows the estimated reliability value (α) between the scales 0.760 – 0.874. When the above calculated reliability values are compared with the standard value alpha of 0.6 advocated by Cronbach's, then the responses generated for all of the variables' used in this research were reliable enough for data analysis.

4.7 Inferential Analysis

4.7.1 Correlational Results

The main objective of the study was to assess to investigate the effect of procurement contracts on Supply chain performance in UNECA. In order to realize the relationship between variables, Pearson correlation was employed via using SPSS. Correlation analysis is a statistical tool which is used to measure the strength or degree of linear association between two variables. The correlation coefficient, which always lies between -1 and +1, was used to measure the strength and magnitude or degree of linear association between two variables. A correlation coefficient of +1 shows a strong and positive linear relationship between two variables. On the contrary, a correlation coefficient of -1 indicates a strong and negative linear association between two series. A correlation coefficient of 0 shows that there no linear relationship between two variables.

The correlation table below shows that all the independent variables have a positive significant relationship with the dependent variable. The result of correlation analysis is discussed in detail as follows.

Table: 4.15. Pearson Correlations Matrix

Correlations

		TopMgt	ISystem	AuditAtt	TaxQuality	OrgIndep	TaxPractice
TopMgt	Pearson Correlation	1	.602	.654	.767	.753	.676
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	62	62	62	62	62	62
ISystem	Pearson Correlation	.602**	1	.580	.636	.770	.642
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	62	62	62	62	62	62
AuditAtt	Pearson Correlation	.654	.580	1	.572	.640	.726
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	62	62	62	62	62	62
TaxQuality	Pearson Correlation	.767	.636	.572*	1	.572	.640
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	62	62	62	62	62	62
OrgIndep	Pearson Correlation	.753	.770	.640	.572	1	.676
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	62	62	62	62	62	62
Tax audit Practice	Pearson Correlation	.676	.642	.726	.640	.676	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	62	62	62	62	62	62

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

Source: Survey Result, 202

As Pearson product–moment indicates that the relationship of variables is expressed by correlation coefficient (r) value within the range of $^{-}1.00$ to $^{+}1.00$. The value of correlation coefficients (r) becomes nearer to +1 or –1 indicates high degree of correlation between the two variables. A zero correlation indicates that there is no relationship between the variables as Bogdan (2017) quoted Sekaran (2003). Thus, the significance of relationship was determined by p-value. For this study, the significance level of 0.05 or 0.01 was taken as the standard for a two-tailed test of correlation. In this particular study, if the p-value is

less than the alpha level of 0.05 ($p<0.05$), the researcher concludes that the correlation is significant to indicate the strength and direction of the relationship between two variables.

As shown in the ***Table above***, 4.14. The results of Pearson Correlation on the relationship between determinates *i.e.* Top management support has a positive and significant relationship with Tax Audit practice (r= .654).The correlation matrix shows that Information System has a positive and significant relationship with Tax Audit practice (r= .654). In line with this study, hence the previous study supported that information system is positively and significantly related to tax Audit practice (Drogalas et al., 2015 and Kibret, 2016).The result of this study found that Audit Attribute has a positive and significant relationship with supply chain performance (r= .767). In line with this study, Anne et al., (2020) revealed that support and information communication technology (ICT) infrastructure has a positive and significant relationship with supply chain performance. These are previous study supported by previous studies (OECD, 2006 & Palil, 2013; Elias, 2014 and Melat, 2016).The correlation matrix shows that Audit Quality has a positive and significant relationship with Tax Audit practice (r= .753). In line with this study, hence the previous study supported that information system is positively and significantly related to tax Audit practice (Drogalas et al., 2015 and Kibret, 2016).The results of Pearson Correlation on the relationship between determinates *i.e.* Organizational Independence has a positive and significant relationship with Tax Audit practice (r= .654), These are supported by previous studies (OECD, 2006 & Palil, 2013; Elias, 2014 and Melat, 2016).

4.6 Multiple Regression Results

Multiple Linear Regression analysis is a statistical measurement used for estimating the relationships among variables. It enables to determine the strength of the relationship between variables and the predictive power of the independent variables on the dependent variable. In short, regression helps a researcher understand to what extent the change of the value of the dependent variable causes the change in the value of the independent

variables, while other independent variables are held unchanged (Stephanie, 2018). Regression analysis is a way of statistically sorting out the variables that have indeed an effect under this study. While there are many types of regression analysis, at their core they all examine the influence of one or more independent variables on a dependent variable. The following part also presents the regression analysis of regression.

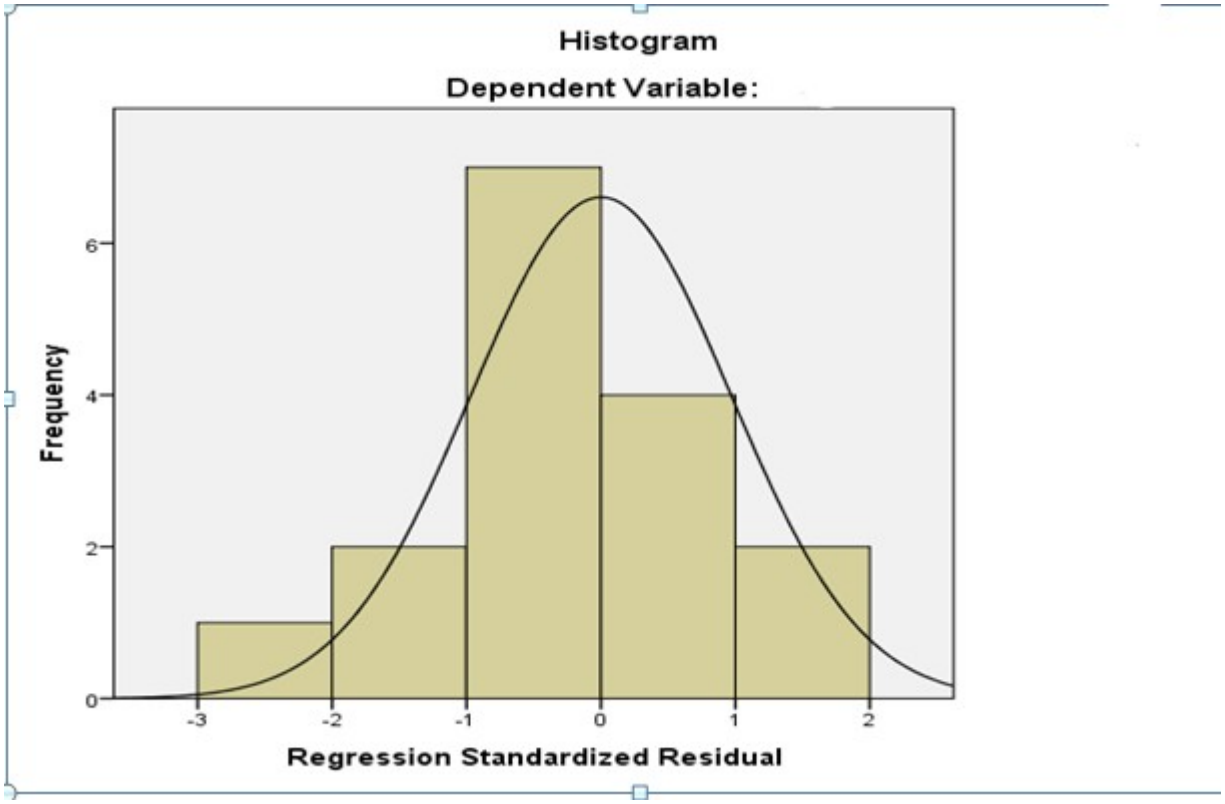
4.6.1. Diagnosing Multiple Regression Assumptions Test

Attempts have been conducted to test normality, multicollinearity, autocorrelation and test for average value of the error term are found in appendices part; next to the data collection instrument in this study. The assumption test was done based on theoretical and empirical multiple regression concepts and results found on Appendix next to data collection metho

4.6.1.2 Normality Test

The multiple linear regressions need the independent variables to be normally distributed. This means that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2016).

Distribution of the data is another issue in this research, whether it is normal/or not. To check the distribution of score is normal, we need to look at the values of skewness in the SPSS output. Positive value of skewness indicates too many low scores in the distribution, whereas negative values indicate a build-up of high scores (Field, 2009). Skewness measures the degree to which cases are clustered towards one end of an asymmetry distribution. In general, the further the value of skewness is from zero, the more likely it is that the data are not normally distributed (Field, 2009). In a normal distribution, the values of skewness are 0.



Source: **Histogram test from SPSS 25 run by the researcher**

Figure 1 Histogram Figure

Frequency distribution comes in many different shapes and sizes. Consequently, it is quite significant, to have some wide-ranging description for common types of distributions. Intrinsically, if one draws a vertical line through the center of the distribution then it should look the same on both sides (Stephanie, 2018). The normal distribution graph was shown on Fig 2 above and revealed that the assumption of normality of has been met. This is recognized as a normal distribution and is

considered by bell-shaped curve. This shape basically implies that the majority of scores lie around the center of the distribution.

4.6.1.2 Linearity Test

The linearity of associations between the dependent and independent variables can be tested by looking at the P-P plot for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. As depicted in the below graph, the visual inspections of the p-p plot revealed that there exist linear relationship between the dependent and independent variable.

One of the important assumptions of the classical linear regression model is Heteroscedasticity. As noted by brooks (2008) heteroscedasticity assumption state that the disturbances ui appearing in the population regression function are homoscedasticity; that is, they all have the same variance. The variance of each disturbance term ui, conditional on the chosen values of the explanatory variables, is some constant number equal to σ2. This is the assumption of Heteroscedasticity, or equal (homo) spread (scedasticity), that is, equal variance (Gujarati, 2004). If the error term ui do not have constant variance its said to be there is heteroscedasticity problem.

Heteroscedasticity makes your parameter estimates no longer BLUE – they are still unbiased, but no longer have a minimum variance. Unfortunately, SPSS does not have built in procedure to test for heteroscedasticity. The test can be done by writing some codes. Despite not having built in procedure to test for heteroscedasticity, we can plot standardized residuals (ZRESID) against the standardized predicted values (ZPRED). If there is no heteroscedasticity, the plot should look random. If you see a pattern, such as a funnel shape or a curve, this indicates heteroscedasticity. A curve shape, in particular, could indicate some non-linearity in the relation that you failed to take into account. To avoid heteroscedasticity, we can check again by removing one

independent variable and try again. As shown in figure 3 below, most of the residuals lie in the middle of the scatter plot, i.e. in between -1, 5 and 1,5.

4.6.1.3 .Multi-collinearly test

Multi-collinearity exists when an independent variable is extremely correlated with one or more of the other independent variables in a multiple regression equation. For this study result of multi-collinearity test of the dependent variables was display in the following table.

Model		Collinearity Statistics	
		Tolerance	VIF
	Top management support	.453	2.205
	Information system	.492	2.034
	Audit attribute	.405	2.468
	Audit quality	.423	2.625
	Organizational independence	.243	4.12

Its measure of the reciprocal of the complement of the inter-correlation among the independent variables is called

variation inflation factor (VIF). The decision rule is a variable whose VIF value is greater than 10 indicates the

possible existence of the multicollinearity problem. Tolerance (TOL) is a statistics applied to display the variability

of the stated independent variable that is not explained by another independent variable in the model. It is also

used by many researchers to check on the degree of Collinearity. The decision rule for tolerance is a variable whose

TOL value is less than 0.1 shows the possible existence of a multi-collinearity problem (Frost, 2017).

The information in the table above allows us to check for multicollinearity in our multiple linear regression models. Tolerance should be > 0.1 (or VIF < 10) for all variables,

Multiple Regression Model Results

Table 16. Model Summary

				Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.868	.753	.731	.37928	1.242

a. Predictors: (Constant), TMS,IS, TAQ, TAA,OI

b. Dependent Variable: Tax audit Practice

Source: Survey data, SPSS output, 2023

Table 4. 16. Shows the correlation coefficient ® with the dependent variable (tax audit practice) is 0.868 which indicates the presence of high positive correlation between the dependent and the independent variables as a whole. The independent variables explain 75.3 % variability on the dependent variable (tax audit practice) since R square value is .753. As exposed in the above table, the overall bundle of determinant factors of the six procumbent contract independent variables were 75.3 % (R^2 = .753) explained the dependent variable. This suggests that 75.3 % of procumbent contract independent variables in depend on the six independent variables while the remaining 24.7 % is determined by other unaccounted factors in this study.

Table 17. ANOVA Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.599	5	4.920	34.201	.000[b]
	Residual	8.056	56	.144		
	Total	32.655	61			

a. Dependent Variable: TaxPractice

b. Predictors: (Constant TMS,IS, TAQ, TAA,OI

The ANOVA table above indicates the existence of a significant regression model which predict the dependent variable based on the models independent variable (F statistics = 34.201 P value <0.01

Table 18. Testing the Significance Level of Coefficients.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.365	.360		1.014	.315
	TopMgt	.147	.307	.198	.477	.001
	ISystem	.364	.476	.381	.115	.003
	AuditAtt	.054	.323	.23	.362	.703
	TaxQuality	.261	.252	.208	.036	.004
	OrgIndep	.213	.142	.052	.383	.000
a. Dependent Variable: Tax audit Practice						

Regarding on the coefficient table presented above, all of the independent variables of tax audit practice (top management support, information system, audit attribute, audit quality, and organizational independence,) were found significantly and positively affect audit practice using a commonly used threshold of alpha 0.05.

From this multiple regression table, this study found similar types of results as there is a positive and significant effect of internal Top management support [β= .147; P-value=.001 i.e. Less than .05] on tax audit practice 95.0% Confidence Interval for B. Consistent with this study, literature shows that the result of empirical studies and against the proposition that tax audit practice is positively related to its top management support. For instance Mihret& Yismaw (2007) in the case study of tax audit effectiveness on

public sector shows that the component of top management support consists of the response to audit finding and the commitment of strength internal audit which has a positive significance influence of on audit effectiveness. Moreover, Sarens & Beelds (2006) argue that the overall acceptance and appreciate of audit within the company strongly dependent upon support they receive from management support is almost crucial to the operation and audit because all other determinate tax audit effectiveness derive from the support of top management. Different empirical study also shows top management has appositive effect on tax audit practice.

This study also found results as there is a positive and significant effect of Information System [β=.364; P-value= .**003** i.e. Less than .05] on tax audit practice 95.0% Confidence Interval for B. Consistent with this study, The previous study support is almost crucial to the operation and audit because most audit process are supported by Information System is also reviewed information system is significant (Drogalaset al).

In addition, it found another results as there is a negative and not significant effect of audit attribute, [β= .054; P-value=.703i.e. grater than .05] on audit practice at 95.0% Confidence Interval for B. In line with this study, Different empirical evidence shows that attribute of audit has a positive significant impact on tax audit practice (Shewamen, & Alagan (2014).

From this multiple regression table, this study found similar results as there is a positive and significant effect of internal Top management support [β= .261; P-value=.004 i.e. Less than .05] on tax audit practice 95.0% Confidence Interval for B. Different empirical evidence shows that tax audit quality has a positive & significant impact on tax audit practice (Shewamen, & Alagan (2014).

Finally, it found nun similar results as there is positive and is significant as individually. Effect of internal organizational independence ,[β= .213; P-value=.000 i.e. less than .05] on 95.0% Confidence Interval for B. Moreover, according to Peursem, (2005) organizational independency in fact exists when auditors are actually able to act with objective, integrity, impartiality and free from any conflict of interest. Then he concludes that organizational independency is appositive and significant impact on tax audit tax audit quality.

Thus, the model for predicting perceived tax audit practice becomes:

TAP = 0.365+0.147 TMS +0.364 IS-0.054 AA+0.261 AQ+0.213 OI

Where, TAP = tax audit practice, TMS=Top management support, IS = Information System, AA = audit attribute, AQ = audit quality, OI = organizational independence

The β-values (beta coefficient) tell us about the relationship between the outcome and each predictor. If the value is positive we can tell that there is a positive (direct) relationship between the predictor and the outcome, whereas a negative coefficient represents a negative (an inverse) relationship. For these data all predictors, except audit attribute have positive β –values indicating positive (direct) relationships. So, there is a positive (direct) relationship between the predictors (Top management support , information system, audit quality and organizational independence) and an outcome (tax audit practice) since the value of beta coefficient is positive.

Therefore, top management support, information system, audit quality, and organizational independence support is good, tax audit tax audit practice is also improved; whereas, audit attributes has a negative *b*-values indicating negative relationships to the outcome. As audit attributes is good, tax audit practice is not improved

4.7. Discussion of Results

Top management support and tax audit practice

This part of the study presents the consistency and inconsistency of the results found in the study with other similar researches conducted.

From this multiple regression table, this study found similar types of results as there is a positive and significant effect of internal Top management support [β= .147; P-value=.001 i.e. Less than .05] on tax audit practice 95.0% Confidence Interval for B.

Consistent with this study, literature shows that the result of empirical studies and against the proposition that tax audit practice is positively related to its top management support. For instance Mihret& Yismaw (2007) in the case study of tax audit effectiveness on public sector shows that the component of top management support consists of the response to audit finding and the commitment of strength internal audit which has a positive significance influence of on audit practice. Moreover, Sarens & Beelds (2006) argue that the overall acceptance and appreciate of audit within the company

Based on the regression analysis of the above model, the information system has a positive effect or correlation on tax audit practice at 5% level of confidence ($\beta = 364$, $p<0.03$). Hence, the first hypothesis 4 was supported. It implies that information system has a positive influence on tax audit practice. The previous study has presented there was positively related to information system and tax audit practice (Drogalas et al., 2015 and Kibret, 2016).

Based on the regression analysis of the above model, the organizational independence also has a positive effect or correlation on tax audit practice ($\beta = 0.213$, $p<0.00$). Hence, hypothesis 3 was supported. It implies that organizational independence has a positive influence on tax audit practice. That relation also supported by (Cohen and Sayag, 2010).

Based on the regression analysis of the above model, the audit quality has a positive effect or correlation on tax audit audit practice ($\beta = 0.261$, $p<0.004$). Hence, hypothesis 2 was supported. It implies that audit quality has a positive influence on tax audit audit practice. The previous study has presented there were positively related to audit quality and dependent variables (Cohen and Sayag, 2010, Mihret and Yismaw, 2007 and Melat, 2016).

No significant correlation or relationships were found between the variables of audit attributes and tax audit tax audit practice ($\beta = -0.507$, $p<0.05$), thereby rejecting hypothesis 5 The regression result does not support that hypothesis. It indicates that audit attributes has a negative influence on tax audit tax audit practice. The previous literature was presented no significant relationship between audit attributes and audit tax Tax audit practice (Mihret and Yismaw, 2007 and Melat, 2016).

	statement	tools	results
Ho	Top management support has a positive effect on tax audit practice	Regression Model	Accepted
Ho	Information system (IS) has positively and significant impacts on the on-tax audit practice.	Regression Model	Accepted
Ho	Audit quality has a positively and significant effects on tax audit practice	Regression Model	Accepted
Ho	Audit attributes for tax auditors has a positively and significant Effects on tax audit practice	Regression Model	Rejected
Ho	Organizational independence has a positively and significant effects on tax-on-tax audit practice.	Regression Model	Accepted

Source: Survey Result, 2023

CHAPTER FIVE,

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

The purpose of this study was to examine the determinant of tax audit practice using statistical analysis; both descriptive and inferential statistics. The research instruments were survey questionnaires developed with censes method, Before questioners were sending to respondents they were test for reliability by four auditors of the audit process. A total of 71 copies of questionnaire were distributed to tax auditors of Ethiopian Revenue and customs Authority on North west Addis Ababa small tax payer's branch office. However, only copies were found to be returned and used for analysis.

Then each construct was affected by other constructs, regression analysis was conducted by the models, using tax audit practice are as dependent variables, this was basically done to get the best linear combinations of the constructs as well as to get predictive value of individual predictors for testing the hypotheses proposed. A tax audit is an investigation made by the tax authority in order to verify the accuracy of tax returns and attempt to detect non-compliance behavior and activities.

The researcher applied mixed approach to get advantage on draw backs of using one approach. In the chapter four, the data instruments (questioner analysis) has been analyzed and interpreted in relation with the statement of the problem and according to basic and specific objectives of the study. Then in this chapter conclusions are made by summarizing the results stated on the data collection instruments on chapter four and finally make recommendations on the possible findings.

5.2. Conclusions

Since tax audit was very crucial and a key for revenue collection process for any tax authority, tax audit practice is the main solution to ensure growth and development of a country. Taxation is key source of revenue for the government of Ethiopia followed by external loan grants and assistances. In addition, taxation is used to allocate economic resources for government's priority by directing economic agents to the development goals foreseen by the government through the incentive schemes embedded within the prevailing tax laws The existence of tax audit practice in the tax authority reduces tax evasions and increases obedience taxpayers, hence improves the revenue collection process.

A well-structured tax audit program is used for in order to achieve revenue objectives that ensure the fiscal health of the country, and sustain the health of the tax system by reducing tax gap through voluntary compliance improvement and additional tax collections. Further, it might provide valuable support in identifying areas of the tax law that require clarification or addressing deficiencies in the law, and to influence compliance across the broader taxpayer community at all levels. the study examined the problems or the determinant factor in tax audit practice in Ethiopia (Ethiopian Revenue and customs Authority North west Addis Ababa small tax payer's branch office). The study was conducted to investigate the tax audit practice, and to identify the main problems of the tax audit program performed that affects tax revenue collection and taxpayers‟ voluntary compliance in the Ethiopian tax system.

The results of the study enable us to conclude that top management support, information system, audit attributes, audit quality as well as organizational independence as a linear combination significantly influence tax audit practice in the organization studied. However, as individual predictors: audit attributes is not significant enough to undermine tax audit practice. The findings of the present study are also in conformity(consistent) with the observations of earlier studies on audit attributes is not significant influence on tax audit practice (Mihret and Yismaw, 2007 and Melat,2016).

The study of study show that perceived adequacy or inadequacy of both information system and audit quality, extends noticeable influence on perception of tax audit practice . The influence of information system on tax audit practice may be attributed to the audit quality. Tax audit practice, and their perception come from information system; its implication is as the audits are done SIGTAS is simple and easy to use as per the SIGTAS operation audit manual of the organization it significantly affects audit effectiveness of the organization being studied. The result is consistence with the study of (Kibret, 2016). Regarding the independence, it shows that organizational independence of tax audit is important factor affecting tax audit practice, according to the present research. Quite similar were the findings of (Alzeban and Gwilliam, 2014; Shewamene, 2014 and Drogalas et al., 2015).
There is no statistical significance negative relationship between audit attributes and tax audit practice.

5.3. Recommendations

On the bases of the research findings and achieved results with regard to the main objective of this study to identify the major effects of tax audit practice in the Ethiopian Revenues and Customs Authority on North west Addis Ababa small tax payer's branch office. And also to prove the hypotheses, the researcher provides the following recommendations to ERCA, the tax audit department and the tax policy makers.

The finding of this research proved that the information system and audit quality were statistically significant and positively related with the tax audit practice in ERCA and organizational independence also slightly statistically significant and positively related to ERCA.

- Thus, Ethiopian Revenues and Customs Authority (ERCA) should highly support the information system by making the information system is more appropriate, simple and easy to use for the tax auditors by investing on it. So software developers should place particular attention when the developing software that can be easily accessible by tax audit staffs.
- As it was explained information system play significant role on tax audit practice; Ethiopian Revenues and Customs Authority on North West Addis Ababa small tax

payer's branch office .should emphasis on that predictor, except audit attributes and organizational independence. Audit quality has also positive influence on tax audit effectiveness and it is better to consider it.

- Ethiopian Revenues and Customs Authority on North West Addis Ababa small tax payer's branch office.as a mission information system and audit quality role are significant, so the branch should look at into it. In relation to this by paying attention to organizational independence it can reducing the corruption, unethical issues and to keep reputation of auditors then tax audit work of the branch can achieve effective and efficient.
- Assigning competent and qualified individuals on Tax Audit job positions: According to the finding of this study, inefficiency and lack of competency among Tax Auditors of the office have been affecting efficiently performing duties and responsibilities to be accomplished by them at North west Addis Ababa small tax payer's branch office Revenue Authority.

5.4 Future Research Directions

The results will have important implications and is believed to be helpful for north wasted Addis Ababa small tax payer branch office and for ERCA. While this study has revealed some interesting results, one should be careful of its limitations related essentially to its sample size and scope of the study.

Although the researcher believes that this study is deep, it is still believed that it can be further extended to include more respondents from externals to make it more realistic and more reliable.

Finally, due to different factors I couldn't touch other dimensions of tax audit effectiveness. Thus, further research needs to contain more desirable dimensions, in order to gain better insight.

REFERENCE

Adediran S. A, A. S. (2013). The Impact of Tax Audit and Investigation on Revenue Generation in Nigeria. *European Journal of Business and Management, Vol.5, No.26.* Al_Frijat, Y. S. (2013). The Impact of Accounting Information Systems Used In the Income Tax .

Allingham, M.G. and Sandmo, A. (1972).“Income tax evasion a theoretical analysis”, Journal of Public Economics.

Alzeban A, Gwilliam D. (2014). Factors affecting the internal audit effectiveness: A survey of the Saudi public sector, J. Int. Account. Audit.Taxat. 23:74-86.

Anam Masood, R. N. (2015). Factors Affecting the Success of Government Audits: A Case Study of Pakistan. *Universal Journal of Management 3(2): 52-62.*

Barreca,D and S.Ramachandran (2004):“Improving tax administration with data mining”,*Executive Report,* availableat<ftp://hqftp1.spss.com.accessedonMarch 2017.

Best, J.W. & Khan, J.V. (1995). Research in Education (7th Edition). Prentice Hall press board, New York.

Bethitina, L. (2015). The determinants of external audit quality evidence from manufacturing share companies of Addis Ababa Ethiopia. *Addis Ababa University.*

Bou-RaadG. (2000), 'Internal Auditors anda Value-added Approach: The New Business Regime', Managerial Auditing Journal, 15: 182–86.

Bureau of Food Security South Nations, Nationality and Regional State. (2012). Annual Productive Safety Net Program Implementation Report, Hawassa.

Bureau of Finance and Economic Development of South Nations, Nationalities‟ and Peoples‟ Regional State. (2010). Annual Budget Declaration Description for Zone, Special Woreda and City Administration Submitted for Regional Council of SNNPRS. Development Core Process, BoFED, Hawassa.

Brooks, C. (2008).Introductory Econometrics for Finance: A reader :(2nd.ed.).New York, Cambridge University press.

Cohen,A. and Sayag,G. (2010): The Effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli Organizations, Australian Accounting Review, No. 54, Vol. 20, Issue 3, pp. 296-307

Cronbach's, L. J. (1951), "Coefficient alpha and the internal structure of tests": Psychometrika, 16,pp.297–334.

EC (2006): 'Compliance Risk Management Gide for tax Administrations', Fiscalis Risk Management Platform Group, *the European Commission's Taxation and Customs Union Directorate General*, version 1.02, February 2006, European Union.

Eden,D.andMoriah,L.(1996),'ImpacotInternalAuditingonBranchBankPerformance:Afield Experiment', Organizational Behavior and Human Decision Performance , 68: 262–71.

Edmund Biber, (2010),"Revenue Administration: Taxpayer Audit -Development of Effective Plans, International monetary fund.

Elias, A. (2014). Factors affecting tax audit effectiveness, a study on category A tax payers in bahir dar city administration revenue office ,bahirdar university.

ERCA, (2010), "Tax and Post Clearance Audit Policy and Strategy", Addis Ababa, Ethiopia. ERCA, (2014), "Domestic Tax Audit Manual", Addis Ababa, Ethiopia.

Field A. (2009). Discovering statistics using SPSS, 3rd edition, SAGE. Publication Ltd.

George Drogalas, S. I. (2015). Tax audit effectiveness in Greek firms: Tax auditors' perceptions. *Journal of Accounting and Taxation Vol. 7(7), pp. 123-130.*

Grandcolas, C (2005) "Management of the VAT: Improving the Level of Compliance using Performance Indicators, Lessons for the Pacific Islands Countries", *15th Tax Conference*,

October2005, Tokyo, Japan, available <http://www.adb.org/Documents/ TaxConference/ paper grandcolas.pdf>, accessed on May 2017.

Gujarati, D. N. (2003) *Basic Econometrics* 4th edn., McGraw-Hill, New York. Gupta, M and V. Nagadevara (undated) "Audit Selection Strategy for Improving Tax Compliance: Application of Data Mining Techniques", available at< http:// www.csi-sigegov.org/1/39_354.pdf>, accessed on May 2017.

Harrison, G and Krelove.R. (2005) VAT refunds: A review of country experience", *IMFWorkingPaperNo.05/218*,IMF,WashingtonDC,available<http://wwwimf.org/external/pubs/ft/wp/2005/wp05218.pdf>, accesses on May,2017

Ho D. and Lau P. (1999).Principle of Auditing: An international perspective. London, McGraw Hill publishing Company. Husam Al-Khaddash, R. A. (2013). Factors affecting the quality of Auditing: The Case of Jordanian Commercial Banks. *International Journal of Business and Social Science Vol. 4 No. 11*.

Khadijah Isa and Jeff Pope, (2011), "Corporate Tax Audits: Evidence from Malaysia, Global Review of Accounting and Finance, Vol. 2. No. 1. March 2011 Pp. 42 -56.

Kibret, T.(2016).Tax audit effectiveness in Addis Ababa,Ethiopia:Tax auditors' perceptions in Ethiopian Revenues and Customs Authority Eastern Addis Ababa branch office, St.Mary's University.

Kothari, C.R (2004). Research Methodology, Methods and Techniques, 2nd edition, New Delhi:Wishwa Prakashan.Kumar,R.(2011).Research Methodology.3rd ed.,SAGE Publication Ltd, London.

Melat, A. (2016). Factors Affect Tax audit effectiveness a study on Large Tax Payers office of Ethiopian Revenue Customs Authority", Addis Ababa University.

Mesfin, G. (2008): "Tax Audit Practice and Its Significance in Increasing Revenue In Ethiopia: The Case of Addis Ababa City Administration" For the Partial Fulfillment of M.Sc.degree in Accounting and Finance, Faculty of Business and Economics, Addis Ababa University.

Milack,J (undated),Audit Program Planning and Management "available at,<http://www.accenture.com/NR/rdonlyres/52149C62-F449-47DB-9F4A-A11CA70D209D/0/tax1_wp_milack2.pdf>, accessed on March 2017.

Mihret, G. (2011). *Tax Audit Practice in Ethiopia:The case of the Federal Governement.* Addis Ababa University, Accounting and Finance, Addis Ababa.

Mihret,G. (2013), "The role of internal auditing in risk management", Seventh Asia Pacific Interdisciplinary Research in Accounting Conference, Kobe 26-28July, 2013.

Mihret, G., & Yismaw, W. (2007). Internal Audit Effectiveness:an Ethiopian Public Sector Case Study. *Managerial Auditing Journal , 22* (5), 470-484.ISSN 0268-6902

Mohamed R. P., (2013), "The Perception of Tax Payers on Tax Knowledge and Tax Education with Level of Tax Compliance".

NBE, (2009): Annual Report, available at <http://www.nbe.gov.et >, accesses on April 2018.

Netsanet, B.(2014). Assesmentof tax audit practice: the case of Hawassa citya dminstration. IFSMRC international publications (pvt) Ethiopia, India.

OECD, (2006),"Strengthening Tax Audit Capabilities", Auditor Work Force Management-Survey Findings and observations, Paris, France .

Palil M. (2013) The perception of taxpayers on tax knowledge and tax education with level of tax compliance. *ASEAN journal of economics, management and accounting 1(1).*

Parameswaran, R. (2005): "public finance and taxation",Addis Abeba.

Qtish, F. A. (2012). Internal Control and Audit Program Effectiveness: Empirical. *International Business Research; Vol. 5, No. 9.*

RobertK.Yin, (1994).*Research design and methods*. ThirdEdition,International educational Publisher, vol.5.

Republic of Kosova Office of Auditor General. (2013). *Effective of Standard Integrated Governement Tax Administration.* Prishtina: Republic of Kosova Office of Auditor General.

Sayag, A. C. (2010). The Effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli Organizations. *Journal of Austrian accounting review no.54 vol.20 issue 3.*

Sen, D K. and Bala S K. 2002, „Tax Audit: Bangladesh panorama", *Managerial Auditing Journal, 17/8 (2002) 464-477,* available at <www.emeraldinsight.com/ 0268-6902.htm>, accessed on February 2018.

Shewamene, H. (2014). *Determinantes of Internal audit Effectveness in the Public Sector,Case study in selceted Ethiopian Public Sector Offices*. Jimma: Jimma University.

SIGTAS,(2010),"Standard Integrated Government Tax Administration system-Auditing",User Guide.

Thomson, R (2008): "Strengthening Risk Management and Audit Strategies to Improve Compliance", Paper presented at Caribbean Organization of Tax Administration (COTA) General Assembly, July 2008, CARTAC, Belize, available at, <www.cartac.org/ accessed on April, 2017.

Vellutini,C. (2010),RiskBasedTaxAuditCaseSelectionMethods",*ECOPA*,Washington,USA,available<http://www.ecopa.com/attachments/ accessed on April 2017.

Van Peursem,K.(2004), "Internal Auditors' role and authority New Zealand Evidence":Managerial Auditing Journal,19(3),pp.378-93

World Trade Organization 2003,'Market Access for Non-Agricultural Products, Revenue Implications of Trade Liberalization, *Communication from*

Yismaw, D. G.(2007). Internal audit effectiveness: an Ethiopian public sector case study. *Managerial Auditing Journal, 22 (5). pp. 470-484. ISSN 0268-6902.*

Ziegenfus, D.E. (2000), "Developing an internal auditing department balanced scorecard".

WOLKITE UNIVERSI

COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTINGAND FINANCE

Determinant of Tax Audit Practice in Ethiopian Ministry of Revenue: (Case Study of North West Addis Ababa Small Tax Payers Revenue Office)

Questionnaire to be filled by Tax Auditors

Dear participant,

The objective of this study is to examine the determinants of tax audit practice on North west Addis Ababa small tax payers branch office.

The name of the researcher is Abdirfeta Negash Denber who is currently an MSc in Accounting and finance student at the Wolkite University. The purpose of this study is to examine the determinants of tax audit practice on North west Addis Ababa small tax payers branch office. To supplement the data obtained from tax auditors by means of questionnaire, the researcher seeks to gather relevant information from total staffs in the tax audit department North West Addis Ababa Small Tax Payers Revenue Office using a self-administered questionnaire.

Part –I: Background information

Please provide your responses by marking a tick (√) in the relevant boxes.

1. Gender: 1. Male □ 2. Female □

2. Age: 1. Less than 30 years □ 2. 31-40 years □ 3. 41-50 years □
4. Above 51 years □

3. Education: 1. Certificate □ 2. Diploma □ 3. BSc/BA □ 4. MSc/MA and above

4. Field of study: 1. Accounting & finance □ 2. Economics □ 3. Management □
4.Others, please specify _____

5. What is your current position in the office?
1. Process owner □ 2. Team leader □
3. Auditor □ 4. Senior Auditor □

6. How long have you been working in this position?
1.Less than 2 years □ 2. 2-4 years□
3. 4-6 years □ 4. Above 6 □

Part – II: Question related to measure Tax audit practice

Please indicate whether you **Strongly disagree=1, disagree=2, neutral=3, Agree=4, and Strongly agree=5** with the following statements by placing **a tick (√)** inside the appropriate box.

No	**Statements**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**strongly agree**

No	St	statements	(1)	(2)	(3)	(4)	(5)	Str	Dis	Ne	Ag	St
1		**Question Regards with Top management support**										
1.1		The number of employees in tax audit is sufficient given the										
		Question Regards with Information System										
222		near future in this branch										
1.2	712.1	Management is sufficiently aware of the needs of tax audit, as										
822.2		demonstrated by the small budget assigned to										
932.3		this process.										
1.3		The management encourages by providing										
112.4		adequate support for professional education										
212.5		and training for staff in the tax audit.										
1.4		Audit reports are valued										
B3		**Question Regards with Tax Audit practice**										
C3	3.1	**Questions With Regard Audit Attribute**										
153	4.1	there is transparent audit procedure and audit decisions are made based on facts in North west Addis Ababa small tax payers branch office.										
24	2	Taxpayers have a good attitude and cooperation with the tax system and auditors.										
163	3	The current working capacity of audit staff is well aware of the tax laws and regulations.										
24	3	Audit procedure is transparent and clear to the tax payers during the course of the audit.										
183	4	The existing audit program is promoting voluntary compliance through public confidence.										
34	4	This Office has an effective motivation scheme to the compliance taxpayers.										
193	5											
34	5											
203	6											
34	6											
213	7											
233	8											
243	9											

		Tax audit improves organizational performance	
	3.2	Tax audit determines the adequacy and effectiveness of the auditee organization's systems of internal accounting and operating controls.	
	3.3	Tax audit reviews the accuracy and reliability financial reports	
	3.4	Tax audit reviews the means of safeguarding assets	
	3.5	Tax audit evaluates and improves the effectiveness of risk management	
	3.6	Tax audit reviews the economical, effective and efficient use of resources	
	3.7	Tax audit evaluates the internal control system of the audited company	
	3.8	Tax audit improves the organization's productivity of the company	
	3.9	Tax audit develops appropriate annual audit plans	
		Tax audit provides adequate follow	

34	4.7	During auditing, auditors give justification and clarity on tax laws and regulations to taxpayers.					
44	4.8	On this branch there is good work relationship between the taxpayers and tax auditors					
44	4.9	auditors accept taxpayers' suggestion to improve the tax function					
	5	**Questions Regard with Audit Quality**					
45	5.1	Tax auditors have appropriate audit plan in all their audits					
45	5.2	Audited areas are focused on specific risk of the organization operations					
45	5.3	Auditors are cover all organizational units and issues in their audit activities					
45	5.4	The response of tax payers to the audit is submitted in written and has a power to appeal on the findings					
45	5.5	There is regular follow upon those taxpayers to examine actions taken to correct the audit findings found					
45	5.6	Tax auditors have appropriately prepared working papers after their audit work in this office.					
45	5.7	Quality assurance is an appropriate tool to ensure quality of audit work on North west Addis Ababa small tax payers Revenue Authority branch office.					
E		**Questions Regard with Organizational Independence**					
	6.1	Tax auditors have appropriate ethics of international profession in this branch.					
56	6.2	Tax auditors are free from any Corruption.					
56	6.3	Reputation of auditors related with corruption has impact on audit practice.					
56	6.4	All organizational data pools (data bases, contracts, etc.) are accessible to the tax auditor and examined by the auditor.					
56	6.5	Rotation of tax auditors into a variety of organizations and into different sectors has an impact on audit effectiveness					
56	6.6	Tax audit perform the auditing activities without any interference from anybody and without any influence from other offices or sectors.					

56.7	Tax audit can include any audit finding in audit work and report directly to responsible body.					