



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM**

**ASSESSMENT OF TAX AUDIT EFFECIVENESS: THE CASE OF ADDIS
ABABA CITY GOVERNMENT REVENUE AUTHORITY LARGE TAX
PAYER'S BRANCH OFFICE**

(BASED ON AUDITORS PERCEPTION)

**BY
TIGIST TEFERA**

**JUNE 2021 ADDIS ABABA,
ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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ADDIS ABABA,
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Statement of declaration

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Misrak Tesfaye (Ass. Prof.). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature

ST. MARY'S University, Addis Ababa

JUNE, 2021

Table of Contents

Statement of declaration	iii
List of table.....	vi
ACKNOWLEDGMENTS.....	vii
List of Abbreviations and Acronyms	viii
Abstract.....	ix
CHAPTER ONE	1
INTRODUCTION.....	1
1.1. Background of the study.....	1
1.2. Statement of the problem	3
1.3. Research Questions	4
1.4. Research objectives	5
1.4.1 General objectives.....	5
1.4.2 Specific Objective	5
1.5. Significance of the study	5
1.6. Scope of the study	5
1.7. Limitation of the Study	6
1.8. Organization of the study	6
CHAPTER TWO	7
Literature Review.....	7
2. Introduction	7
2.1. Theoretical studies of tax & tax audit.....	7
2.1.1. Theories of auditing	9
2.1.2. Meaning and Concepts of Tax.....	11
2.1.3. Objective of tax audit	14
2.1.4. Determinants of Tax Audit effectiveness.....	15
2.1.5. Assessment of Tax Audit effectiveness.....	16
2.1.6. Tax Assessment system.....	20
2.1.7. Taxpayer’s rights and responsibilities	22
2.1.8. Tax Auditor Responsibilities and Duties.....	22
2.1.9. The Effective Tax Audit Program.....	22
2.2. Empirical review.....	23
2.2.1. International studies	23

2.2.2. Local studies	24
2.2.3. Gap in Literature	27
CHAPTER THREE	29
3. Research Design and methodology	29
3.1. Research Design	29
3.2. Research Approach	29
3.3. Population of the study	29
3.4. Source of Data.....	30
3.5. Data analysis	30
3.6. Data Reliability Test of the study	30
CHAPTER FOUR	31
4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	31
4.1. Demographic information.....	32
4.2. Results and Discussion	33
4.2.1. Tax audit function or process.....	34
4.2.2. Audit attributes	37
4.2.3. Audit quality	41
4.2.4. Organizational independency respondents report.....	42
4.2.5. Organizational setting respondents report.....	45
4.2.6. Top management support respondents report	46
4.2.7. Competence of staff auditors’ respondents report	48
4.2.8. Tax audit effectiveness respondents report	49
4.3. Summary of tax audit effectiveness	51
CHAPTER FIVE	55
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	55
5.1. Summary of Findings.....	55
5.2. CONCLUSIONS	57
5.3 Recommendations	58
5.4 Future research implications	59
References	60
Appendix I	64

List of tables

table 4. 1 represents different educational backgrounds of the respondents.....	32
table 4. 2 Summaries of Responses on tax audit function or process respondents.....	34
table 4. 3 Audit attributes respondents report	37
table 4. 4 Audit quality respondents report.....	41
table 4. 5 Organizational independency respondents report	42
Table 4. 6 Organizational setting respondents report	45
Table 4. 7 Top management support respondents report.....	46
table 4. 8 Competence of staff auditors' respondents report	48
table 4. 9 Tax audit effectiveness respondents report.....	49
table 4. 10 Tax audit effectiveness summary data presentation.....	51

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List of Abbreviations and Acronyms

AA: Auditee attributes

AQ: Audit quality

ERCA: Ethiopian revenue and customs authority

IA: Internal audit

LTO: large tax payer's office

MOFED: ministry of finance and economic development

OI: Organizational independence

OS: Organizational setting

SPSS: Statistical package for social science

TA: Tax auditing

TAE: Tax audit effectiveness

TMS: Top management support

TOT: Turn over tax

VAT: Value added tax

Abstract

A tax audit examines whether a taxpayer has appropriately evaluated and declared their tax liability, as well as whether they have met their duties. One of the most successful policies for preventing tax evasion is a thorough tax audit. However, still ineffective tax audit program was engaged in Ethiopia. Based on this the study is to assess factors affecting tax audit effectiveness in Addis Ababa city government large tax payers branch revenue office. Descriptive research designs were used, and qualitative and quantitative research methods, to attain the study's goal. The study used a survey of questionnaire analysis. The Sample respondents selected for the entire set of all tax auditors study were 50 auditors and 47 were collected. Data analyzed on a quantitative basis using descriptive statistics. The results showed that tax audit attribute, audit quality, top management support, competency of staff auditors, have statistically significant influence and positive impact on assessment of the studied organizations on tax audit effectiveness. While organizational setting has a beneficial effect on tax audit effectiveness, it is statistically negligible. On the other hand, organizational independency has not significant influence on tax audit effectiveness. To reduce the negative impact of tax legislation on tax audit effectiveness, the organization should clarify tax laws and establish workable regulations.

Key words: *Auditee Attributes, Audit Quality, Organizational Independence, Organizational Setting, Top Management Support and Competency of Staff Auditors.*

CHAPTER ONE

INTRODUCTION

In this chapter, the main problems, significance and objective be addressed in the study have been stated.

1.1. Background of the study

States need income sources for the expenditures incurred to deliver and maintain public services. The most important of these income sources are the taxes (Isik, Gelen, & Sonsuzoglu, 2017). Tax is a mandatory charge imposed by the government without any expectation of quid pro quo. In other words, tax is a compulsory payment by the people to the government for which there is no direct return to the taxpayers. Tax imposes a personal obligation on the people to pay the tax if they are liable to pay it. Economic growth or development and international competitiveness are sometimes listed as separate goals, but they can generally be subsumed under the other three.) In the absence of a compelling reason for intervention (such as the need to reduce pollution), if fiscal policy does not interfere with the allocation of market decisions, it will promote the priority allocation of target resources. The second goal, income redistribution, aims to reduce the inequality in the distribution of income and wealth.

In Ethiopia, taxes are administered at the federal or central and regional level. The Constitution of the Federal Democratic Republic of Ethiopia (FRDE) separates taxes collected by the federal government, state or regional governments, and federal and state governments (Proclamation No. 33/1992). The regional governments of Ethiopia collect taxes and revenue by bureaus of Regional Inland Revenue Authorities from privately own enterprises and organs of regional governments (FDRE Constitution, Article 97).Whereas, The central government tax collection agency is responsible for collecting federal and joint revenues owned by the central government and local governments from different organizations, including the federal government (Article 96 of the FDRE Constitution). The sharing of revenue between the federal government and regional governments takes considerations like; ownership of source of revenue, the regional character of the sources of the revenue, convenience of levying and collection of the tax or duty, population, distribution of wealth, standard of development the collection and collection of taxes or tax rates, population, wealth distribution, and development levels in various regions; and other factors that form the basis of a comprehensive and balanced economy (FDRE Constitution, Article 98).

An 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 the financial statements provided by the organization (<https://economictimes.indiatimes.com/definition/audit>). In the field of auditing, there are two types of auditors: internal auditors and external auditors. Almost everyone started with an external audit.

The tax audit is relevant in tax administration both developed and developing countries of the world to avoid tax evasion and avoidance by the people and organizations. Meaning that tax audit investigates the compliance of any forms of taxes either direct or indirect concerning their audited financial statements and other tax-related returns (Olatunji and Temitope, 2018)). According to OECD (2006), a tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax liability and fulfilled other obligations.

Also tax audits are a detailed exploration of taxpayers' activities to determine whether they have correctly reported their tax obligations. The inspection of taxpayer activities indirectly promotes voluntary tax compliance and directly generates additional tax revenue. 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 & Ramachandran, 2004). Tax audits are usually understood to refer to an investigation in to the background of the tax returns submitted by an individual or business to a tax agency. In other words, tax audits are an extension of normal audits, generally for the purpose of expressing opinions on the fairness of the accounts audited by the auditors and to certify financial statements for tax purposes.

Tax administrations carry out tax audits so as to verify that the taxpayer has complied with provisions of the tax legislation (OECD, 2006). Tax audits are investigations carried out by tax authorities to verify the accuracy of tax returns and to try to detect non-compliant behaviors and activities (Kirchler, 2007). However, the role of auditing in modern tax management goes beyond the duty of verifying taxpayer reports and discovering discrepancies between taxpayer returns and supporting documents. Expanded domestic revenue base through taxation offers a promise of greater autonomy in the future and break from restricted aid loan conditionality, with this vision, recently, many poor sub cities have become preoccupied with improving tax system for instance, Ethiopia in an effort to increase the government domestic revenue the government placed the sales tax with value added tax (vat) and turn over tax (tot). (Misrak 2014).

Tax audits usually focus on areas where there is a high risk with regard to the amount of tax paid and/or payable. Depending on the specific factors relating to a taxpayer, the scope of tax auditing will often vary. However, it is important to remember that the primary objective of an audit is to determine the correct amount of tax that ought to be paid. The above stated objective is very important to tax payers as well as to tax authorities and it helps ensure that taxpayers have confidence in the fairness of the audit process such that an audit could result in either an increase or a decrease of a taxpayer's tax liability. (ERCA, 2010)

In our country, Ethiopian Ministry of Revenues has a power to assesses tax payer account and selects tax payers for tax audit, to check and ascertains whether selected tax-payers for audit are performed as per its decision and instruction, conducts follow up and control activities as well as audit operations of the selected taxpayers develop criteria for classification of tax-payers in to categories to enable effective selection provides guidelines to the data compilation unit regarding tax-payers for which data gathering and analysis activities should concentrate and to ensure that the tax payers pay the correct amount of tax under the law. Under Ethiopian tax system, tax is classified as direct and indirect. Indirect tax which are taxes that are levied on the consumption or expenditures. According to Article/ 3 of the proclamation number 587\2008 the Authority is looked up on as an autonomous Federal Agency having its own legal personality.

The objective of the organization to establish modern revenue assessment & collection system and customs with equitable, efficient & quality service to raise tax- payers voluntarily discharge their tax obligations, to enforce tax & customs laws by preventing & controlling contraband as well as to mitigate tax avoidance & evasion by enforcing to collect timely with effectiveness tax revenue generated by the economy to provide & support. In addition, the ministry of revenue has made the tax system computerized; moreover, the FDRE is trying to improve its tax administration capacity which encompasses tax audit as one of its components.

1.2. Statement of the problem

Developing country like Ethiopia an assessment of tax audit requires subjective assessment but it requires a good tax audit practice also it is relating to an organization, the Ministry of Revenues has a power to collect tax efficiently and effectively from the economy. The authority should design different systems that can prevent the tax evasion and tax avoidance. In Ethiopia, it was very difficult to get reliable documentary evidence. Thus, the auditing process is long and it may be a loss for the organization when we considers the time value of money and the resources committed to the audit functions tremendous. The expansion control of have big

effects that repel the tax payers for tax evasion and avoidance with this respect evaluation of the taxpayers in the existing tax audit. (ERCA, 2007).

Some empirical studies were conducted on tax audit effectiveness in Ethiopian context. The study of (Gebeyehu, 2008) discuss tax audit concerning its significance on revenue. The study of (Bibibiso, 2014) discusses Hawassa city administration tax audit performance. The study of (Ayalew, 2014) discusses factors affecting tax audit effectiveness a study on category A taxpayers in Bahirdar city administration by considering tax audit quality, audit attributes, and organizational independence, top management support and organizational setting as determinant of tax audit effectiveness. Similarly, the study of (Melat Abera, 2016) discusses factors affecting tax audit effectiveness evidence from large taxpayers ‘office of Ethiopian revenue and customs authority. However, those studies it is rather an overdone subject in Ethiopia, in general and in Addis Ababa city government revenue authority branch office the case of large tax payers particularly. So the researcher assessed the tax audit effectiveness from the auditors’ side in Addis Ababa city government revenue Authority branch office. Therefore, the purposed of this study is to focused on the assessment of which factor is affecting tax audit and several comparisons were made with past performances to fulfill the gap by providing an intervention activity for Addis Ababa city Government Revenue Authority large tax payers’ branch office.

1.3. Research Questions

1. How effectively does tax audit selection process to identify taxpayers in a high tax risk areas with the help of information technology?
2. How far the revenue office tax audit systems and auditors are monitored and evaluated?
3. How far the revenue office tax audit systems and auditors are monitored and evaluated
4. What are the compliance issues associated with taxpayers’ responsibilities during tax auditing?
5. How does the tax auditors’ experience affect the tax audit effectiveness in the Addis Ababa City Government Revenue Authority branch office?
6. How does the tax auditors' training affecting the tax audit effectiveness in the Addis Ababa City Government Revenue Authority branch office?
7. What are the effects of tax auditors' education level on tax audit effectiveness

1.4. Research objectives

1.4.1 General objectives

The main objective of this study was assess the factors affecting tax audit effectiveness the case of Addis Ababa city Government Revenue Authority large tax payer's branch office (Based on tax auditor's side)

1.4.2 Specific Objective

Based on the general objective stated above, the study has addressed the following specific objectives:

1. To assess the effect of tax audit selection process on tax audit effectiveness.
2. To examine the effect of tax audit attributes on tax audit effectiveness.
3. To evaluate the effect of tax audit quality on tax audit effectiveness.
4. To ascertain the effect of organizational independency on tax audit effectiveness.
5. To examine the effect of Organizational setting on tax audit effectiveness.
6. To assess the effect of top level management support on tax audit effectiveness.
7. To evaluate competence of staff auditors on tax audit effectiveness.

1.5. Significance of the study

This research aims to assess and identify the main problems of tax audit program performed, that affects tax audit office of Addis Ababa city Government Revenues Authority large tax payers' branch office and will recommend mechanisms for improvement. The results of this study are expected to be significant in various respects based on the results of the investigation, the report presented some conclusions and suggestions, so that the Municipal Tax Office can identify the factors that affect the effectiveness of tax audits and take corrective measures to maintain the existing factors through improvements in tax audits.

It can also serve as a guide for the taxing authorities through their day-to-day audit process by using it as a reference. It can also help by recommending adjustments that should be made on the audit process in more. Furthermore, other researchers can use this paper as possible references for their studies.

1.6. Scope of the study

The scope of this study is limited to the assessment of factors affecting tax audit effectiveness in case of Addis Ababa city Government Revenue Authority large tax payers (under perception of

tax auditor). Methodologically, this research was delimited to descriptive research design following quantitative and qualitative research approach.

1.7. Limitation of the Study

Despite the contributions of this study, there are some limitations which need to be acknowledged. First, data were collected from tax auditors only, second Lack of available and organized secondary data about organizational profile; third it was not easy to get all relevant information from respective offices. Therefore, future studies could be conducted in the areas where limitations have been identified.

1.8. Organization of the study

This thesis has five chapters. The first chapter with its sub topics has introductory parts incorporated the background of the study, statement of the problem, research objectives, research questions, significant of the study, a description of the research area and the study's scope. The second chapter of this study discussed works of literature available in the areas of tax audit effectiveness, which includes definitions of the terms and concepts, review of the theoretical and empirical literature .The third chapter, methodology; expresses the information regarding the sampling techniques and techniques of analysis to be used to conduct. Chapter four will discuss about data presentation, analysis and interpretation, tables are used in this part to describe and analyze the quantitative data. Finally, the fifth chapter discusses summary and conclusions gained from the study's research findings, and forwarded recommendations based on the findings of the study.

CHAPTER TWO

Literature Review

2. Introduction

The following part of this study examinations the important literatures that will selectively review of meaning of taxation in Ethiopia , tax audit, types of tax audit, Measurements of tax audit effect, theoretical review, and empirical review in general. The theoretical review focuses on the factors of tax audit effectiveness. 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 Literature

Tax is defined as a mandatory tax levied by the government or other taxation agencies on income, expenses or capital assets, and taxpayers will not receive any specific returns for this. However, not all payments to government are considering tax payments: for example, charges, and other levies have paid to obtain a specific service and are not strictly tax payments. One of the main reasons why the government imposes taxes is to generate income to manage the economy and redistribute resources (Lymer& Oats, 2009). In both established and developing countries, taxation is a crucial part of controlling national income. Thus, taxation can be broadly and comprehensive defined as a compulsory collection of money by government; it is a payment extracted by the government from people and organizations to fund public expenditures, transfers resources from private to public consumption and involuntary levies without a quid pro quo (Misrak, 2008)

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

ERCA, (2010), A tax audit in ERCA's context is defined as: an activity or a set of activities performed by Tax auditors to determine at taxpayers' correct tax liabilities for a particular accounting or tax period, by examine of a taxpayer's organization procedures and financial records in order to assess compliance to tax laws and verifying the true, fair, reliable and accurate tax returns and financial statements. Tax audit in the context of ERCA is defined as one or a series of activities by which a tax auditor checks the taxpayer's organizational procedures to

determine the correct tax liability of the taxpayer in a particular accounting or tax period records to assess compliance Tax laws and verify the authenticity, fairness, reliability and accuracy of tax returns and financial statements.

Tax audit is a systematic inspection of the company's relevant business systems to determine whether the taxpayer's declaration correctly determines the tax liability and complies with the tax law and related subsidiary legislation. It involves tax auditors checking the taxpayer's financial statements, account books, and vouchers to determine whether the taxpayer has accurately considered the income and expenditures when determining the taxes shown in the return in accordance with tax law requirements. It also involves other methods such as site observation, direct monitoring of cash business income, the use of profit margin techniques, and key ratio analysis (ERCA, 2014). The definition of a tax audit is "the relevant tax authority reviews the tax reports of individuals or organizations to determine whether they comply with applicable national tax laws and regulations." He further stated that a tax audit is an internal tax service department trying to confirm your tax return the process of filling in the numbers. Tax compliance can be defined as "and the ability of tax authorities to provide accurate, complete and satisfactory statements to authorities in accordance with state tax laws and regulations to assess taxation" (Kircher, 2008).

Like financial audits, tax audits involve the collection and processing of information to determine how well the organization complies with territorial tax laws.

For a successful audit, it is necessary that the auditor organize his work in such a way that the assignment was accomplished completely and efficiently. Most importantly, however, professional tax investigators or auditors must have a solid understanding of accounting and taxation, must explain tax laws and tactics in detail, and display a high degree of wisdom in applying tax laws, and must have solid technical research knowledge. In addition to technical skills, you should also be alert and open, and have good communication skills. These are the personal prerequisites necessary for any tax auditor or investigator to successfully complete the tax audit task. A tax as we already know is a charge imposed by governmental authority upon property, individual or organization to raise money for public purpose. On the other hand, auditing can be viewed as checking the records behind the financial statements because it allows auditors to report authoritatively if they believe that the statements provide a true and faithful view (Izedonmi, (2000); Okoye, (2006). Frank (2010) concluded that the audit policies designed by the tax authorities will have an important impact on the company's production decisions.

The nature of these effects depends on whether the company is competing or conflicting. Therefore, a properly designed audit policy can not only achieve higher compliance and higher net income for the given production and resources spent on audits, but also produce other things that are generally considered desirable in a more economical context. Through intelligent audit policy design, the authorities can create information externalities and partially offset the information benefits of industry insider information. Since product market decisions are made based on the final result of expected net profit after tax, audit policies can be linked to production decisions.

Therefore, tax audits lead to tax increases in two ways: (1) directly through the assessment of additional taxes; (2) indirectly preventing all taxpayers from underreporting their liabilities. The purpose of tax audit is to verify tax evasion and ensure compliance with laws and regulations. The tax audit in a tax administration system that includes purpose of tax audit, types of tax audit to be performed, effective audit program, audit case selection methods, examination techniques to be apply for tax audit and required capabilities of effective tax auditors (Barreca & Ramachandran, 2004).

2.1.1. Theories of auditing

Auditing theory helps explain why society needs auditing: the role and purpose of audit services in communication between a company and its environment. The agency theory is the most prominent of the existing theories.

1. Agency theory

Adams (1994) uses agency theory to explain that maintaining a strong internal audit department is in management's interest. The implementation of audit recommendations is highly correlated with the effectiveness of the audit (Van Gansberghe, 2005), and the organization's management is seen as a client of internal audit services. Therefore, management's commitment to using audit recommendations and their support to strengthen internal audit is critical to audit effectiveness (Sawyer, 1995). Xiang Dong (1997) used agency theory to explain the role of internal audit in the economy, and pointed out that internal audit has the advantages of obtaining information faster and finding problems earlier than external audit; and Sparkman (1997) applied transaction cost economic theory to prove The importance of internal audit recommendations to the management of government organizations. Unless management commits to implement the audit results and recommendations, the audit results and recommendations will not be of much use. "The auditor is hired as a contract agent, but is expected to be independent of the agent who

manages business operations. In this case, the main goal of the audit is accountability, and the audit helps to strengthen trust and promote stability" (Audit Quality, 2005).

2. Positive Accounting

Theory (PAT) Watts and Zimmerman sought to develop an empirical theory for setting accounting standards. "Such theories will help us better understand the pressure sources that drive the accounting standard-setting process, the impact of various accounting standards on the individual and resource allocation of different groups, and why each group is willing to spend resources. Attempt to influence the norm-setting process" (Watts and Zimmerman, 1978, 112).

3. Institutional theory

The concept of institutional is related to organizations actions over time. Such actions are said to be legitimated within an organization and environment (Pfeffer 1982). Institutional theory shows that only if the internal operating process is loosely coupled with the observable structure can the actual work of the organization be completed. Therefore, an organization with a suitable structure will avoid an in-depth investigation of its functions by external auditors (Meyer and Rowan 1977). Organizations are subject to the rules and regulations that they must follow to ensure their legitimacy, thus obtaining resources and ensuring their survival (DiMaggio and Powell 1983). However, these rules and regulations do not necessarily guarantee that the organization will continue to operate effectively (Meyer and Rowan 1977; Scott 2008). Institutional elements include institutions and, over time, institutional elements are given priority. The key point is to identify what institutional elements reinforce or undercut other elements (Scott 2008). Functional pressure, political pressure and social sources are three possible factors that cause pressure on institutional common practices (Oliver 1991)

4. Stewardship theory

Stewardship theory outlines a co-operative and optimistic view of relationships within the corporation by assuming that managers are good stewards and do not misappropriate corporate resources; their behavior is also conditioned by non-financial motives such as the need for recognition of their achievements and performance (Vanden et al. 2004). Thus the directors' role is to counsel and advice rather than to monitor the stewardship theory holds that no inherent, general problem of executive motivation exists. The model of man is based on a steward whose behavior is pro-organizational and collectivistic. Following the basic thoughts of stewardship

theory, there is no need of implementing monitoring mechanisms. There is no need of engaging audit services in order to secure the reliability of information. However, within stewardship theory an audit could be of value as a means of assisting the executive's stewardship.

5. Stakeholder theory

Stakeholder theory explains the relationship between organizations and their external environment (Freeman 1984). A stakeholder is defined as a human agency that can have an impact or affect organizations (Gray et al. 1996). Stakeholders represent the big umbrella for all individuals and parties that may have a direct or indirect interest in an organization. Direct stakeholders are shareholders, employees, investors, customers and suppliers whose interests are aligned with the company. An example of an indirect stakeholder is the government, which is indirectly affected by the company's function (Kiel and Nicholson 2003). Due to this role of stockholders, organizations are not only accountable to shareholders only but also to stakeholders.

2.1.2. Meaning and Concepts of Tax

Tax has been defined by various authorities and professionals in various ways. Conceptually, tax can be defined or seen as a compulsory transfer of resources from the private to the public sector (Uremadu, 2000). According to Adesola (1998), tax is a compulsory levy which a government imposes on its citizens to enable it to obtain the required revenue to finance its activities. And the other scholars Lymer and Oats (2009) tax is defined as a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives expenditure, for which the taxpayer receives nothing specific in return.

According to the IRS (Internal revenue service's) tax agencies conduct various types of audits: correspondence audit, office audits, comprehensive audit, Field Issue Audit, Desk Audit and Refund Audits. If you are the audited, the agency is informing you which type of audit you are being subjected to.

► Comprehensive Audit

A comprehensive audit is a comprehensive examination of all information relevant to the calculation of a taxpayer's tax liability for a given period. This audit may cover all tax obligations over a number of tax periods, or extended to several years up to the limit provided

for in the law (Ebrill, 2011) as cited by Mekonnen (2017). A comprehensive audit is all-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 types for a given period. It's classified into very complex, complex and simple (ERCA Tax Audit Manual, 2017).

► **Correspondence Audit**

A correspondence audit is the mildest audit and generally course as a result of some minor mistakes on your tax returns. Generally, a correspondence audit can be completed by the taxpayer mailing required forms and documentation to the audit agency. Once the taxpayer has submitted all of the requested information, the agency is reviewing the material and closes the audit once all issues have been properly addressed.

► **Advisory visit audits:**

It involves the auditors visit to newly established businesses. They advise them regarding tax types, filing of returns, payment of amounts due, record keeping to be maintained, refund claims, risk of audit and sanctions of noncompliance. These visits are very appropriate when introducing new tax laws.

► **Office Audit**

An office audit (desk audit) typically involves the tax payer being required to physically bring documentation to the branch of the agency to be reviewed by examiners. Examples of office audits include situations where individuals have claimed abnormally high deductions (i.e. medical expenses) and the agency wants to see the corresponding medical bills to verify that the information is accurate.

► **Record keeping audit**

It is unannounced visits to the taxpayers' business premises to check whether the appropriate records are kept and VAT invoices are issued. The visit points out the obligations of the taxpayer regarding the keeping of records and followed up with penalties if the taxpayer continues to disregard record keeping requirements (OECD, 2006).

► **Field Issue Audit**

This is a limited scope audit that may be confined to specific issues in a tax return and/or a particular tax type. According to Grand colas (2005), it focuses on a tax type and covers no more

than one or two reporting periods. 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 normally focused on a single tax type, period or item. Where a field issue audit escalates the case into a comprehensive audit, the team coordinator`s concurrence must be sought and the procedures prescribed for comprehensive audits adhered to. Issue audits may be conducted either on the desk or in the field.

In a field audit, the auditor will come to the tax payer`s home or office (depending on the type of audit) and verify that your tax returns were accurate. The main difference between an office audit and a field audit is that field audits happen on the property of the tax payer, where office audits happen in the agency branch office. In some cases, individuals may request that the audit be done at the office of their accountant, and the IRS will go to that alternate location to carry out the field audit. (<http://www.lawfirms.com> , 2019).

Field Issue Audit is the escalation of a desk issue audit into a field activity or exercise. It is important to remember that the audit is limited to key issues of compliance or to a tax type or period. Field issue audit is commonly used in examining whether a taxpayer has met his/her obligations in respect of payee, VAT/TOT and excise tax, withholding tax or income tax normally for a specified tax period.

► **Desk Audit**

A Desk audit is used as a preliminary examination of declarations analyzing accuracy, completeness, ratios and cross-checking information to determine if further audit or investigation is warranted. It involves basic checks conducted at the tax office when the auditor is confident that all necessary information can be ascertained through in-office examination. Information technology (IT) systems should provide strong support for these verifications (Ebrill, 2011) as cited by Makonnen (2017).

► **Refund Audits**

This is the verification of a taxpayer`s claim for a tax refund prior to processing the refund. It should focus only on the period covered by the claim. A pre-refund audit should be undertaken to verify the taxpayer`s entitlement to a refund prior to processing a first refund claim particularly for new registrants. It is also carried out where the refund claim varies significantly

from established patterns and trends. Audits of further claims should be carried out selectively Grandcolas (2005). According to the ERCA Audit Manual (2017), the predominant claim for refund is VAT and/or withholding tax in which their returns are submitted monthly

► **Fraud investigation**

Fraud investigation is a type of tax audit that investigates criminal which arises from where the most serious cases of noncompliance. It helps to detect fraud, evasion, and criminal activity Krelove (2005). Fraud investigation requires special skill including meeting evidentiary requirements, seizure of evidences or records, testimony from key witnesses and preparing briefs for courts. Hence, it should be undertaken in accordance with criminal procedure laws. OECD (2004a) stated that, Revenue authorities should maintain a dedicated organizational unit responsible for the handling of serious cases of tax fraud or evasion. According to OECD (2006) the types of tax audit are categorized in different based on the scope and its intensity of the audit performed. Based on the scope and intensity there are different types of audit activities. Full audits: The scope of a full audit is all encompassing. It typically entails a comprehensive examination of all information relevant to the calculation of a taxpayer's tax liability for a given period. The objective is to determine the correct tax liability for a tax return as a whole. Limited scope audits: Limited scope audits are confined to specific issues on the tax return and/or a particular tax scheme arrangement employed by the taxpayer. The objective is to examine key potential risk areas of noncompliance. These audits consume relatively fewer resources than full audits and allow for an increased coverage of the taxpayer population. Single issue audits: Single issue audits are confined to one item of potential noncompliance that may be apparent from examination of a taxpayer's return. Given their narrow scope, single issue audits typically take less time to perform and can be used to review large numbers of taxpayers involved in similar schemes to conceal non-compliance

2.1.3. Objective of tax audit

The overall objective tax audit is to improve the compliance of tax payers, whether they declare the correct amount of tax and paid at the right time. The expectation by a tax payer of an audit should have a deterrent effect and encourage the tax payer to declare as far as possible a credible tax return. It also improve the tax payer's understanding and awareness of the relevant taxes to achieve these objectives, the following action are required verifying that the recorded particulars if a tax payer are correct and, if not, ensuring corrective action is taken , establishing, or confirming, if previously visited, what activities are carried on by the business, what records are

maintained and whether they sufficiently and accurately record the activity of the business to enable the tax liabilities to be correctly determined, ensuring that the tax payer or his agent understand clearly the operation of the taxes and the requirement of the tax laws as they affect their business, assessing the degree to which risks are found and, if there are any, what measures need to be taken to counter them, checking the correctness of the tax returns being verified and that any tax due is paid, Ensuring that, if any further tax, refund or a repayment is due, it is correctly identified and accounted for, being alert for any indications of fraud and determine adequate audit procedure are in place quantify the risk of fraud or malpractice and ensuring that any unsatisfactory features discovered on an earlier audit have been corrected. (Tsegaye et al, 2014).

2.1.4. Determinants of Tax Audit effectiveness

Tax audit effectiveness, the extent to which a tax audit office meets arguably a result of the interplay among six factors: attributes of the auditee, audit quality; organizational independence, organizational setting; management support; and, Competency of staff auditors on tax audit. The management's support of the resources and commitments to implement tax audit recommendations is critical to achieving the effectiveness of the audit. Also, the organizational setting in which tax audit operates, the organizational status of the office, its internal organization, and the policies and procedures applicable to each auditee should allow the audit to proceed smoothly, there by producing useful audit results. In addition, the ability, attitude, and degree of cooperation of the auditee will also affect the effectiveness of the audit. Therefore, the effectiveness of tax audits should be regarded as a dynamic process, continuously shaped by the interaction between the above six factors. If the expected result is achieved, the tax audit is effective.

Van Gansberghe (2005) determined perceptions and ownership based on the results of a consulting forum focused on improving internal auditing in the public sector; organizational and governance frameworks; legislation; improving professionalism; conceptual frameworks; and resources as factors affecting the effectiveness of internal auditing . Effective internal audits conduct independent evaluations of financial and operational information, systems, and procedures in order to provide helpful suggestions for improvement where necessary. The effectiveness of internal audit has greatly promoted the effectiveness of each auditee and the entire organization (Dittenhofer, 2001). Dittenhofer (2001) also observed that maintaining the

quality of internal audits will contribute to the adequacy of the audits procedures and operations, so that the audit will help improve the effectiveness of the audits and the entire organization.

Previous literature related to the effectiveness of internal audits focused on the planning and execution of the audit and the ability to objectively communicate useful findings (Dittenhofer, (2001); Mihret and Yismaw, (2007); Aaron Cohen and Gabriel Sayag, (2010); or take a broader approach. Approach the views of this group include factors that transcend the boundaries of individual organizations (Van Gansberghe, 2005).

2.1.5. Assessment of Tax Audit effectiveness

The auditee attributes of IA are considered to be the determinants of IA effectiveness (Mihret and Yismaw, 2007). The attributes of the auditee are related to the ability of the auditee to achieve its expected goals. The attributes of the auditee that have an impact on the effectiveness of the audit include the ability of the auditee to effectively meet the organization's sub-objectives; your attitude towards tax audits; and the degree of cooperation provided to the auditor. The qualities of the audit and management's support have greatly affected the effectiveness of the audit. In turn, better audit efficiency will have a positive impact on these two factors. If the quality of the tax audit is improved to arouse the interest of the administrative department, the support of the administrative department will naturally be rewarded by favor, because the administrative department will be aware of the contribution of the tax audit to the realization of the organization's goals. This will positively reflect the quality of the audit and improve the effectiveness of the audit.

The management's commitment to the implementation of audit recommendations has improved the auditee's operations, so the auditee's attributes will be improved, thereby contributing to the effectiveness of the audit. In addition, the management reserves the right to improve the organizational environment and influence the auditee to have a positive impact on the effectiveness of the audit, which in turn benefits the quality of the audit. In order to achieve an effective audit work, the auditor must have full and unrestricted access to all activities, records, and property, as well as the cooperation of the auditee.

The degree of difficulty of the auditee in obtaining the required records varies with the auditee. The auditee's ability to achieve his objectives is also reflected in the quality of the audit. The quality of the IA audit is considered to be the determinant of the IA's effectiveness (Mihret and Yismaw, (2007) and Aaron Cohen and Gabriel Sayag, (2010). The quality of the audit, which is

reflected in the office's ability to provide useful audit findings and recommendations, is one of the most prominent factors in the effectiveness of an audit. IA performance standards require the auditor to plan and execute the work so that he can arrive at useful audit results and make recommendations for improvement.

The ability of the office to plan, execute and communicate the results of the audit correctly is an indicator of the quality of the audit. Therefore, it can be said that the quality of the audit depends on the extensive professional knowledge of the employees, the reasonableness of the scope of the service and the effective planning, execution and communication of the audit. To assess these determinants of audit quality, evidence from responses to the audit office director questionnaire was used. To support the results, supplementary information was collected by reviewing relevant documents. Therefore, it can be said that higher quality audit work, understood from the perspective of compliance with formal standards and high efficiency in the planning and execution of the audit, will improve the effectiveness of the audit. Independence does not have a unique meaning or interpretation for people, so the concept is ambiguous and uncertain (Wines, 2012).

However, in terms of case studies, independence refers to the concept of being free from any management influence when internal auditors conduct audit activities and issue audit reports (Ahmad and Taylor, (2009); Belay, (2007); MOFED, (2004). Independence is essential to the reliability of audit reports. If auditors are not independent in facts and appearances, then these reports are not credible, and investors and creditors have little confidence in them. The value and credibility of the attestation services provided by auditors are derived from the basic assumption of spiritual independence and apparent independence (Wines, (2012); Stewart and Subramanian, (2010).

(Drogalas George, (2015) studied factors related to the effectiveness of internal audits in the Greek business environment. There is a positive and significant relationship between internal audit effectiveness and independence of internal audit (Elias, 2014) studied the factors that affect the effectiveness of tax audits for category “A” taxpayers in the Tax Office of BahirDar Municipal Government. This finding implies that organizational independence also has a positive impact or relevance to the effectiveness of tax audits. This means that organizational independence has a positive impact on the effectiveness of tax audits. (Shewamen, (2014) the study on internal audit effectiveness; determinants of internal audit effectiveness; Ethiopian

Public sector offices; He founds organizational independence were positively related with the internal audit effectiveness.

The organizational environment of IA is considered to be the determinant of the effectiveness of IA (Mihret and Yismaw, (2007). Organizational environments include the tax audit position in the organizational structure; the integrity of the internal organization of the tax inspection office; the budget status of the internal audit office and the existence of well-established standards for evaluating the auditee's practices. The organizational status and the internal organization's tax audit function should have a high enough status in the organizational structure to better communicate with top management and ensure that the tax audit is independent of the auditee. Independence is essential to provide effective tax audit services to the administration, because it provides an objective and unrestricted atmosphere to evaluate and report the results of the investigation, regardless of the audited entity.

The tax audit function of the Internal Revenue Department functions as an office reporting to the Commissioner. This provides the office with the necessary independence from the auditee. Proper internal organization is also critical to the effectiveness of the audit. In addition, the independence of auditors is essential to the effectiveness of the tax audit function. The independence of auditors can be achieved by rotating auditors instead of assigning auditors to businesses that have administrative or other relationships with them that are deemed to impair objectivity, for example, auditor independence. Advise the audited nuclear parties on the design and implementation of the system. Organizational policies and procedures In order to make tax auditing effective, there should exist clear policies and procedures against which organizational practices are to be argued. Additionally, the results of tax audit services can help improve these policies and procedures.

The policies and procedures of the research institution organization and practice are applicable to public sector organizations in Ethiopia. This component of organizational configuration factors has been fairly evaluated in terms of its impact on audit effectiveness. Administrative support for artificial intelligence is considered to be a determinant of the effectiveness of artificial intelligence (Mihret and Yismaw, (2007) and Aaron Cohen and Gabriel Sayag, (2010).The management literature offers ample evidence for the key role of top management support in the success of almost all programs and processes within an organization. Fernandez and Rainey (2006) believe that based on a comprehensive review of the literature, senior management's support and commitment to change play a vital role in organizational renewal,

because senior management can mobilize the necessary key people to follow up by the organization. Efforts initiated. One or two visionary's thinker. A number of empirical studies have found top management support for quality to be a key factor in its improvement the attitudes and behaviors of senior managers were also found to be related to quality management practices.

A survey of companies with high quality performance found that 89% of CEOs regularly visit factories, participate in training programs, and participate in quality improvement events throughout the company. Therefore, management's support for artificial intelligence is important at the abstract level (the manager must treat the audit department's activities as legitimate) and to ensure that the artificial intelligence department has the resources needed to complete the work. Adequate staffing of the audit department and good management of these personnel are the keys to the effective operation of tax audits. Auditing requires professional staffs, which together possesses the education, training, experience and professional qualifications necessary to perform the all-round audit required by their duties.

Auditors must meet the minimum continuing education requirements and professional standards issued by relevant professional organizations. Bou-Raad (2000) believes that auditors must have a high level of education in order to be regarded as human resources. Bou-Raad said that the diversity of skills required is a huge challenge for professional bodies, higher education institutions and managers. A few studies that have studied this issue have found that the higher the professional qualifications of internal auditors in a particular department, as defined by their professional training time and education level, the greater the effectiveness of the department. The auditor's experience has a positive impact on the evaluation of internal accounting control. The determinants described so far, especially the professional competence of the auditor, the quality of the audit work, and the organizational independence of the audit department, represent the situation where the auditor's interests are professional interests rather than the interests of the employing organization.

The next two determinants represent the opposite situation, that is, the interests of the organization take precedence. The first of these involves the consideration of career and promotion. Appelgren (2008) believes that internationally, the practice of equipping tax audit departments with professional auditors is less and less common, and more and more organizations are using this function as a training basis for future managers. This approach is designed to help organizations train well-rounded senior managers. Tax auditors perform a

variety of activities in different departments within the organization. They have the opportunity to understand how these departments operate and manage. In addition, managers with tax audit experience need to better understand the importance of internal control.

The ability to use tax audit roles as a stepping stone to managerial positions is seen as one of the advantages of having an in-house tax audit function rather than outsourcing IA activities. The degree to which tax auditing can lead to a managerial career in the organization may influence the effectiveness of tax auditing. Considering the trend described by Appelgren (2008), this may be truer today than in the past. As noted, career auditors are becoming less common than generalists who are interested in management careers (Appelgren, 2008). And who therefore are more likely to take a local than a cosmopolitan point of view.

It can be argued that under these conditions, tax auditors who operate in settings with more organizational career opportunities will invest more effort in their work in order to increase their promotion opportunities. Those with fewer opportunities for organizational advancement will invest less effort in their work, resulting in a lower performance level. This is likely to be true even if the individuals working in such settings are cosmopolitans who place less value on an organizational career, since given current trends they have fewer opportunities than in the past for career growth as specialist tax auditor.

2.1.6. Tax Assessment system

There are two types of tax assessment systems, administrative assessment system and taxpayers' declaration or self-assessment system.

The systematic examination of a unit or division's effectiveness in achieving its mission. An administrative assessment focuses on the administrative, academic support, and community engagement services provided by the university. <http://Marymount.edu>.

Actually Income tax has traditionally been assessed by the tax departments. Under an administrative assessment system, the onus is on the tax administration to (ex-ante) examine tax returns and financial statements, calculate the amount of tax payable, and notifies the taxpayers of the tax liability.

Study of Laekemariam Abebaw (2020) and (IMF, (2014), OECD, (2010) the administrative assessment system taxpayers report on their activities on an annual basis. Reporting consists of completion of a tax return and filing financial statements, and other supporting information to

the tax administration. Tax returns and the supporting financial statements are reviewed and verified by tax officials. The tax administrations make the decision on the tax liability and inform the taxpayer of what to pay, typically through a notice of assessment. Taxpayers pay the tax due or object to the assessment. The tax administration reconciles assessment notices and payments.

Study of Mulugeta Terrefe (2016) Self-assessment system requires every taxpayer to provide full information about his or her income and to calculate the tax payable and make payment to the office in accordance with laws author .The system of self-assessment relies heavily on voluntary compliance with the laws as its success depends on the integrity of the taxpayers. Self-assessment gives the taxpayer greater control and responsibility over his tax affairs author.

According to ministry of revenue (2015), tax audit activity starts with the taxpayer's declaration (self-assessment) articles 2(29) and 2(30) of they said proclamation is a self-assessment of the taxpayer pursuant to article 2(28) in respect to Value Added Tax, Excise Tax, Turnover Tax, Advance Tax and Income Tax and; any subsequent amendments (alterations, reductions or additions) must be anchored on such submissions. The tax assessments -referred to as amended assessments the circumstances were the taxpayer fails to file a tax declaration; adjustments may be based on evidence available. (Article 26) the Authority may base on such evidence as may be available and at any time, make an assessment (referred to as an estimated assessmentl)

Study of Laekemariam Abebaw (2020) Self-assessment is based on the idea of voluntary compliance. In a self-assessment system, taxpayers calculate and pay their own taxes without the intervention of a tax official. If this is not done appropriately and within the prescribed timeframes, the tax administration detects this failure and takes appropriate enforcement action, including applying the penalties provided for in the law. Tax administrations generally accept tax returns at face value (i.e. not subjected to technical scrutiny) at the time of filing, at which time the tax due is paid. Some simple checks may be performed; however, the focus is to ensure arithmetical accuracy and that the taxpayer has completed the appropriate items on the tax return form.

The role of the tax administration under self-assessment is first and foremost to assist the taxpayers to understand their rights and obligations under the law. The emphasis under a self-assessment system shifts the verification process from pre- to a post-filing basis.

2.1.7. Taxpayer's rights and responsibilities

According to Elias Ayaliew (2014) and Laekemariam Abebaw (2020) , stated that Official statements of Taxpayers' Rights and Responsibilities in Auditing a major function of the revenue office is to help taxpayers understand their rights and responsibilities at each step in the administration and collection of the state and local taxes administered by the revenue office. Taxpayers 'awareness of these rights is essential to maintaining by the efficiency and fairness of the state and local tax systems. According to Andreoni, J. Erard, B. & Feinstein, J. (1998), the success of tax audit is the function of tax auditor efforts and properly discharging of taxpayers' obligation that provided by law. In the self-assessment tax system full participation of taxpayers is responsibilities to the success of tax audit.

The Pennsylvania's tax law (2009), states under the discloser statement, the rights of a taxpayer and the obligation of the Department during an audit. The procedures by which a taxpayer may appeal or seek review of any adverse decision by the Department including administrative and judicial appeals. The procedures for filing and processing refund claims and taxpayer complaints. The procedures that the department may use in enforcing taxes.

2.1.8. Tax Auditor Responsibilities and Duties

- ❖ Maintain all required paperwork according to required policies and procedures.
- ❖ Maintain all procedure manual and ensure efficient corporate.
- ❖ Ensure compliance to all statutes and analyze accounting systems and evaluate all tax Controls to assist to reduce taxes.
- ❖ Evaluate all refunds and perform required calculations for all tax assessment and Participate in all closing conference and prepare audit reports.

2.1.9. The Effective Tax Audit Program

Tax auditing program is a key for tax administration. The tax audit program provides visibility to tax management compliance and enforcement agencies (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. According to Barrera and Ramachandran (2004), effective tax auditing 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. 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). 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 believe that undeclared liabilities and other forms of wrong doing are likely to be discovered during the audit process. Although the frequency of audits is controversial, judgment is always a delicate balance between audit inspections to avoid temptation and cost. Where the tax system is fairly well established, audits of 15 percent to 20 percent of registered traders a year are sufficient (Biber, 2010).

Compliance monitoring requires adequate information systems and procedures to detect non-compliance (CE, 2006). Tax compliance can be facilitated through improving services to taxpayers by providing them with clear instructions, understandable forms, and assistance and information as necessary. The international standard for the total number of employees assigned to audits should be close to 40% of the total number of employees of the tax authorities (Biber, 2010). Thus, the actual number of audits planned should depend on the audit resources available to the program. With proper audit planning, strong supervision, good facilitation, and competent audit performance the tax audit program could be effective.

2.2. Empirical review

2.2.1. International studies

This section provides an overview of the previous research on the factors that affect the effectiveness of tax audit. There are different study are available inside and outside the country that were made by different researchers. Therefore in this will give more emphasis on the relevant literature that relates to this research objective.

According to Masood and Lodi (2015), the empirical study shows that government auditors in Pakistan are suffering from several restraining factors. which include lack of technology, financial resources and human resources, restricted access to records of audit, limited time available for audit, lack of staff competency, ineffective training institutes and qualified trainers, weak applicability of new auditing methods, high need of learning materials, audit size, massive corruption, resistance to new computerized auditing techniques, lack of powers to take actions against malpractices and deviations, full operational independence and lack of financial

independence, political pressures and lack of top management support, lack of auditee cooperation to accept audit findings, heavy reliance on auditee for audit, lack of promotions, follow up of auditee, and massive corruption are affecting government auditors of Pakistan to conduct effective audits. Thus, based on the findings of this empirical study lack of staff competence, ineffective training institutes, and qualified trainers are the factors that affects the audit effectiveness which are related with this study.

In the context of tax legislation, Drogalas et al. (2015) in their findings in Greek, complexity and constant changes in tax legislation makes it difficult for auditors to be effective in their work. In its conclusion, the relationship between tax legislation and the effectiveness of the audit is negative. According to Badara's research (2012), in the empirical results of his research, the effectiveness of tax audits is a matter of the trained personnel who perform the audits, and help taxpayers to comply with tax regulations. So this empirical study shows that skilled possessed personnel in terms of education, training, and experience are affecting the audit effectiveness.

The empirical finding of Badara and Saidin (2014) on their study in related on governmental public sectors in Nigeria showed that audit experience has a significant effect on audit effectiveness. Also Niu (2010) on his research in New York State of Finance Department concluded that there is a positive relationship between the tax audit and voluntary compliance. The researcher said that this finding suggests that the audit productivity may be underestimated in many studies in the literature. It reminds us that when considering the productivity of audit work, in addition to direct audit fees, we must also consider the impact of audits on voluntary compliance. For this reason, the findings may provide tax professionals and tax authorities with incentives to strengthen the audit power to better structure the audit organizations to generate more revenue to the state.

2.2.2. Local studies

The research made by Elias Ayalew (2014) on the title of factors affecting tax audit effectiveness on category “A” taxpayers” and tax auditors. The study was aimed to examine the statistical significance between factors and tax audit effectiveness. The study was 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 and taxpayers” response. He employed simple random sampling design was employed based on nature of target population. Data was then analyzed by quantitative basis using Pearson’s correlation, linear regression analysis and descriptive statistics. The results the study showed that there is no

statistical significance negative relationship between audit attributes and tax audit effectiveness. Besides, the results showed that there is no statistical significance positive relationship among organizational setting, top management support and tax audit effectiveness. The researcher found that there is strongly significant positive relationship among audit quality, organizational independence and tax audit effectiveness.

According to the research made by Melat Abera (2016) on the title of investigate factors affecting tax audit effectiveness on large tax payer's office. The study stands to answer the following research question "How do audit quality, management support, organizational setting, audited attributes, organizational independence and the interplay among them, influence audit effectiveness in LTO?" In light of this objective the study adopted mixed research method of research approaches to test a series research hypothesis. Specifically, the study used survey of questionnaire analysis offices" on tax auditors and interview analysis on team leaders and process owners. Then, tax inspectors and team leaders are selected according to the simple random sampling method of the census method. Because the target population of this study is very small. The Office of the Large Taxpayer has 62 tax auditors, supervised and led by 10 team leaders, and managed by two process leaders. Then the researcher distributes those questioners to the 62 tax auditors, only 59 of them are returned. Consequently, Data was then analyzed on quantitative basis using Pearson's correlation, linear regression analysis and descriptive statistics. Qualitatively interview and documentary evidences summarized and presented. The results show that there is no statistically significant negative correlation between the attributes of the audited party and the effectiveness of the tax audit. Besides, the results showed that Tax Audit Effectiveness of Large tax payer's office is highly affected by audit quality of the department, managements support and the organizations independence from unethical practices. While as auditors perception it doesn't be affected by organizational setting and auditees attribute.

According to Abiy Birlie Adane (2020), a study was done with the goal of determining the factors that influence the effectiveness of tax audits in the Gondar zone revenue offices. Six tax audit effectiveness variables were investigated in four categories: tax auditor competency, tax auditor independence, management support, taxpayer awareness, taxpayer attitude toward tax audit, and tax legislation. Various factors influence tax audit effectiveness, and understanding these aspects and handling them appropriately should be the basic foundations of any tax system in order to keep tax audit effectiveness at a satisfactory level.

The study used a mixed research technique with an explanatory research design, with participants selected using a census survey method. Questionnaires and unstructured interviews were used to gather primary data for the study. To meet the aims, the acquired data was analyzed using STATA11 software, which included regression and correlation analysis. The ordered logistic regression model is used to discover determinants of tax audit effectiveness in Gondar zone revenue offices, based on the ordered ranking of information relevant to the dependent variable (tax audit effectiveness). Competence of tax auditors, independency of tax auditors, management support, taxpayer knowledge level, and attitude of taxpayers toward tax audit were shown to be decisive elements that affect tax audit effectiveness, according to the study. Finally, the study recommended that the office build an Excellency Audit Center, hire professional staff, educate, and reward taxpayers in order to increase the effectiveness of tax audits.

The study of Leilina, (2015) the study was determinants of external audit quality evidence from manufacturing share companies of Addis Ababa Ethiopia. The goal of this study is to look into the factors that influence external audit quality peroxide by discretionary (abnormal) accrual based on audit firm specific attributes that are considered important by regulatory and professional bodies in order to properly monitor the external audit profession and maintain trust among various stakeholders in Ethiopian manufacturing share companies. In order to achieve this goal, the study used quantitative research methods to examine a number of research hypotheses documentary analysis of companies' audited financial statements and personal interviews with audit directors/officials of audit firms were employed in the study. Then, to avoid biases and represent firms inside manufacturing organizations, companies were chosen using a simple random sample procedure. As a result, the study chose a sample of twelve (12) organizations to analyze during a five-year period (2009-2013), totaling 60 observations. According to the findings of a panel least square regression analysis, audit firm industry specialization and the ratio of qualified audit experts have a statistically significant and positive link with the external audit quality of manufacturing share companies. The joint provision of audit and non-audit services, on the other hand, has a negative and statistically significant link with the external audit quality of manufacturing share corporations. However, the relationship for audit firm size and audit firm tenure is found to be statistically insignificant. As a result, all manufacturing businesses in Ethiopia should be aware that when engaging an audit firm for their audit service, they must consider audit firm features.

Also the research made by Laeykmaryam Abebaw (2020), an effective Tax audit is one of the most effective policies to prevent tax evasion behavior. However, still ineffective tax audit program was engaged in Ethiopia. Based on this the study is to investigate factors affecting tax audit effectiveness on category “A” and “B” taxpayers’ and tax auditors in the north shewa zone revenue office. Explanatory research with descriptive research design and qualitative and quantitative research methods are used to achieve the research purpose. The research used questionnaire analysis surveys, interviews with audit team leaders and process leaders, and organizational document analysis. The interviewees selected for this study were 35 auditors and 361 taxpayers. 318 questionnaires were collected through census and simple random sampling. Then use Pearson's correlation, linear regression analysis, and descriptive statistics to quantitatively analyze the data. The results showed that tax audit quality, organizational independence, top management support, competency of staff auditors, and information systems influence positively and statically significant effect on tax audit effectiveness. However, the organizational environment has a positive and statistically insignificant impact on the effectiveness of tax audits. On the other hand, tax legislation has a negative and statistically significant impact on tax auditing. The organization should simplify tax laws and issue workable regulations to minimize the adverse effect of tax legislation on tax audit effectiveness.

2.2.3. Gap in Literature

As assessed previous studies discuss audit effectiveness in different countries worldwide, the researcher has got access to studies held on Italy, Saudi Arabia, Israel, Nigeria, Tanzania, Jordan, Kenya, Palestine, and other few countries. In Ethiopia the study of (Gebeyehu, 2008), (Getaneh, 2011) and (BIBISSO, 2014) discuss tax audit practice of Addis Ababa city administration, Federal government and Hawassa city administration respectively. On the other side, (Yismaw, 2007) examines the effectiveness of internal auditing in public sector enterprises. While recently the study of (Leilina, 2015) discuss external audit quality by focusing on manufacturing share companies, Melat Abera (2016) discuss factor affecting tax audit effectiveness on LTO (auditors perception) and (Ayalew, 2014) measures tax audit effectiveness of Bahirdar city administration revenue office. Those studies examine issues regarding tax audit effectiveness, in addition the study of (Laekemariam Abebaw, 2020) factors affecting tax audit effectiveness a study on category “A” and “B” tax payers in north shewa zone revenue office, Ethiopia. Those studies were not considered Addis Ababa city Government Revenue Authority branch office large tax payers the side of tax auditors. This study, therefore, tried to narrow the research gap paying attention to side of tax auditors to examine the same previous factors that

have significantly affect tax audit effectiveness, the effect of tax audit policy and practice on tax audit effectiveness, awareness towards tax audit effectiveness and several comparisons were made with past performances were addressed in this study.

CHAPTER THREE

3. Research Design and methodology

The previous chapter reviewed both theoretical and empirical studies, and it tried to give a brief conclusion and excavate the gap in the existing knowledge. This chapter goes through the process to be followed in conducting the study to assure the collection of reliable data that would have potential value for best possible findings. It discusses the research design, population type, the sampling technique used, and the data collection instruments, sources of data and data management and analysis.

3.1. Research Design

A research design is the ‘procedures for collecting, analyzing, interpreting and reporting data in research studies. It is the overall plan for connecting the conceptual research problems with the pertinent (and achievable) empirical research. The study was investigating assessment of factors affecting tax audit effectiveness in the case of Addis Ababa city Government Revenue Authority Branch office large tax payers. In this study, descriptive survey method was used.

3.2. Research Approach

The research has made use of adopted mixed research method of research approaches (qualitative and quantitative methods) of data collection and analysis collected from large tax payers of Addis Ababa city government revenue authority branch office. Moreover, it is believed that this method has enabled the researcher to address the different objectives of the study, which cannot be achieved by a single method.

3.3. Population of the study

Addis Ababa city government revenue authorities, there are 876 large tax payers, annual income greater than 40 million and the type of business are import export, construction, manufacturing, service, whole sellers, transport and others. The office was established on 2019 GC, also tax audit department have 50 auditors worked on those tax payers.

The population of the study includes the entire set of all tax auditors operating in Addis Ababa City Government Revenues Authority. According to the simple random sampling method of the census method, because the target population of this study is very small. The target groups for the target study group for the study are 50 auditors (that was 34 auditors, 8 audit team leaders and 1 audit process and 7 tax audit assistant) and the researcher distributed the questioners to the

50 tax auditors of large tax payer's office and the data was processed on SPSSv20.0 to make descriptive statistics.

3.4. Source of Data

The researcher employed both primary and secondary data sources. The secondary data was collected from similar previous studies, reports, and publications by recognized organizations, web sites and other similar sources. The primary source of data for this research was collected from auditors of Addis Ababa city government revenue authority via close ended questionnaire. In order to gathered data for this study, the researcher used a questionnaire as a method of data collection instrument. The questionnaires for examining tax audit effectiveness were international standardized questionnaire. Firstly, questions are selected mainly from a number of surveys that examined similar research field like (Laekemaiyam Abebaw 2020) and (Eleyas Ayalew 2014) .The questionnaire contains sixty seven (67) questions, which are divided in three groups. The first group is composed of questions refer to the demographic characteristics of the tax auditors, the second and third questions were Likert scale, refers to tax audit function and process of the organizations, and the effectiveness of tax audit, concerning tax audit and practice.

3.5. Data analysis

For this study, the researcher applies descriptive analysis using tables and percentages, namely percentage, frequency and mean. In addition, for the qualitative data analysis after the collection of data from both primary and secondary sources the data is analyzed and classified. Tables are used as tools for the classification process. And several comparisons were made with past performances.

3.6. Data Reliability Test of the study

Cronbach's alpha reliability (Cronbach, 1951) is one of the most widely used measures of reliability in the social and organizational sciences. Reliability is a measurement tool that can be used to test the stability, consistency, or dependability of items of the questionnaires. Mugenda (2008) stated that reliabilities below 0.60 are considered weak; those ranged from 0.60 to 0.80 are considered good and acceptable.

Reliability Statistics

Cronbach's Alpha	N of Items
0.956	64

Source: Own Survey, 2021

From the value for Cronbach's Alpha (α) was 0.956 for all. When these calculated reliability value 0.956 is above the minimum values of alpha 0.600 advocated by Cronbach's (1951) , then the responses generated for all of used in this research were reliable enough for data analysis.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The purpose of the study was to assess factors affecting tax audit effectiveness the case of Addis Ababa city government revenue authority branch office. As such, this section deals with the results and interpretation of quantitative and qualitative results which we collected through the questionnaires administered.

I administered 50 questionnaires in all tax audit staff. Out of those questionnaires, only 47 were completed and collected by the researcher, representing a ninety four percent (94%) response rate. This response rate is within the acceptable rate of 60% -100% as outlined by Draugalis, Coons, & Plaza, (2008), the rest 3 questionnaires have not returned.

In this study descriptive statistic were used to analyze the data. The descriptive statistics utilized in this research used to analyze the demographic data included frequency, percentages. The data collected from the returned questionnaire were entered into SPSS (Statistical package for social science software) version 20 for analysis.

4.1. Demographic information

This section provides a profile of Addis Ababa city government revenue authority branch office, tax audit employees; who involved in the study and data collected on basic characteristics. Accordingly, the following variables about the respondents were summarized and described in the following table those include: educational level, field of study, current position, and years of experience.

Table 4. 1 represents different educational backgrounds of the respondents

No	Item	Respondent Category	Frequency	Percentage
1	Education	Diploma	0	0
		Degree	41	87.2
		Master	6	12.8
		Phd	0	
2	Field of study	Accounting & Finance	35	74.5
		Economics	9	19.1
		Business Administration	3	6.4
		Others		
3	Position	Tax Audit Assistant	7	15.9
		Tax audit team leader	8	18.2
		Audit process owner's	1	2.0
		Auditors	28	59.57
		others	2	4.3
4	Work Experience	less than 2 years	14	29.8
		2-5 years	15	31.9
		greater or equal six years	18	38.3
		Total	47	100

Source: Primary data (2021)

The Survey also intended to bring out the demography information of the respondents at all Addis Ababa city government revenue authority audit staff.

The table indicate that out of the total population selected, (87.2%) had tertiary education most preferably bachelor's degree in accounting, (12.8%) of the respondents possess master's degree. It indicates that almost all employees of the tax auditors 'educational qualifications seem to be adequate to perform audit tasks. This helps the organizations to achieve their objectives and it increases the effectiveness of tax audits. As of Alias A.(2014) stated that as international standards almost 70% of auditors should have a university and college graduated, therefore it 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 will be achieved its audit objectives.

It reveals that 74.5% of the respondents have done accounting and finance. 19.1% had done economics. 6.4% of them have studied business administration. From the results indicated above, most of the employees have done accounting and financial related courses. This is a good indication since audits in revenue office involves finances as such a good number of employees are competent.

The staffs' auditors know tax audits according to their educational background; this may improve the effectiveness of tax audits. Based on this 8(18.2%) of respondents were tax audit team leader, 28(59.57%) were auditors, 7(14%) of respondents were tax audit assistance, 1(2%) was said that Audit processer and the remaining 2 (4.3%) the position of junior accountant and accountant.

Alias Ayalew (2014), stated that International standard shows that a good auditor should have two and above years of experience, But around 14(29%) of the respondent experience less than two years this indicate that auditor staffs not fulfill the international standards, 15(31.9%) had two up to five years' work experience, the other 18(38.3) had more than five years 'experience.

4.2. Results and Discussion

This part of the study presents the results based on the specific objectives of the study. Accordingly, discussions on the factors affecting tax audit effectiveness are described below. Questionnaires were developed on the five point likert scale ranging from 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. However, to easily show the result on the analysis section the data gathered by five likert scale is presented here on three base likert scales. The result of strongly disagree and disagree are added to one and result of strongly agree and agree are also added together. In addition, the

data was analyzed using mean. Hence, if the mean value of the data is >3 it is analyzed through agree and if it is neutral.

4.2.1. Tax audit function or process

Table 4.2 Summaries of Responses on tax audit function or process respondents

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	There is Legal obligation to maintain the taxpayer's record keeping	F	0	0	7	19	20	4.28
		%	0.00%	0.00%	15%	41.30%	43.50%	
2	Tax audit manual gives detail explanation and interpretation of tax laws and regulations.	F	5	6	2	19	15	3.7
		%	10.60%	12.80%	4%	40.40%	31.90%	
3	One individual tax auditor selects the cases	F	17	2	19	4	5	2.53
		%	36.20%	4.30%	40%	8.50%	10.60%	
4	Tax audit work is performed as per the general audit standard procedure.	F	0	1	2	30	14	4.21
		%	0.00%	2.10%	4%	63.80%	29.8%	
5	A tax auditor has appropriate power to access information to make decision in audit activity	F	0	1	0	29	17	4.32
		%	0.00%	2.10%	0%	61.70%	36.20%	
6	Tax audit function have adequate resources	F	0	2	11	19	15	4
		%	0.00%	4.30%	23%	40.40%	31.90%	
7	A tax audit program is performed in advance by my office	F	4	0	10	20	10	3.73
		%	9.10%	0.00%	23%	45.50%	22.70%	
8	Field tax audit work is performed by the office	F	8	2	12	19	6	3.28
		%	17.00%	4.30%	26%	40.40%	12.80%	
9	Desk (office) tax audit work is performed by the office	F	0	0	8	26	13	4.11
		%	0.00%	0.00%	17%	55.30%	27.70%	
10	The office has rules that requires the audit work to be started and completed within a predetermined time frame	F	0	0	7	28	12	4.11
		%	0.00%	0.00%	15%	59.60%	25.50%	

Survey data, 2021 SPSS output

As easily look in the above table 4.2, 39(84.8%) of the respondents said, agree, and the result of the descriptive statistics mean of the data shows higher than 3 which account 4.28 and it indicates that there is agreement with the statement (There is Legal obligation to maintain the taxpayer's record keeping) i.e. that there is any legal obligations to maintain the tax payers record keeping that's to support according to Ethiopian revised tax proclamation No 979/2016 stated that tax payers stated large tax payers have to maintain all records and accounts which will enable them to submit a balance sheet and profit and loss account, disclosing the gross

profit, general and administrative expenses, depreciation, and provisions and reserves (together with supporting vouchers) .

When the auditor need to audit the organization tax payers simply should provide or submit the needed martials to audit like books of accounts, financial statements etc. The study finding indicates that large tax payers in Addis Ababa city government revenue authority were proceed to the tax proclamations organizations audit effectiveness. Among those audit manual is one of the determinant factors for audit effectiveness, because it is detailed explanation and interpretation of tax laws and regulations (Elias Ayaliew, 2014).

When study of (Leakemariyam Abebaw 2020) the result of this equation almost majority of the respondents said that there is no any legal obligations to maintain the tax payers record keeping. But she we came to the study of Elias Ayalew he said that the same as my result.

Based on this respondents 34(72.5%) were strongly agreed and agreed , the implication of the respondent, Addis Ababa city revenue government authority branch office, tax audit manual does provide detailed and clear guide lines to support tax audit effectiveness. But the rest 5((10%) and 6(12.8%) of the respondents said does not provide guide lines to support tax audit and based on the descriptive statistics for the statement depicted that a mean value of 3.7 which revealed the majority of respondents agree with the statement, The finding of the research indicates that the organization tax audit manual consider the revised tax audit policy of the country. The tax audit directive of ERCA (2010), stated the new tax audit policy of the country Addis Ababa city government revenue office tax audit manual are revised with this directives.

The other issues the selecting process of the case, 19(40.5%) of the respondents said disagreed that, the audit case selects by the audit committee. an individual can't select tax payers audit case. On the other hand, 9(19.1%) of the respondents said agreed that an individual can be select the case. The descriptive statistics for this statement depicted that a mean value of 2.53 indicating majority of the respondents' disagreed with idea .The finding of the study indicates that the selecting processes of the case doesn't selected by one individual auditor.

As per the result of the above table 4.6, 44(93.6%) of from 47 or majority of the respondents decided agree that the audit work are performing as per the general audit standards that the tax audit work is done in arbitrary manner with considering the general audit standards. The

descriptive statistics for this statement depicted that a mean value of 4.21 indicating majority of the respondents' agreed with the issue. From this the researcher conclude that in Addis Ababa city government revenue authority branch office the audit work is performing as per the general audit standards and procedures.

According to Laykemoryam Abebaw (2020) the general audit standards and procedures may increase the quality and effectiveness of audit result. An auditors have obtaining appropriate audit evidence during audit activity the right to inspect taxpayer's documents at all reasonable times pursuant to Article 18 of the federal tax proclamations at all times and if needed without notice, full and free access to any premises, place, goods, or property, any document, and data storage device, make an extract or copy of any document.

On the other hand 46(97.9%) almost all respondents replied agreed that an auditor have appropriate powers of access to get information to make decision in the process of audit activity. To strengthen the majority of the responses in income tax proclamation No 286/2002 stated, auditors are required to contact as much research on the taxpayers' operation and all the procedures to be taken at the taxpayer's premises and can also obtain information from third parties like financial institutions, regional revenue authority data base, other regions and customers and supplies of the taxpayers. Therefore it can be conclude that an auditor power has useful to make reliable decision of audit results and also positive impact for smooth and effective functioning of auditing. In order to achieve an effective audit work, the auditor must have full and unrestricted access to all activities, records, and property, as well as the cooperation of the auditee. On the other hand, the descriptive statistics for this statement depicted that a mean value of 4.32 indicating majority of the respondents' agreed with idea. In the process of tax audit, auditors have the right to get valuable information to make decisions. This may increase the effectiveness of tax audit Addis Ababa city government revenue office. This result the same as the previous study Elias (2014) and Leakemariyam Ababaw (2020).

The other issue in the above table, indicating majority of the respondents' agreed with idea. Revenue office typically has at its disposal a finite level of resources to conduct the day to day business of revenue administration; hence from the above table 4.2, 34(72.3%) of them are agreement on the issues that have adequate resources. According to the respondent, then it can be concluded that there is good of resources in the organization that can facilitate functioning of

audit also the descriptive statistics for this statement depicted that a mean value of 4 this implies there is good attempt.

About 30(68.2%) of the respondents replied agreed the program of tax audit performed in advance by their office. On the other hand almost (9.10%) of the respondents disagreed. Also the result of the descriptive statistics mean of the data shows greater than 3 which account 3.73 and it indicates agreement with the statement.

On the other hand 10(21.3% of the respondent they accepted field tax audit is not well operated in there office but around (53.2%) they agreed well operated field tax audit work. and the descriptive statistics for this statement depicted that a mean value of 3.28 indicating majority of the respondents' agreed with idea. According to Grand colas (2005), it focuses on a tax type 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 above table the respondent responded about desk (office) tax audit almost above 39(83%) agreed performed by their office, this situations where individuals have claimed abnormally high deductions. The descriptive statistics for this statement depicted that a mean value of 4.11 indicating majority of the respondents' agreed with idea. when used this type of tax audit as a preliminary examination of declarations analyzing accuracy, completeness, ratios and cross-checking information to determine if further audit or investigation is warranted.

As per the result of the above table 40(85.1%) of respondents agree and strongly agree and the descriptive statistics for this statement depicted that a mean value of 4.11 indicating majority of the respondents' agreed with idea. So by their office have rules when audit work to be started and completed within a predetermined time frame.

4.2.2. Auditee attributes

Table 4. 3 Auditee attributes respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	Taxpayers have a good attitude and cooperation with the tax system and auditors	F	5	10	13	19	0	2.98
		%	10.60%	21.30%	28%	40.40%	0.00%	
2	Addis Ababa city government	F	3	4	11	22	7	3.55

	revenue Authority branch office audit system is sufficiently promoting voluntary compliance tax payers.	%	6.40%	8.50%	23%	46.80%	14.90%	
3	Addis Ababa city government revenue Authority branch office, there is transparent audit procedure and audit decisions are made based on facts.	F	2	2	8	22	11	3.84
		%	4.40%	4.40%	18%	48.90%	24.40%	
4	The current working capacity of audit staff is well aware of the tax laws and regulations.	F	2	4	7	25	9	3.74
		%	4.30%	8.50%	15%	53.20%	19.10%	
5	Tax payer knows when the auditing process is completing from starting to ending	F	5	4	2	21	15	3.79
		%	10.60%	8.50%	4%	44.70%	31.90%	
6	Addis Ababa city government revenue Authority branch office tax audit manual and procedure minimizes the compliance burden on the tax payer.	F	0	4	10	28	5	3.72
		%	0.00%	8.50%	21%	59.60%	10.60%	
7	Tax audits are finalized according to consistent process and assurance a level of customer satisfaction.	F	0	3	17	23	4	3.6
		%	0.00%	6.40%	36%	48.90%	8.50%	
8	Audit procedure is transparent and clear to the tax payers during the course of the audit.	F	0	4	11	21	11	3.83
		%	0.00%	8.50%	23%	44.70%	23.40%	
9	The existing audit program is promoting voluntary compliance and builds public confidence.	F	0	4	12	25	6	3.7
		%	0.00%	8.50%	26%	53.20%	12.80%	
10	Addis Ababa city government revenue Authority branch office has an effective motivation scheme to the compliance taxpayers.	F	0	5	15	25	2	3.51
		%	0.00%	10.60%	32%	53.20%	4.30%	
11	The audit program enables to differentiate deliberate and non-deliberate misreporting of taxpayers and applies penalty.	F	25	12	4	4	2	3.64
		%	53.20%	25.50%	9%	8.50%	4.30%	
12	The audit manual procedure identifies the tax liability of non-compliance.	F	0	6	12	19	8	3.62
		%	0.00%	13.30%	27%	42.20%	17.80%	
13	Auditors give sufficient education to the taxpayers about the tax laws and regulations during auditing	F	2	2	16	19	8	3.79
		%	4.30%	4.30%	34%	40.40%	17.00%	
14	The organization auditor accepts taxpayers 'suggestion to improve the tax function.	F	0	2	14	23	8	3.53
		%	0.00%	4.30%	30%	48.90%	17.00%	

15	There is a good work relationship between the taxpayers and tax auditors	F	2	2	18	16	7	3.11
		%	4.30%	4.30%	40%	35.60%	15.60%	

Survey data, 2021 SPSS output

As easily look in the above table 4.3, 19(40%) of the total respondent, said agreed and indicates that tax auditors they got good attitude and support from taxpayers when the time of auditing and cooperation with the tax system. On the other hand around 15(31.9%) of the respondent said that disagree, they implies there is no support and good attitude also the descriptive statistics for this statement depicted that a mean value of 2.8 indicating majority of the respondents' disagreed with the issue. The attributes of the auditee that have an impact on the effectiveness of the audit include the ability of the auditee to effectively meet the organization's sub-objectives; your attitude towards tax audits; and the degree of cooperation provided to the auditor. The attributes of the auditee that have an impact on the effectiveness of the audit include the ability of the auditee to effectively meet the organization's sub-objectives; your attitude towards tax audits; and the degree of cooperation provided to the auditor.

The above table displayed 29(61.7%) said agrees, this means majority of the respondent said to the system of their office sufficiently promoting voluntary compliance for tax payers, from the remains of respondent 7(14.9%)) they said that disagree about this statement as the descriptive statistics for this statement depicted that a mean value of 3.55 indicating majority of the respondents' agreed with the case.

33(73.3%) of the respondent said agreed it seems there is transparent audit procedure and audit decisions made based on fact and around 4(8.8%) respondent said disagree by this statement on the descriptive statistics for this statement depicted that a mean value of 3.84 indicating majority of the respondents' agreed with the question that discussed on the third question.

As per the result of the above table 4.3, 33 (73.3%) of the respondent said agree for their working capacity of audit staff well aware tax laws and regulations also (12.8%) of the respondent said disagree about audit staff well aware of laws and regulations, The descriptive statistics for this statement depicted that a mean value of 3.74 indicating majority of the respondents' agreed with the issue.

The survey data has shown that majority (76%) of the respondents agreed that when the time of auditing tax payers knows the situation of auditing starting to ending. But there is also (19.1%)

of respondent disagree. The descriptive statistics for this statement depicted that a mean value of 3.79 indicating majority of the respondents' agreed with the issue so, it is the tax payers know the tax auditing process from the beginning up-to the end. The document review shows that there is investigation plan, the audit plan when start and ending also to show for tax payers.

In the above table 4.3, Shown that more than (70.2%) of respondent said agreed and strongly agreed the branch office tax audit manual and procedures minimizes compliance burden on the tax payer, also (8.5%) disagreed by this statement, The descriptive statistics for this statement depicted that a mean value of 3.72 indicating majority of the respondents' agreed with the question of tax audit manual and procedure minimize compliance burden.

The result of the respondent the above table (57.4%) said agreed about level of customer satisfaction, but also, (6.4%) not negotiated by this question. The descriptive statistics for this statement depicted that a mean value of 3.6 indicating majority of the respondents' agreed with the issue, it means most of the customer is satisfied with the service delivered by the auditors.

Almost (68.1%) the respondent said that agreed by procedure of tax audit well transparent and clear for the tax payers and (8.5%) said disagreed by this statement the. The descriptive statistics for this statement depicted that a mean value of 3.83 indicating majority of the respondents' agreed with the questions that discussed on the question number eight.

The above table 4.3, displayed majorities (65%) of respondent to agree The existing audit program is promoting voluntary compliance and builds public confidence, there is also (8.5%) of respondent said disagreed by this questions. In addition they said (57.5%) of respondent said that agreed the office has effective motivation scheme to the compliance taxpayers and around (10.6%) they said disagreed, The descriptive statistics for this statements depicted that a mean value of 3.7 and 3.51 indicating majority of the respondents' agreed with the issue respectively.

The majority of respondent to show that means around (78.7%) they said that disagree for the program of revenue office enables deliberate and non-deliberate misreporting of taxpayers is not applies tax penalty, but there is also (12.8%) of respondent replied agree for this statement. The descriptive statistics for this statement depicted that a mean value of 3.64 indicating majority of the respondents' disagreed with the issue.

In the above table (60%) said agree the manual of audit procedure identifies tax liability of non-compliance. On the other hand (13.3%) of respondent disagree by the above statement. The

descriptive statistics for this statement depicted that a mean value of 3.51 indicating majority of the respondents' agreed with the issue.

About (57.4%) of respondent said agree when the time of auditing to give sufficient education and aware for tax payers about laws and regulations. There are (8.6%) not agree by this statement. The descriptive statistics for this statement depicted that a mean value of 3.79 indicating majority of the respondents' agreed with the issue. In addition majority (65%) of respondent agree they accepted taxpayer's suggestion. But (4%) said that disagree with this statement. The descriptive statistics for this statement depicted that a mean value of 3.53 indicating of the respondents' agreed with the issue.

About (51.2%) of respondent said agree with There is a good work relationship between the taxpayers and tax auditors. There are (8.6%) not agree by this equation, the descriptive statistics shows that this statement depicted that a mean value of 3.11 indicating majority of the respondents' agreed with the issue.

4.2.3. Audit quality

Table 4. 4 Audit quality respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	The annual audit plan is determined completely by the tax auditor	F	4	12	9	19	3	3.11
		%	8.50%	25.50%	19%	40.40%	6.40%	
2	The areas audited are very significant to the organization	F	0	2	12	25	8	3.83
		%	0.00%	4.30%	26%	53.20%	17.00%	
3	The TA is able to cover all organizational units and all issues.	F	2	10	6	27	0	3.29
		%	4.30%	22.20%	13%	60.00%	0.00%	
4	The response of auditees to the audit is submitted in writing, relevant and comprehensive	F	2	4	5	29	7	3.74
		%	4.30%	8.50%	11%	61.70%	14.90%	
5	There is regular follow-up by the TA staff to examine actions taken to correct the problems	F	0	4	15	20	8	3.68
		%	0.00%	8.50%	32%	42.60%	17.00%	
6	The tax auditor also performs other activities such as developing procedures and conducting economic and financial audits.	F	2	12	7	16	10	3.43
		%	4.30%	25.50%	15%	34.00%	21.30%	

Survey data, 2021 SPSS output

The quality of the audit, which is reflected in the office's ability to provide useful audit findings and recommendations, is one of the most prominent factors in the effectiveness of an audit also; the ability of the office to plan, execute and communicate the results of the audit correctly is an

indicator of the quality of the audit. Therefore, it can be said that the quality of the audit depends on the extensive professional knowledge of the employees, the reasonableness of the scope of the service and the effective planning, execution and communication of the audit.

As the above table 4.4. (47%) of respondent agree annual audit plan well determined by the point of auditor view. There is also (34%) of the respondent said disagreed for this statement; The descriptive statistics for this statement depicted that a mean value of 3.11 indicating majority of the respondents' agreed with idea, other hand (70%) of result respondents to agree that the areas of audited are very significant to the organization. There are also (4.3%) responses disagree, the mean also indicated 3.83 the respondents agreed by this idea.

The survey data has shown that majority (60%) of the result to agree by tax audit able cover all organizational units and all issues, also there are (26.5%) said that disagree for this statement, the descriptive statistics indicated that 3.29 implies greater than 3 the respondent agreed by the This idea.

In addition almost (76.6%) of respondent said agree the response of auditees to the audit is submitted in writing relevant and comprehensive, there are (12.8%) said disagree for this statement, the descriptive statics is 3.74 implies majority of respondent agreed by this statement.

To show the survey of respondent (59.6%) to remarks agreed for the statement of, there is well regular follow up by the tax audit staff taken action to correct the problems, also (8.5%) disagreed, but the mean tells us 3.68 this is greater than 3 so majority of respondent agreed by this idea.

The result of the above table 4.4. (55%) of respondent they said agreed on performs other activities, but (25.5%) to responses disagree they said there is no performs other activities. the descriptive statistics for this statement depicted that a mean value of 3.43 indicating majority of the respondents' agreed with idea.

4.2.4. Organizational independency

Table 4. 5 Organizational independency respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	I have regular and direct working relations with the head of the TA committee.	F	1	9	11	20	6	3.45
		%	2.10%	19.10%	23%	42.60%	12.80%	

2	I have regular and direct working relations with the general manager and the managerial team.	F	5	12	6	17	7	3.19
		%	10.60%	25.50%	13%	36.20%	14.90%	
3	Terminating the work of the tax audit requires the approval of the tax audit committee, and/or the board of directors, and/or the Civil Service Commission	F	2	9	14	16	6	3.32
		%	4.30%	19.10%	20%	34.00%	12.80%	
4	The tax audit staff has free access to information and data about the organization, and unrestricted access to its site	F	3	2	9	27	6	3.66
		%	6.40%	4.30%	19%	57.40%	12.80%	
5	All organizational data pools are accessible to the tax audit.	F	4	8	13	18	2	3.13
		%	8.90%	17.80%	29%	40.00%	4.40%	
6	All organizational data pools can be downloaded and examined by the tax audit.	F	7	1	16	17	6	3.3
		%	14.90%	2.10%	34%	36.20%	12.80%	
7	Detailed budget proposals and information on staffing are included in the annual work plan of the tax audit.	F	1	4	17	19	6	3,53
		%	2.10%	8.50%	36%	40.40%	12.80%	
8	I rotate the tax audit staff so that they all cover a variety of assignments	F	0	2	13	25	2	3.64
		%	0.00%	4.30%	31%	59.50%	4.30%	
9	The tax audit also performs other activities even if they are not defined as its direct responsibility	F	1	6	17	17	4	3.38
		%	2.20%	13.30%	38%	37.80%	8.90%	
10	The tax audit operates totally independently, can audit any issue it considers in need of auditing, and can access any necessary information even if it is classified	F	1	4	11	29	0	3.51
		%	2.20%	8.90%	24%	64.40%	0.00%	
11	The tax audit sometimes takes part in designing systems in the organization and in developing procedures for regulating their operations	F	3	8	20	12	4	3.13
		%	6.40%	17.00%	43%	25.50%	8.50%	

Survey data, 2021 SPSS output

As the above table 4.5. The majority of the respondents (55.4%) replied that they have regular and direct relations with the head of the tax audit committee. Communication between the audit committee and the independent auditor when the auditor disclose to the audit committee in writing all relationships between the audit firm and the company that may reasonably be thought to bear on the audit firms independence , also requires the auditor to confirm and discuss its independence with the audit committee. On the other hand (19%) of staff audit there is no direct relations with tax audit committee, and the descriptive statistics shows that this statement depicted that a mean value of 3.45 indicating majority of the respondents' agreed with the issue.

In addition (51%) of tax audit staff said the same working relations with the general manager and managerial team, independence refers to the concept of being free from any management influence (Ahmad and Taylor, 2009). Independence is essential to the reliability of audit reports. If auditors are not independent in facts and appearances, then these reports are not credible, and investors and creditors have little confidence in them, on the other side (36.1%) of the respondent there is no regular and direct working relations with the company general manager and managerial team. The descriptive statistics shows that this statement depicted that a mean value of 3.19 indicating majority of the respondents' agreed with the issue, which means that the audit staff is the same working relations with the general manager and managerial team. This finding implies that affect the effectiveness of tax audit.

The result of the survey to show (46.8%) said agree when terminating the work of tax audit to approval tax audit committee and others department, on the other side (23.4%) of respondent said disagree for the same question, the descriptive statistics shows that this statement depicted that a mean value of 3.32 indicating majority of the respondents' agreed with the issue this indicates that when terminating the audit work there must be approve by audit committee or civil service commission.

As the above table shown majority (70.2%) they said agreed free access to information and data about the organization this is point view of staff auditor but (10.7%) there is no free access to get information by tax payer's side. Also (44%) of respondent to remark agree all organizational data pools can be downloaded and examined by the tax audit. (26.7%) said disagree this means organizational data pools are inaccessible for tax auditor. The descriptive statistics shows that thus statement depicted that a mean value of 3.66 and 3.13 respectively indicating majority of the respondents' agreed with the audit staff is able to access any information that interested by the auditors and all organizational data is available for tax audit.

As per the result of the above table 4.5, 25(53.2%) majority of the respondents said that detailed budget proposals and information on staffing including by the tax audit plan. On the other side (10.6%) respondent disagree for these questions. The descriptive statistics shows that this statement depicted that a mean value of 3.53 indicating majority of the respondents' agreed with the issue.

On the above table of 4.5 shows around (64.3%) of respondent said agree implies there is rotate and they cover a variety of assignments in the tax audit staff. But on the other side around

2(4.8%) they said disagree. the descriptive statistics shows that this statement depicted that a mean value of 3.64 indicating majority of the respondents' agreed with the question that listed in question eight.

From the survey conducted, the table indicate that around (48.7%) respondents admitted that, agree implies the tax audit performs other activities even if they are not direct responsibility, about (15.5%) respondents however, showed that disagree those does not performs other activity without their duty. the descriptive statistics shows that this statement depicted that a mean value of 3.38 indicating majority of the respondents' agreed with the issue of the tax auditors is work other than the regular work.

From the above table 4.5 majority (64.4%) of respondent given remark agree for tax audit operates totally independently, but around (11.1%) they said disagree, the descriptive statistics shows that this statement depicted that a mean value of 3.51 indicating majority of the respondents' agreed with the issue which means that the auditors works their work independently.

On the last question which is number 11, It shows that (34%) said that the audit sometimes takes part in designing systems in the organization and developing procedures for regulating their operations. On the other side (23.4%) they did disagree by this statement, this question the descriptive statistics shows that depicted a mean value of 3.13 indicating the respondents' agreed with the issue, but most of the respondents also replied neutral so it is difficult to conclude as in general the audit sometimes takes part time for regulating the operation.

4.2.5. Organizational setting respondents report

Table 4. 6 Organizational setting respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	Tax audit is one stage in training and preparing employees in the organization.	F	2	8	7	17	13	3.66
		%	4.30%	17.00%	15%	36.20%	27.70%	
2	Tax audit is one stage in the promotion process of employees in the organization.	F	3	10	5	17	12	3.53
		%	6.40%	21.30%	11%	36.20%	25.50%	
3	Tax audit is considered a stage in the organizational independence	F	3	6	6	24	8	3.6

	of employees in the organization.	%	6.40%	12.80%	13%	51.10%	17.00%	
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Survey data, 2021 SPSS output

The above table 4.6 around (63.9%) shows the respondents said agree they said one of the organization stages is training and preparing employees, behalf of this (21.3%) said disagree they given negative assumption ,the descriptive statics indicate for this statement 3.66 so more than half of respondent agreed by this idea.

The above table shows (61.7%) said agreed they believe tax audit is one stage in the promotion process of employees in the organization, on the other side (27.7%) respondent said that disagree, for this statement descriptive statics indicated 3.53 majorities if respondent agreed by thus idea.

As the indication of table 4.6 (27.7%) of respondent said disagree they doesn't said the stage in the organization independency of employees in the organization. On the other side (68.1%) of respondent almost majority of the audit staff said agree they said that by this statement. based on the descriptive statistics for the statement depicted that a mean value of 3.6 which revealed the majority of respondents agreed by this statement. The finding of the research indicates that tax audit is considered a stage in the organizational independence of employees in the organization.

4.2.6. Top management support respondents report

Table 4. 7 Top management support respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	Top management does not provide me with the support I expect to have	F	4	20	6	13	4	2.85
		%	8.50%	42.60%	13%	27.70%	8.50%	
2	The number of employees in tax audit is limited given the amount of auditing work planned and needing to be done in the near future.	F	0	10	7	26	4	3.51
		%	0.00%	21.30%	15%	55.30%	8.50%	
3	Management is not sufficiently aware of the needs of tax audit, as demonstrated by the small budget assigned to this department.	F	5	8	13	13	8	3.23
		%	10.60%	17.00%	28%	27.70%	17.00%	
4	Management does not provide enough support and encouragement for training and developing the tax audit staff – another indication that it does not recognize the importance of this issue	F	2	6	8	23	8	3.62
		%	4.30%	12.80%	17%	48.90%	17.00%	

5	the respective government officials give attention for tax audit	F	3	4	8	23	9	3.66
		%	6.40%	8.50%	17%	48.90%	19.10%	

Survey data, 2021 SPSS output

(Mihret and Yismaw, 2007).The qualities of the audit and top management’s support have greatly affected the effectiveness of the audit. In turn, better audit efficiency will have a positive impact on these two factors. As per the result of the above table 4.7, 24(51.1%) majority of the respondents said that disagree this implies there is support from top management they expect to have ,on the other side, (36.2%) they said that agreed they don’t got supported from top management, the descriptive statics indicate 2.82 majority of the respondents disagree by thus idea.

In addition (63.8%) respondent agreed, if the no of employee limited, it has a factor on the amount of planned work no to be done the right time, on the other side (21%) of respondent said disagree, they don’t believe on the above statement, the average mean implied 3.51 this indicated majority of the respondent tax audit staff agreed by this idea. This implies the department does not perform its duty as their plan.

As shown the above table 4.7 around (44.7%) of respondent said that agreed, Management is not sufficiently aware of the needs of tax audit, as demonstrated by the small budget assigned to this department, this results lack of motivation for employees. On the other side (27.6%) responded disagree they said top management have awareness of tax audit need. Descriptive statistics mean value indicated that 3.23 this shows greater than 3 majority of the respondent to negotiated by this idea.

The above result that (65.9%) of respondent agreed that filled indicated Management does not provide enough support and encouragement for training and developing the tax audit staff. This indicated there is a problem in top management and also indication that it does not recognize the importance of this tax audit. On the other hand (17%) of the respondent said that disagrees on the equations. The descriptive statistics indicated that 3.62 majority of the respondent agreed to the organization management does not provide any supported and encouragement of training.

The indication of the above table 4.7 (69%) of respondents said that the respective government officials give attention for tax audit but (14.9%) of respondents said that the government officials is not enough attention on the audit department, the finding of descriptive analysis that indicate 3.66 so above (50%) of respondent agreed the respective government official to give attention for tax audit this implies encourage the tax system.

4.2.7. Competence of staff auditors' respondents report

Table 4. 8 Competence of staff auditors' respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	The professional knowledge of staff auditors are high	F	2	6	10	22	7	3.55
		%	4.30%	12.80%	21%	46.80%	14.90%	
2	staff auditors are considered as professionals	F	2	8	27	10	0	3.91
		%	4.30%	17.00%	57%	21.30%	0.00%	
3	There is communication between staff auditors and auditees	F	2	4	17	19	5	3.45
		%	4.30%	8.50%	36%	40.40%	10.60%	
4	Staff auditors of Addis Ababa city government revenue Authority branch office are proactive	F	2	1	14	23	7	3.68
		%	4.30%	2.10%	30%	48.90%	14.90%	
5	Staff auditors attend educational seminars for continuous training	F	5	4	11	23	4	3.36
		%	10.60%	8.50%	23%	48.90%	8.50%	
6	staff auditors have adequate education	F	2	8	8	23	6	3.49
		%	4.30%	17.00%	17%	48.90%	12.80%	

Survey data, 2021 SPSS output

According to Bou-Raad (2000) believes that auditors must have a high level of education in order to be regarded as human resources. As refer of the above table (61.7%) of the respondent said that agree to staff auditor knowledge are high, on the other hand around (17.1%) respondent replied disagree indicate professional knowledge of the auditors are low. based on the descriptive statistics for the statement depicted that a mean value of 3.55 which revealed the majority of respondents agree with the statement.

On the above table (21.3%) of respondent to give the answer agrees, indicated that they considered as professionals. Also the same percentage (21.3%) said disagree that they didn't considered as a professionals. the descriptive statistics shows that this statement depicted that a mean value of 3.91 indicating of the respondents' to show equal indication with this statement.

The result of the above table 4.8. (51%) of respondent they did agreed on the question of there is communication between staff auditors and auditee also (12.8%) said that there is no communicated with staff auditor and auditee. descriptive statistics shows that this statement depicted that a mean value of 3.45 indicating of the respondents' agreed with the issue. There is communication of staff auditors and auditee.

In addition as refers of the above table (63.8%) of respondents of Addis Ababa city government Revenue authority branch office are stand by or proactive for to solve the problems and thinking about the future, but there is around (6.4%) of respondent said disagree for this question. descriptive statistics shows that this statement depicted that a mean value of 3.68 indicating of the majority of respondents' agreed with the issue.

For the other question the competency of staff auditors the respondent replayed (57.4%) they said agreed, staff auditors attend educational seminars for continuous training, but there is also disagree respondent around (19.1%) they indicated didn't attained educational seminars and continuous training. descriptive statistics shows that this statement depicted that a mean value of 3.36 indicating of the respondents' agreed with the issue. There attained educational seminars for continuous training.

For the last question of on the above table 4.8 majorities (61.7%) said that agreed for staff auditors have adequate education, but around (21%) of the respondent said that disagree they indicated that doesn't have adequate education. But, Adequate staffing of the audit department and good management of these personnel are the keys to the effective operation of tax audits. Auditing requires professional staffs, which together possesses the education, training, experience and professional qualifications necessary to perform the all-round audit required by their duties. Descriptive statistics shows that this statement depicted that a mean value of 3.49 indicating of the respondents' agreed with the issue, the staff auditors have adequate education.

4.2.8. Tax audit effectiveness respondents report

No.	Description		Strongly Disagree	Disagree	Neutral	agree	Strongly Agree	Mean
1	The evaluation of tax auditing reports made by individuals in managerial positions who were audited is positive.	F	1	2	19	21	4	3.53
		%	2.10%	4.30%	40%	44.70%	8.50%	
2	Tax auditing gets the attention of top management and focuses it on issues audited by tax auditing.	F	0	4	15	20	8	3.68
		%	0.00%	8.50%	31.90%	42.60%	17.00%	
3	The issues to be audited are decided after identifying risks, quantifying them and determining appropriate risk levels.	F	0	2	12	20	13	3.94
		%	0.00%	4.30%	25.50%	42.60%	27.70%	

4	The tax auditing department is valued by management and makes valuable contributions during meetings.	F	2	6	10	22	7	3.64
		%	4.30%	12.80%	21%	46.80%	14.90%	
5	The number of complaints about the tax auditing department is very low	F	2	6	10	22	7	3.3
		%	4.30%	12.80%	21%	46.80%	14.90%	
6	Those who are audited demonstrate a high level of satisfaction with the work of the tax auditing department	F	2	6	10	22	7	3.55
		%	4.30%	12.80%	21%	46.80%	14.90%	
7	The findings of tax audits are always based on documents and reliable data	F	2	6	10	22	7	4.02
		%	4.30%	12.80%	21%	46.80%	14.90%	
8	The tax auditing reports are clear and well presented.	F	2	6	10	22	7	3.91
		%	4.30%	12.80%	21%	46.80%	14.90%	

Survey data, 2021 SPSS output

Table 4.9 Tax audit effectiveness respondents report

According to table 4.9, nearly half of the respondents (53.2%) agreed, implying a favorable assessment of tax auditing reports prepared by those in managerial positions who were audited. On the other hand, less than ten percent (6.4 %) of respondents disagreed with this statement. the descriptive statistics shows that this statement depicted that a mean value of 3.53 indicating the respondents' agreed with the issue, Respondents also said that tax audits are given attention by top management and are focused on (59.6%), and that roughly (8.5%) gave the answer disagree for this question. According to the descriptive statistics, this statement had a mean value of 3.68, showing that the respondents agreed with the issue, implying that tax audit receives top management's attention and focuses on. Furthermore, 70.3 percent of respondents agreed, stating that audited issues are decided after detecting and qualifying risks, as well as determining suitable risk. There are also (4.3%) of respondents who disagree with this equation. According to the descriptive statistics, this statement had a mean value of 3.94, indicating that the respondents agreed with the issue.

According to table 4.9, there is a good follow-up by management and a substantial contribution on meeting time from the whole respondents (66 %). Around 9% of the population is divided on this issue the descriptive statistics shows that, this statement had a mean value of 3.64, indicating that the respondents agreed with the issue.

The overall goal of a tax audit, according to (Tsegaye et al, 2014), is to increase tax payer compliance by ensuring that they declare the correct amount of tax and pay it on time. 61.7 percent of respondents believe the number of complaints is low; however, 12.8 percent disagree, implying that there are a lot of complaints. Descriptive statistics, on the other hand, show that this statement had a mean value of 3.3, indicating that the respondents agreed with it.

As per the survey, taxpayers are pleased with the audited report (53 percent), but there are also (4.3 percent) of respondents who are not satisfied. According to the descriptive statistics, this statement had a mean value of 3.55, indicating that the respondents agreed with the issue.

According to the responses of the respondents (74%) who agreed that the audit process is always based on document (evidence) and (4.3%) who agreed that it is not only documents but also other things related to the audit that are used, the descriptive statistics show that this statement has a mean value of 4.02 indicating that the majority of respondents agreed that the audit process is always based on document (evidence).

According to that table, shows that from the respondents (73%) audit report is neat and clear and well-presented. There is also (4.3%) is not, the descriptive statistics shows that this statement presented that a mean value of 3.91 indicating the respondents' agreed with audit report is must neat and clear also well presented.

According to the result of the document review show that, when auditors audited taxpayers, they encountered problems such as:-

- Late receipt of documents,
- Excessive expenditures,
- Underestimation of income and
- Cover-up of income

The above mentioned problems will lead the government not to collect the desired income.

4.3. Summary of tax audit effectiveness

Table 4. 10 Tax audit effectiveness summary data presentation

	Mean	N	Std. Deviation	Minimum	Maximum
tax audit function or process	3.8251	47	0.49786	3.00	4.90

auditee attribute	3.6245	47	.52081	2.53	4.53
audit quality	3.5106	47	.66884	2.33	4.67
organizational independence	3.3907	47	.57452	1.82	4.55
organizational setting	3.5957	47	1.01185	1.00	5.00
top management support	3.3745	47	.80392	2.00	4.80
competence of staff auditors	3.5745	47	.78544	1.00	5.00
tax audit effectiveness	3.6968	47	.63027	2.63	5.00

Survey data, 2021 SPSS output

- According to (Best and khan1995), the decision rules used in the analysis was average mean less than 3 was considered as low, average mean equal to 3 was considered as medium and average mean greater than 3 was considered as high.
- According to Best, (1977), standard deviation of the score from 1-1.80 is lowest, from 1.81- 2.61 is lower, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and 4.22-5 is considered very well.

Auditee attributes

Auditee attributes mean responses for all questions 1-15 were 3.6245 and the standard deviations were 0.52081. Which implies the standard division is less than 1 which indicates in view of the respondents there is low auditee attribute in large tax payer's office. The auditors' mean responses were greater than 3.00 (average) in fifteen of the questions indicating that tax auditors of respondents viewed the auditee as high level of support or contribution for tax auditors and there is a good relationship between tax payers and auditors. When to compare the previous studies of Leakemariam b (2020) and Elias (2014) the result of auditee attributes, taxpayers were not support or contribute to tax auditors in the processes of tax audit and tax auditors of respondents viewed the auditee as high level of support or contribution for tax auditors and there is a good relationship between tax payers and auditors respectively.

Audit quality

Q26 – Q31 (6 items) in the questionnaires distributed to tax auditors relate to the audit quality parameter. Auditors mean responses for all Questions were 3.5106 and the standard deviations were 0.66884. The mean responses of the auditors to the six questions under audit quality were generally agree or strong agree ,the six questions obtained mean responses of greater than 3.00(average) for auditors. The variation of audit quality measured by standard deviation was 0.66884 which is less 1 of its moderate score, it can be understood that the large tax payers have

lowest audit quality. The mean result implies that there is the audit quality between the tax auditors and they have a sufficient skill for them as well as attractive tax audit plan preparation. These compare with previous study Elias (2014) the same result but different to the study of Leakemariyam Abebaw (2020).

Organizational independence

The mean value of organizational independence was 3.3907 which are Greater than its moderate value of 3 and standard deviation of 0.57452 mean responses of greater than 3.00(average) for auditors. The standard deviations of the responses were 0.57452 which indicates the large tax payers have less average deviation of 0.57452 from the mean value. Its implication is that from auditor's perception, the organization was not free from unethical practices like corruption. The mean responses of the auditors to the questions implying high independency and to those questions which referred to as the tax auditors are free from other influence. This result the same outcome of previous study of Elias (2014)

Organizational Setting

Organizational setting is determined by organizational status & internal organization and organizational policies and procedures. The mean value of organizational setting was 3.5957 which is greater than its moderate level 3 and its standard deviation was greater than 1 but its lowest. So its implication is auditor's perception on organizational policies and procedures are more workable for the audit done in large tax payers in Addis Ababa city government revenue authority branch office. This result compare to previous study of Melat (2016) there is different outcome, her result was, organizational policies and procedures are no more workable for the audit done in LTO.

Top management support

The average mean value of top management support in large tax payer's office was rated as 3.3745 which is greater than 3 and its standard deviation was 0.80392 Which is also less than its moderate level of 1. So the respondent's perception on top management's role on audit effectiveness of LTO is low the mean responses of the auditors to the questions implying high management support and to those questions which referred to as the tax auditors findings are accepted by management. This result the same out come from Elias (2014) and contradicts from previous study of Leakemariyam Abebaw (2020)

Competence of staff auditors

The above table displayed that the mean value of competence of staff auditors was 3.5745 which is greater than moderate level 3 with a standard deviation of 0.78544. Mean indicates that the competence of staff auditors in Addis Ababa city government revenue authority were high, i.e. Auditors were attended educational seminars for continuous training on tax audit investigation & intelligence, audit selection techniques, and preparation of audit finding but standard deviation was less than its moderate level So the respondent's perception on competence of staff auditors on audit effectiveness of LTO is low.

Tax audit effectiveness

The mean distribution of the dependent variable tax audit effectiveness of the study is 3.6968 which is greater than 3 and standard deviation statistics for tax audit effectiveness is 0.63027, which is less than 1.it shows as per the auditors perception audit effectiveness in Large tax payers in Addis Ababa city government revenue branch office less than its moderate level. The auditor's response shows on the 8 questions tax audit effectiveness in LTO is low. From previous study the same result of Elias (2014) and different out come from Melat (2016).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter aimed to summarize the key findings, conclusion and recommendations of the study based on the research questions. The main objective of this paper is to examine assessment of factors affecting tax audit effectiveness a study on large tax payers in Addis Ababa city government revenue authority branch office. The study sought to answer seven basic research questions in the previous first chapter. In the chapter four, the data instruments (questioner and documentary analysis) has been analyzed and interpreted in relation with the statement of the problem and objectives of the study supported with the literature. Then in this chapter conclusions are made by summarizing the results stated on chapter four and finally the researcher provides valuable and fruitful recommendations on the possible findings

5.1. Summary of Findings.

Based on the survey questionnaire responses from employees of the analysis made so far, the following key findings are listed below;

- The reliability test conducted to check the dependability and consistency of the instrument showed, Cronbach Alpha of 0.956
- The responses are collected 94% from Addis Ababa city government revenue branch office. The general educational back ground of demographic profile respondents found that 87.2 % they have Degree and the remaining 12.8 are master. These employees served their office 38.3% of the respondent greater than or equal to six years and 31.9% from the gap of two and five years, the remaining 29.6% of employee below 2 years. Questionnaire was distributed to all parties that could possibly participate on the process at all levels of the hierarchy, the participants positioned with 59.9% auditors 2% audit process, 18.2% tax audit team leader and 15.9% tax audit assistant the remains 4.3% said others . In addition almost 75% of the staff field of study accounting and finance the remaining are related.
- In the summary of tax audit effectiveness the highest mean score of 3.62 with standard deviation of 0.521. This finding could be explained as the organization to given highest focus on the auditee attribute with a higher mean score but the lowest standard deviation considered from other factors. Except one question all of audit attribute related questions result came up with a high mean score which is above 3, however, when the respondents are asked to tax payers have a good attitude and

cooperation with the tax system and auditors the mean score was 2.98, that, the respondents feel that there isn't success rate about taxpayers attitude and cooperation with the tax system and auditors.

- This study also found that the factor of audit quality having a mean score of 3.51 with a standard deviation of 0.667 which is nearly the same with average or the degree of agreement with the questions asked is nearly same as neutral. This shows that the organization having average audit quality than auditee attribute. The all questions are turned favorable or above mean result these are the company audit work has been performing based on international financial reporting standards (IFRS) or generally accepted auditing standards.
- The factor tax audit effectiveness organizational independency, the study found the lowest mean compare from the other factors value of 3.39 with a standard deviation of 0.57. Also the individual mean of related from the remains factor above 3, this result is to fulfill the standard scale but the second question having the least mean values is 3.19 compare with other related questions where the respondents said There is direct working relations with the general manager and managerial team.
- The next factor of tax audit effectiveness is organizational setting the mean value 3.59 with standard deviation 1.012, This shows that the second highest mean from the related factors also there are three questions those question have mean value greater than 3, the finding indicated The structure of organization, and its profile well good.
- The other factor on tax audit effectiveness top management support the mean value 3.37 with standard deviation of 0.804 which means the value of mean is above 3 but when we come to the individual questions from 5 questions, the finding indicates the employee and the work done by them is not proportion. Also the total Standard deviation below the score.
- When we come to competence of staff auditors mean value 3.57 with 0.785 standard divisions, this result is the same as the others factor of tax audit effectiveness the related questions all mean value above 3 but standard deviation below the score.
- Also the finding of the study shows document review stated that auditors have problems when the assessment of taxpayers document.

Generally, this research aims to examine the assessment of tax audit effectiveness, the independence of auditee attributes, tax audit quality, organizational independence,

organizational setting, top management support, competency of staff auditors, to tax audit effectiveness. The Finding showed that auditee attributes, tax audit quality, top management support, competency of staff auditors, have statistically significant influence and positive impact on assessment of the studied organizations, this result to show the same as the previous study of Leakemariam (2020) ,and also the organizational setting has a positive effect and significant for tax audit effectiveness.

Organizational independence has significantly influence on tax audit effectiveness. The finding of the study states that tax audit is May not operating independently in staff of Addis Ababa city government revenue authority large tax payer's revenue office. This study also demonstrates that Auditee attributes have significant effect of the high predictor in the next to organizational independence, which indicates the support of the audit in the auditing processes were increase tax audit effectiveness.

The final portion of this research aims to conclude the finding of the study focusing factors affecting on tax audit effectiveness and to provide recommendations based on the research findings of the study. These conclusions and recommendations are drawn from the findings of the study specifically related audit attribute, organizational setting, top management support, organization independence, and audit quality competency of staff auditors in the revenue office.

5.2. CONCLUSIONS

Depending on the major findings of the study, the following conclusions were reached. Since tax audit is very crucial for revenue collection process for any tax authority, tax audit effectiveness is the main means to ensure growth and development of a country. The existence of tax audit effectiveness in the tax authority reduces tax evasions and increases obedience taxpayers, hence improves the revenue collection process. Giving attention of this aspect, this study was assessment of the tax audit effectiveness in Addis Ababa city government revenue Branch Office so as to examine the tax authority position in which Addis Ababa city Branch Office should carry out to improve the tax audit effectiveness. The researcher to checked Reliability test was also conducted to check the consistency and dependability of the instrument and accordingly the Cronbach Alpha value obtained from the respondents helped the researcher to conclude that the instrument was proven to be reliable.

As a general conclude the findings of the study in conclusion with tax audit functions, the organization were not provide training to tax payers about tax audit function and does not

sufficiently aware of tax payers about tax audit to increase tax audit effectiveness. From the above mentioned summary of findings, the researcher concluded that organizational independency has significantly influence on tax audit effectiveness in other word tax audit may not operating independently in Addis Ababa city government revenue authority large tax payers branch office, also thus study also demonstrated that auditee attributes have significant effect of the high predictor in the next to organizational independency. Which means, Independence is essential to the reliability of audit reports? If auditors are not independent in facts and appearances, then these reports are not credible, and investors and creditors have little confidence in them.

The finding also shows top management does not provide enough support & encouragement for training and developing the tax audit staff. In addition tax audit department for their employees were not given sufficient training to enhance their skills and capacity and there is low motivation scheme this leads the organization tax auditors were not operate tax audit in appropriate way. To show the above finding top management is not sufficiently aware of the needs of tax audit as demonstrated by the small budget assigned to this department.

5.3 Recommendations

The researcher made the following recommendation based on the findings/conclusions reached. The following points should be considered by large taxpayers' offices in order to improve the effectiveness of tax audits, generally, respective government bodies, top management and staff of tax auditors committed to increase the effectiveness of tax audit and should found a mechanism that helps to increase tax audit effectiveness.

- ✓ Tax audit department shall to be free from any intervention; according to the result company needs to have independent in their work.
- ✓ Consequently the custom authority audit departments have to build the ways that used tax audit work to be fully independent from any intervention.
- ✓ Top management should provide enough support and encouragement for training and developing tax audit staff to increase the competence of auditors by knowledge, technical skills and interpersonal skills, this helps to increase tax audit quality.
- ✓ The concerned body as to manage the employee and the proportion of work.
- ✓ Create a positive work atmosphere by developing relationships between tax auditors and taxpayers, as well as between co-worker and immediate supervisors, so that they are driven to complete office responsibilities also,

- ✓ Create awareness to increase the willingness of auditee cooperation with auditors in the process of tax audit by keeping the rules and regulations of tax law.
- ✓ Moreover, the tax authority should give more attentions for experienced tax audit staffs to maintain for long period of time by different mechanism like covering educational fee in the universities available in the city in order to upgrade the tax audit staffs' education level and giving incentives.
- ✓ To improve tax audit function and tax audit performance of the organizations, Addis Ababa city government revenue authority revenue office should sufficiently aware of tax payers about tax audit, and should provide training to auditors (to be competent and to upgrade their skills and capacity, that helps to provide appropriate service to taxpayers and helps to achieve its objectives of the organization and tax payers (how to maintain books of accounts and documents with the standardized principles like IFRS to make easily accessible for auditors and taxpayers in the processes of tax audit).
- ✓ Addis Ababa city government revenue Authority give awareness & create belonegness to the auditee through consistent training
- ✓ In addition the revenue authority develops a system, policy & procedure which troubleshoot the problem of the auditee.
- ✓ The branch should also think about the enormous influence its taxpayer has on the economy and on the environment. The organization system should be improved, and its auditors' capability should be increased.

5.4 Future research implications

The results will have important implications and is believed to be helpful for large tax payer's 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.

Despite the fact that the researcher believes that this study is comprehensive, he believes that it can be expanded to include more external respondents to make it more realistic. And more reliable. Finally, due to different factors i couldn't touch other dimensions of tax audit effectiveness. As a result, future research should include more desirable features in order to acquire a deeper understanding.

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Appendix I.

St. Marry University

College of Business and Economics Faculty

Department of Accounting and Finance

Questionnaire to be filled by Tax Audit Staff

Dear respondents,

This study is entitled “Assessment of Factors Affecting Tax Audit Effectiveness: A study on Large Tax Payers in Addis Ababa City Government Revenue Authority Branch Office”. The researcher is Tigist Tefera who is currently MSc (in accounting and finance) student at St. Marry University.

I am going to ask you some questions about tax audit effectiveness. The information that you will give me is quietly useful to know about tax audit effectiveness in Addis Ababa City Government Revenue Authority Branch office. I would like to assure you your name will not be mentioned in anywhere. The information that you will give me will be kept confidential and only be used for the research purpose. For further information, please contact me by the following address:

Tel: 0911-432350 E-mail: teferatigist028@gmail.com

Tank you in advance in your cooperation!!!

Tigist Tefera.

(Put — in the box of your choice.)

Part I: Demographic Information

Please read each item carefully and give your honest response to each item and please provide Your response by circling the relevant best choice.

1. Education

12 Complete. 1 Certificate. 2 Diploma 3.

Degree 4. Master 5. PhD 6

2. Field of study:

Accounting and Finance 1 Management. 2

Economics. 3. Business administration. 4 Others . 5 please specify-----

Others 5, please specify _____

3. What is your current position in the office?

Tax audit assistance 1

Tax audit team leader 2

Tax Audit Process owner's 3

Tax Auditors . 4

Others . 5 please specify-----

4. How long have you been working in this position

Less than two years 1. 2-5 years 2 Greater or equal to six years 3

Part II Study Area Questions

This questionnaire is prepared based on a five point likert scale. Please indicate to what extents do you agree or disagree with the following statements. If the statement strongly matches with your response, choose 5 (Strongly Agree), if you discreetly agree on the idea, choose 4 (Agree), if you do not have any response on the point, choose 3 (Neutral), if you discreetly disagree with the statement, choose 2 (Disagree) and if you completely differ with the statement, choose 1 (Strongly Disagree).

No.	Questions Related to tax audit functions/process	1	2	3	4	5
1.	There is Legal obligation to maintain the taxpayer's record keeping.					
2.	Tax audit manual gives detail explanation and interpretation of tax laws and regulations.					
3.	One individual tax auditor selects the cases.					
4.	Tax audit work is performed as per the general audit standard procedure.					
5.	A tax auditor has appropriate power to access information to make decision in audit activity.					
6	Tax audit function have adequate resources					
7.	A tax audit program is performed in advance by my office					
8.	Field tax audit work is performed by the office					
9.	Desk (office) tax audit work is performed by the office					
10.	The office has rules that requires the audit work to be started and completed within a predetermined time frame					

	Questions related to audit attributes					
11	Taxpayers have a good attitude and cooperation with the tax system and auditors.					
12	Addis Ababa city government revenue Authority branch office audit system is sufficiently promoting voluntary compliance tax payers.					
13.	Addis Ababa city government revenue Authority branch office, there is transparent audit procedure and audit decisions are made based on facts.					

14.	The current working capacity of audit staff is well aware of the tax laws and regulations.					
15.	Tax payer knows when the auditing process is completing from starting to ending					
16.	Addis Ababa city government revenue Authority branch office tax audit manual and procedure minimizes the compliance burden on the tax payer.					
17.	Tax audits are finalized according to consistent process and assurance a level of customer satisfaction.					
18.	Audit procedure is transparent and clear to the tax payers during the course of the audit.					
19.	The existing audit program is promoting voluntary compliance and builds public confidence.					
20.	Addis Ababa city government revenue Authority branch office has an effective motivation scheme to the compliance taxpayers.					
21.	The audit program enables to differentiate deliberate and non-deliberate misreporting of taxpayers and applies penalty.					
22.	The audit manual procedure identifies the tax liability of non-compliance.					
23.	Auditors give sufficient education to the taxpayers about the tax laws and regulations during auditing					
24.	The organization auditor accepts taxpayers 'suggestion to improve the tax function.					
25.	There is a good work relationship between the taxpayers and tax auditors					
	Questions related with tax audit quality					
26.	The annual audit plan is determined completely by the tax auditor					
27.	The areas audited are very significant to the organization					
28.	The TA is able to cover all organizational units and all issues.					
29.	The response of auditees to the audit is submitted in writing, relevant and comprehensive.					
30.	There is regular follow-up by the TA staff to examine actions taken to correct the problems					

31.	The tax auditor also performs other activities such as developing procedures and conducting economic and financial audits.					
	Questions related with organizational independence					
32.	I have regular and direct working relations with the head of the TA committee.					
33.	I have regular and direct working relations with the general manager and the managerial team.					
34.	Terminating the work of the tax audit requires the approval of the tax audit committee, and/or the board of directors, and/or the Civil Service Commission					
35.	The tax audit staff has free access to information and data about the organization, and unrestricted access to its site.					
36.	All organizational data pools are accessible to the tax audit.					
37.	All organizational data pools can be downloaded and examined by the tax audit.					
38.	Detailed budget proposals and information on staffing are included in the annual work plan of the tax audit.					
39.	I rotate the tax audit staff so that they all cover a variety of assignments.					
40.	The tax audit also performs other activities even if they are not defined as its direct responsibility					
41.	The tax audit operates totally independently, can audit any issue it considers in need of auditing, and can access any necessary information even if it is classified					
42.	The tax audit sometimes takes part in designing systems in the organization and in developing procedures for regulating their operations					
	Questions related to organizational setting					
43.	Tax audit is one stage in training and preparing employees in the organization.					
44.	Tax audit is one stage in the promotion process of employees in the organization.					
45.	Tax audit is considered a stage in the organizational independence					

	of employees in the organization.					
	Questions related to top management support					
46.	Top management does not provide me with the support I expect to have.					
47.	The number of employees in tax audit is limited given the amount of auditing work planned and needing to be done in the near future.					
48.	Management is not sufficiently aware of the needs of tax audit, as demonstrated by the small budget assigned to this department.					
49.	Management does not provide enough support and encouragement for training and developing the tax audit staff – another indication that it does not recognize the importance of this issue					
50	The respective government officials give attention for tax audit department?					
	Questions related with competence of staff auditors					
51	The professional knowledge of staff auditors are high					
52	staff auditors are considered as professionals					
53	There is communication between staff auditors and audits					
54	Staff auditors of Addis Ababa city government revenue Authority branch office are proactive					
55	Staff auditors attend educational seminars for continuous training					
56	staff auditors have adequate education					
	Questions related to tax audit effectiveness					
57	The evaluation of tax auditing reports made by individuals in managerial positions who were audited is positive.					
58	Tax auditing gets the attention of top management and focuses it on issues audited by tax auditing.					
59	The issues to be audited are decided after identifying risks, quantifying them and determining appropriate risk levels.					
60	The tax auditing department is valued by management and makes valuable contributions during meetings.					

61	The number of complaints about the tax auditing department is very low					
62	Those who are audited demonstrate a high level of satisfaction with the work of the tax auditing department					
63	The findings of tax audits are always based on documents and reliable data					
64.	The tax auditing reports are clear and well presented.					

Thank you!!!