ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MASTERS OF ACCOUNTING AND FINANCE.

ASSESSMENT OF FACTORS AFFECTING TAX AUDIT EFFECTIVENESS AT ADDIS ABABA CITY ADMINISTRATION REVENUES AUTHORITY

BY

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AUGUST 2019

ADDIS ABABA, ETHIOPIA

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APPROVAL

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Aberham G/Georgis (Assistant Professor) 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 full to any other higher learning institution for the purpose of earning any degree.

Name: Atsede Tsigabu Tadess Signature_____

St. Mary's University, Addis Ababa **August 2019**

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Advisor: Aberham G/Georgis (Assistant Professor) Signature ----------

St. Mary's University, Addis Ababa **August 2019**

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ACRONYMS

AMOS:	Analysis of Moment Structures
ATTE :	Affilated Transaction based Tax Evasion
BA:	Bachlor Degree
ERCA :	Ethiopian Revenue & Customs Authority
GDP:	Gross Domestic Production
IP:	Intelectual Property
IBM:	International Business Machines Corporation
MF:	Measurable Factor
PFM:	Public Fianancial Management
RA – FIT:	Revenue Administration Fisical Information Tool
SPSS:	Statistical Package for the Social Sciences
TA:	Tax Administration Agency
VAT:	A value-added tax

Abstract

The growth and development of any nation depend on the amount of revenue generated and used by the government on public infrastructure. A major problem inhibiting effective tax administration in emerging economies is tax evasion. To prevent this problem countries introduced a tax audit system. Therefore, the objective of this study is to investigate factors affecting task audit effectiveness. The research is done in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office. From the branch office only Tax audit work process department taken as the source of data. The research used primary and secondary data collection methods to strengthen its output. The study covers the total sample population of about 177 tax audit workers. From this population, 43.5% of respondents are located on Number 2 and the remaining 56.5% located on number 1. By using factor analysis, structural factor analysis, and the 50th percentile respondents argumentative value of tax-audit effectiveness results in the correlation result the research find out that, there is positive influence of independent factors , Structural Factors, Risk Factors, Auditing Capability and tax evasion and avoidance strategy) can play a great role in an increment of tax audit effectiveness. The research find out that, by increasing a positive (or reducing the negative) influencing actors the case organization can enhance taxpayers, community, and the tax collector (auditor) positive influence on tax audit effectiveness. In addition, to that this research find out that, The positive influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) can play a great role in the positive increment of tax audit effectiveness.

Keywords: Tax Audit Effectiveness, Tax Audit Capability, Tax avoidance and evasion, Risk factors, Structural factors

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Chapter One

Introduction

This chapter includes Background of the study, statement of the problem, objective of the study, the significance of the study, the scope of the study, limitation of the study, organization of the study.

1.1 Background of Study

The growth and development of any nation depend on the amount of revenue generated and used by the government on public infrastructure for the benefits of the members of that society (Ebimowei and Peter, 2014). Governments all over the world undertake huge public expenditure on behalf of their citizens for the provision of basic needs and other social services. To meet up with these responsibilities, governments require a substantial amount of funds. Among the various sources from which governments can generate income taxes are the most reliable that contributes much more than any other sources (Modugu and Anyaduba, 2014).

Effective tax administration plays a great role in achieving the target goal of taxation (Dymond, 2008). A major problem inhibiting effective tax administration in emerging economies is tax evasion, i.e. deliberate refusal to pay tax. To prevent this unlawful phenomenon, various countries of the world have introduced a process into their tax system which is called tax audit (Modugu and Anyaduba, 2014). Tax audit is an examination of tax payer's business records and financial affairs to ascertain that the right amount of income should be declared and the right amount of tax should be calculated and paid in accordance with tax laws and regulations. The main objective of a tax audit is to encourage voluntary compliance with tax laws and regulations and to ensure that a higher compliance rate is achieved under the self-assessment system (Muhammad, 2015).

In modern tax administration the role of an audit goes beyond verifying reported financial statements' and other supporting documents rather it improve tax administration, it increase taxpayers self-compliance, it raise revenue directly from tax audit activities by selecting the highest risk cases, efficiently detecting non – compliant taxpayers that will give a message tax evasion will be detected (Melat, 2016). In many countries (especially developing countries),

audit performance is reported as a weak aspect of tax administration, irrespective of whether other aspects are working well (Ebrill et al., 2001). Several developing countries do not yet have effective audit programs due to an insufficient number of the required highly skilled and appropriately paid audit practitioners, absence of sound institutional audit practices, illegal cooperation between taxpayers and auditors and deficiency of an appropriate legal and judicial environment. Additionally, these countries have a tendency to offset weak tax audit by adopting complex procedures, such as increase filing requirements and massive cross-checking. This, in turn, might result in administrative difficulties and increase the compliance cost of taxpayers (Hellenrstein, 2005).

Tax audit practice in Ethiopia is undeveloped and does not improve additional revenue and voluntary compliance improvement (Getaneh, 2011). According to Getaneh, the audit coverage remained unsatisfactory, unreasonably consumption of audit resources which it could also result in corruption. Many researchers have made studies on the assessment of tax audit practice in Ethiopia. Including Getaneh (2011), Nesanet(2014), Kidist (2016), Abinet (2016), Tesfaye (2018), and Tirsit (2017) investigate issues of identifying tax audit practice, Assessment of tax audit practice, and challenges of tax audit practice by setting an objective of examining factors influencing tax audit effectiveness. To the knowledge of the researcher, there is no research output done dip on confirmative factor analysis for developed regression modes with regard to factors influencing tax audit effectiveness.

Therefore, the objective of this study is to investigate factors affecting tax audit effectiveness and develop a structural model which shows tax audit effectiveness factors influence effectiveness of Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office.

1.2 Statement of the Problem

Under inadequate tax administration systems including insufficient and ineffective audit program, the potential amount of tax revenue in developing countries has not been collected in an efficient and equitable manner (Edmiston and Bird, 2004). The tax auditing system in underdeveloped countries is still under a number of challenges regarding its operation and administration that are not yet resolved. Further, the weak tax administration may make the tax

system unfair in that honest taxpayers would bear a heavier and disproportional burden. It, in turn, may have an impact on the efficiency of tax operation, and also may encourage businesses to work in the illegal economy.

Ebimobowei & Peter (2014) and Tadesse and Goitom (2014) states that the probability of being audited as the main determinant factor for tax compliance and, on contrary Niu (2010) discovered that tax audit is impacting on voluntary compliance. Even though, tax collection effectiveness and efficiency of revenue is still very low and the importance of tax for government is huge where the private sector contribution is limited to service provision the government is mainly expected to play a major role few studies have been conducted on tax audit effectiveness in developing countries (Chalu and Mzee,2017).

The extant literature suggests that tax audit effectiveness is a function of a number of factors. For instance, Al-Frijat (2013) reveals that the accounting information system and human resource has a significant relation with tax audit effectiveness. Chalu and Mzee (2017) noted that organizational factor, tax auditor related factor, taxpayers and regulatory factor have a great impact on tax audit effectiveness. Ayalew (2014), reveals that audit quality and organizational independence are also factors affecting tax audit effectiveness. Moreover, Melat(2016) stated that tax audit effectiveness significantly affected by Audit quality, organizational independence, and management support. Kibret (2016) also reveals information systems, experience, and training has positive and statistical significance relationship with tax audit effectiveness. Those local researches on tax audit effectiveness reveal the issue of identifying factors affects tax audit effectiveness and investigating their structural relation has still lacked consistency.

1.3 Research Question

This research has the following research questions:

- What are the factors affecting tax audit effectiveness?
- How tax audit effectiveness affected by structural factors?
- How tax audit effectiveness affected by risk factors?
- How tax audit effectiveness affected by tax audit capability?
- How tax audit effectiveness affected by tax avoidance and evasion?

1.4 Objectives of the study

4.1.1. General Objectives

The main objective of this study is to investigate factors affecting tax audit effectiveness and develop a structural model which shows tax audit effectiveness factors influence effectiveness of Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office.

4.1.2. Specific objectives

The specific objectives of this study are:

- To examine the structural factor effect on tax audit effectiveness.
- To investigate risk factor influence on tax audit effectiveness.
- To examine tax auditing capability influence tax audit effectiveness.
- To investigate tax avoidance and evasion influence on tax audit effectiveness

1.5 Significance of the Study

This study deals with the factors affecting tax audit effectiveness of Addis Ababa City Administration Revenues Authority No 1 and No 2 Medium Tax Payers Branch office which is important for different stakeholders.

The result of this study benefits the tax authority, for policymakers and taxpayers. For the tax authority; to improve their tax audit practices by identifying the critical factors for tax audit effectiveness. For policymakers; in designing tax audit policies, regulations and standards. The study would also be expected to help taxpayers indirectly. They may be aware of their roles, responsibilities, rights and pay tax properly using the result as a source of information.

Future researchers will also be used as reference material in the issue of factors affecting tax audit effectiveness.

1.6 Scope of the Study

This study delimited to the factors affecting tax audit effectiveness in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office. To meet its objectives, the study was limited to examining factors affecting tax audit effectiveness by using independent variables; tax voiding and evasion fighting strategies, tax auditing capabilities, risk factors, and structural factors. In order to make a generalization from the sample population, and to improve the number of observation in the study, a census random sampling was taken.

1.7 Limitation of the Study

Several limiting factors pertaining to the study require consideration. However, the main limitation of the study is that the study only focuses on tax audit department in Addis Ababa City Administration Revenues Authority No 1 and No 2 Medium Tax Payers Branch office and the outcomes may not be concluded in every other country.

1.8 Organization of the study

This study is organized as follows;

Chapter One: Includes introduces the reason for investigating tax audit effectiveness including empirical and methodological gaps that still exist on the topic. This chapter used as a transition for other chapters by understanding the objective of the research and its problem statement.

Chapter Two: This chapter includes literature reviews collected from a vast database on the issues identified as factors affecting tax audit effectiveness. The literature review is organized by introducing tax audit effectiveness and then continued by investigating literature which has a focus on factors of tax audit effectiveness (tax avoidance and evasion, tax audit capability, risk factors, and structural factors)

Chapter Three: This chapter includes the data type the research required for identified methodology, the analysis tools, sample design, and data source depicted in clear and scientific way.

Chapter Four: Data types, collection methods devised in chapter three are implemented in this chapter so that this chapter organized into two parts. The first part organized by demographic pieces of information which validate the respondent's characteristics with the investigation topic with discussion and elaboration. The next part of this chapter focus on statistical analysis approaches on data collected using chapter three data type format collected from the literature.

Chapter Five: In this chapter, the findings depicted in chapter four organized into finding, conclusion and recommendation format so that the audience of this research can grasp the core finding of the research.

Chapter Two

Literature Review

2.1. Introduction

A tax audit is an examination to determine whether a taxpayer has correctly reported and assessed their tax obligations. It is often more detailed and extensive than other types of examination such as general desk checks, compliance visits or document matching programs (OECD, 2006). However, in a modern tax administration role of an audit program must extend beyond merely verifying a taxpayer's reported obligations and detection of discrepancies between a taxpayer's declaration and supporting documentation. An effective audit program is corrective, deterrent, future-oriented and risk Preventative (Biber, 2010). Tan and Yim (2014) study showed that tax Auditing is a common strategy used in fighting against the pervasive evasion and tax avoidance problem in all tax systems. Due to that, tax audit effectiveness started to gain emphasize since it is a very significant benefactor for the national and firm economy (Carey et al.,2000). As Biber (2010) noted, the role of an audit program in modern tax administration must extend beyond merely verifying a taxpayer reported obligations and detection of inconsistencies between a tax payer's declaration and supporting documentation. However, it should be systemic and strategic in fighting against tax avoidance and evasion.

2.2. Factors Affecting Tax Audit Effectiveness

2.2.1. Tax Avoidance and evasion

Tax avoidance and evasion become universal problems throughout the world (Slemrod & Yitzhaki, 2002). For instance, the study performed on selected African countries showed that Kenya, Uganda, and Tanzania illicitly loose over $ 900 Million a year, between 2002 and 2011 (Mosioma, 2016). Slemrod & Yitzhaki (2002), confirmed that every tax system structure is certainly challenged by roughly new and advanced tax avoidance and evasion concealed systems. Therefore, studies of investigating challenges of tax evasion and avoidance and its related effect for tax audit effectiveness remains vital. According to Abdixhiku et al., (2017), exact factors that initiate taxpayers to avoid and evasion tax are not clearly identified in the literature and it shows there are limited studies done to show the relational effect of tax

avoidance and evasion with tax audit effectiveness. As a tactic of eliminating this challenge Auerbach et al.,(2011), did an experiment to show the effects of tax evasion with a probability of detected by auditors and it's emotional effect on them. The authors' result confirms that the appearance of tax evasion has a very strong negative impact on the emotions of auditors on the periods of prior and after-tax auditing. The study suggests that rigorous tax enforcement is a much more effective tool to combat evasion than cutting marginal tax rates. Consequently, it can be argued that tax evasion could have a clear impact on tax audit effectiveness due to its extended impact on tax structure and tax auditing system.

Others works of literature try to relate tax avoidance and evasion problems could be raised due to legal structures and tax auditing system (Agrawal & Mardan, 2019). The state size and different tax rates are also some identified causes of tax avoidance and evasion (Marion & Muehlegger, 2018).

Tax evasion and avoidance may appear in all types of' tax systems (Agrawal & Mardan, 2019). However, the author confirms it can be exaggerated by the auditor's psychological or cultural accountability for the aspects of reporting the right decision. They also argued that, since most of the tax auditors are solo dependent on taxpayer's report documents, there is a probabilistic chance of tax avoidance and evasion with intentional acts and unknowingly self-protecting reporting decisions. Specifically, Bjørneby, et.al (2018) clearly indicated that, with regard to tax auditing effectiveness the third party reports cannot always be trusted, though it is important to consider for tax administrations when allocating their enforcement resources – they need to identify in which situations the third-party can be trusted and in which situations they are likely to underreport. The study also indicates that this could have implications for the design of the tax system, taking into account that evasion can lead to labor market distortions and efficiency losses. In addition to such kind of widespread recognition of the effectiveness of clear reporting to increase tax compliance, existing tax theory considers tax audits to be the only tool to prevent evasion and additional enforcement instrument required that allows a tax authority to acquire signals about taxpayers' income would prevent fallacy reports, which causes tax avoidance and evasion problems. Advanced technologies could support states tax system by allowing users to visually define classes of suspicious patterns, it exploits effective graph pattern matching technologies to rapidly extract subgraphs that correspond to one or more patterns, it provides

facilities to conveniently merge the results, and it implements new ad-hoc centrality indexes to rank taxpayers based on their fiscal risk (Kuchumova, 2017). Slemrod&Yitzhaki(Slemrod & Yitzhaki, 2002) investigate the occurrences of tax evasion by modeling it as a game against the enforcement capability of states. The authors reveal that such kind of game modeling can case an additional risk due to its dependency on technology with aspects of the cost of changing the behavior of enforcement capabilities.

In addition, tax evasive behavior of firms is positively influenced by low trust in government and in the judicial system as well as by higher perceptions of corruption and higher compliance costs. Additionally, sectors which are invisible for government rules and institutional setups have more tendency to engage in tax evasion behavior and enforcement measures can improve the tax auditors monitoring capability by improving the effective and efficient ability of the tax system (Abdixhiku et al.,2017).

However, investments on tax avoidance and evasion look ridicule and they are unnecessary costs for government structure(Slemrod & Yitzhaki, 2002). The author argues rather investing in huge technological investments to avoid scammers of tax it is better to change taxpayers' behavior by tax enforcement policy. On the other hand, Laplante et al.,(2019) study show tax evasion research and development department related needed in each level of the tax structure to check liabilities and resolve uncertainties before they show up at the end of the fiscal report. Even though there are still plenty of technological and legal forms of scam controlling mechanisms, tax evasions come up with new face called Affiliated-transaction-based tax evasion (ATTE), known as a new strategy used by scammers technique of tax evasion that is carried out via legal-like transactions between a group of companies that have heterogeneous, complex and covert interactive relationships to evade taxes(Ruan, et.al 2019).

Above all the jurisdiction power and desired tax rate also are the identified cause for taxpayers' involvement in tax evasion activities. The state tax differential is an important factor that determines cross-border shopping and thus tax avoidance and evasion. Traditional tax evasion, on the other hand, results if a transaction in one jurisdiction generates a tax liability in other jurisdictions(Marion & Muehlegger, 2018).

Few types of research also indicated that social values could, therefore, influence individual behavior independently of enforcement and penalization. In addition to those factors, legislators can thus, in principle, affect subjects' decisions by defining the line between legality and illegality. There is controversial finding which expresses there is no difference between legal and illegal tax minimization behavior and the article ground on the principle that legal penalties motivate tax evasion activities to multiply at an unexpected rate (Blaufus et al.,2016). However, newly adopted reforms of use tax rate and exemptions in the VAT context remain important instruments for confronting tax evasion(Agrawal & Mardan, 2019). In addition, unique training programs help first-time entrepreneurs structure their cash flows, to inform them about personally relevant regulations and make them aware of costs, future financial responsibilities, and tax liabilities. Thus, beyond legal, moral, and technological enforcement to keep tax evasion and avoidance practices building positive relationships between taxpayers and tax auditors could support. Creating positive relationships advance aware of the fiscal regulations and future tax liabilities should lead to more tax compliant behavior by the entrepreneur in terms of filing and paying tax returns in time, making fewer intended and unintended mistakes in their tax returns, as well as complying with the legal administration requirements(Nagel,et.al,2019).

From the above literature review, it is clearly shown that tax avoidance and evasion appeared as act like legal, illegal scammers, and unknown (Hidden Scammers). However, Tax Avoidance and evasion also influenced by legal values, social values, firm sizes, and Technology. As it is depicted in also all those influential factors are retrieved as metrics from literature. Those identified metrics support to fight back the act of tax avoidance and evasion activities.

2.2.2. Tax auditing capability

According to Devos(2014), tax auditing capability is first determine by proper tax compliances in which it also depends on meeting the reporting requirements, which all taxpayers will impose on all compulsory tax rates at the right time, and report the tax rates according to the internal income codes, regulations, and court decisions that are returned upon record. In accordance with this criterion, non-compliance indicates both over-reporting and underreporting of tax liability.

In spite of its spread, misconduct, negligence, or other causes of penalties are deliberately cause miss tax compliance process. The study also indicated that tax compliance affects tax auditing effectiveness through:

1. Tax Morals: which is related to individual, social, values and norms inherited on taxpayers
2. Tax Equity/Fairness: related to the fairness of rules and regulations towards tax audit effectiveness
3. Deterrence Measures: enforcement measures, education, efficient prosecution avenues and appropriate penalties.

In addition to that, the study by Chalu&Mzee(2018) demonstrates four critical factors which may affect tax audit effectiveness.

- Organizational Factor: implementation of tax auditors' recommendations by management
- Tax auditors': adequacy of the tax audit unit
- Taxpayers' attitude: Taxpayers personal development and character
- Regulations and standards for tax audit; State tax rules and standards

So that Devos work indicates that failure for proper tax compliance is an indication for poor tax audit effectiveness. In such a way, Chalu&Mzee recent work supports the argument of Devos by indicating how the effectiveness of tax audit can be measured, and also by identifying the critical factors for tax audit effectiveness. However, Drogoals et a., l(2016) create a new perspective by visualizing tax audit effectiveness into a new perspective of integrated tax audit technological capability with available legal values. According to these authors tax audit effectiveness, tax legislation and the use of specialized information system tools have a strong relationship in the process of tax auditing. The authors also demonstrate that the use of information system tools can enable tax auditors to track properly tax infringements, thereby contributing to increased tax audit effectiveness. It is also suggested that constant changes in tax legislation inhibit tax auditors from being effective in their work.

In addition to those complicated factors of tax audit effectiveness, tax audit management leaders can also use random audit programs to provide taxpayers with information that alters their perceptions of, and hence their behavioral responses too (Gemmel & Ratto, 2015). In this

particular study, the authors found pre none audited taxpayers become more compliant than audited taxpayers. Their findings seem a paradox but sometimes if someone involved in the legal process of tax compliance rules and regulations, bureaucratic tax office service deliverances and other unnecessary tax counts can force taxpayers to hide and go into tax evasion activities than proper taxation. The study also states that it is important to taste a separate response of taxpayers facing different opportunities and incentives to evade tax in order to avoid conflating their different effects and to reveal both positive and negative indirect revenue effects from random auditing.

Azene (2016), examined the capability of tax audit staffs to track tax infringements as a measure of tax audit effectiveness. The research finding points out, direct policy intervention, including simplification of tax legislation, and better training of tax audit staffs in the use of information systems can increase tax audit capability and thus it also helps to increase tax audit effectiveness. Tax auditing capacity is ruled by the philosophy of community capacity. Which a community is made up of its institutions, organizations and its people and the capacity of the community is the sum of the human capabilities (eg, leadership, communication, strategic thinking and professional and technical expertise) and the social infrastructure (eg, financial and human assets, physical infrastructure, the talents of individuals and organizations, relations between people and between organizations, access to services outside the community, and community attitudes).

Tsegaye (2016), assessed that low audit coverage, the inadequacy of compliance risk-based audit case selection strategy, scarcity of audit resources, tax auditors in particular, and absence of proficient and experienced tax auditors are the practical hindrances of tax auditing activities. Unavailability of structured tax avoidance and evasion fighting strategy make revealed with the challenges of with Traditions of Corruption, inflated estimation of tax amount; not responding the compliance of Taxpayers on time; Taxpayers consideration of illegal business practices as best way of doing business; and absences of coordinated efforts among sector offices of the region engaged on Tax audit related responsibilities were identified as the most severe challenges (Senebeta, 2018).

As it is indicated on the conceptual model, tax auditing capability can be theoretically enhanced by resolving influential factors of tax avoidance and evasion. Specifically, Hannimitkulchai

&Ussahawanitchakit (2016) study supports the hypothetical theory by the argument of tax audit effectiveness is dominated by the evidence of success on developing tax audit capability. According to these authors, the influence of continuous audit development on audit survival depends on best audit practice, audit report quality and audit effectiveness as the mediating variable. In which those mediating variables are controlled by actors of taxpayers, community, tax auditor, and tax collectors.

2.2.3. Risk factors

As it is discussed in the previous sub-topics financial reporting is a source of tax auditing quality (Dickins et al.,2018). The study examines that, tax auditing effectiveness getting riskier than ever due to new advanced technologies are changing dynamically and no organization database is secure unless it has an aggressive strategy through the weapons of cyber. In the new economy systems accomplished through very skill intensive job requirements, thus tax auditing is one part which it also requires to upgrade auditors and managers ability of determination synchronized through training of new systems to avoid risks of getting evasion. Relating to this, auditors with personal values of a tendency to be risk averse proposed as a candidate instead of the individual certified auditor's (Frey, 2018). However, still, companies could deliberately choose tax certified individual auditors in attempts to create more seeming auditor independence and to deal with the risk of being detected by tax authorities. Frey indicated the option of whether selecting tax auditor who has a risk-averse tendency or selecting individuals tax certified individual auditors is still open for research. Auditors may go beyond risk-averse actions by the following reasons (Romaniuk, 2018):

- Due to making wrong decisions on the basis of audit findings
- Carelessness, distraction or fatigue of workers
- Neglected by the management audit
- The conspiracy of persons acting together to commit or conceal a tort

In addition according to Devos (2014) the controversy still existed not only for auditors but also for taxpayer which, the authors argue that to rely on the assumption that most people are risk-averse and, therefore, that increased complexity will act as a deterrent measure by encouraging greater compliance amongst taxpayers who want to "do the right thing" and seek professional

help, is dangerous. Consequently the authors argue that it appears the behavioral aspects of taxpayers, and particularly their attitude to risk, need to be explored further to more confidently gauge into any deterrent effect of it to taxpayer compliance. Younger taxpayers were more risk–seeking, less sensitive to penalties and also reflected the social and psychological differences. In another finding, the authors indicated when taxpayers get older their risk attitude lowers and it shows also at this age they have a greater tendency to be more compliant.

Auerbach et al., (2011), risk-neutral taxpayers are more inclined to avoid taxes than risk-averse taxpayers. These increase tax payer's behavior of not compliance. Specifically, taxpayers were assumed to be risk-neutral, while non-random audits with the use of cut-off figures were used to induce honest reporting of income. Rather than just focus on taxpayers' morals with respect to game playing with only the risk of penalty upon audit, explicit demands for compliance were made instead in the form of abstract non-technical instructions (Crandall, 2011). However, according to Kastlunger et al.,(2009), the study showed Taxpayers' compliance can either be enforced through the auditing outcome or lead to increased evasion by avoiding risk-based tax auditing strategy. The author also indicated that previous penalties could fuel the motivation to compensate the experienced loss by saving taxes in the future and it has a direct effect on tax payer's behavior of not compliance.

Devos (2014), demonstrates the role of risk aversion and its interaction with attitudes toward inequity, interaction with other tax evaders and the means that each person had of influencing equity, were all critical determinants of individual tax compliance decisions. The results suggested a negative association between the indexed crime rate and the risk of imprisonment. Perceived risk of criminal prosecution was also found to act as a powerful deterrent. Even though it is declared tax auditing is for the goodness of society and optimize the use of funds by identifying the significant misstatements and their material correction is it's a priority (Lungeanu, 2015). However, auditing activity is very deterred by its natural characteristics of risk inherited within personal, institutional, and state level complexities (Nygård & Revesz, 2015). Specifically, when new technologies sued to avoid tax auditing risk behavior, developed tools become complicated due to the following reasons (Crandall, 2011).

Technologically dependent risk controls caused by conducts of risk-averse, risk-neutral, and risk-seeking taxpayers or auditors can be managed developed risk management techniques

(Lemgruber et al., 2015). In this process, the author argues Taxpayer segmentation has become the mainstream approach to managing compliance risk. Modern tax administrations recognize the correlation between characteristics of taxpayers and risks to compliance. In addition to well design risk-based audit plan organizations and stakeholders expected to work together to provide oversight of risk and control processes administered by management (Hermanson & Rittenberg, 2003). Consequently, information on noncompliance obtained from the results of random audits may be used to inform the selection rules of risk-based auditing (Gemmel & Ratto, 2015).

So the the litearure review confirms how risk-based tax auditing system can improve tax audit effectiveness. Risk-based tax auditing mechanism is characterized by monitoring of risks/ or risk management by systematically identifying risks, facilitating risk assessment process, evaluating the risk management process, measuring and monitoring performance, communicating and taking corrective actions (Gemmel & Ratto, 2015). In this sense, we can have a final hypothetical logic of risk factors trig for the occurrence of tax avoidance and evasion, and the actions of fighting strategies for tax avoidance and evasion improve auditing capability.

2.2.4. Structural Factors

Tax auditing effectiveness is mostly based on structural factors, which obviously affect the development of national economies (O.-H. Fjeldstad, 2013). As it is described above most of the tax avoidance and evasion activities are performed with Affiliated-transaction-based tax evasion (ATTE) approach which, is becoming a new strategy in tax evasion that is carried out via legal-like transactions (Ruan et al., 2019). In this sense researches on tax audit effectiveness, will not be successful without considering structural factors represented by the auditing structure (internal and external) and the tax administration system.

2.2.4.1. Internal and External tax auditing system

In the process of tax audit effectiveness, internal tax audit effectiveness is found more relevant for organizations (firms) than external auditors which are representatives of government authorities (Carey, et.al, 2000). However, there are relatively few numbers of studies focused on internal audit effectiveness compared with the number of studies on the effectiveness of the external auditor (Salehi, 2016). The study assessed that internal audit effectiveness has stronger relationships with management's support for hiring experienced educated staff, providing

internal audit department with sufficient resources, and the size of the department. Supporting with this argument, tax audit effectiveness of organizations (which is internal audit effectiveness), has the most significant relationships with internal controls(DiGabriele & Ojo, 2013). In such a case the external auditor is able to incorporate certain internal audit responsibilities to be more effective in its process. These indicate that tax audit effectiveness thus requires more specific internal control quality, ownership structure on internal quality control, and strong capacity in exploring the determinants and consequences of internal control in other authorities (Chalmers, et.al, 2019).

In addition, Myllymaki (2015) examines that, quality control of internal and external auditing defers with their context of financial reporting quality. With this respect, the findings of the author indicated new evidence both on the universal nature of internal control weaknesses, and on external poor audit quality from the perspective of auditor independence and auditor specialization. In this case, corporate governance is a critical factor in tax audit effectiveness. Consequently, it can be argued that tax audit effectiveness is associated with the primary responsible parties of for the tax compliance of firms, which are — the auditor, an external auditor, or the internal tax department(Klassen, et.al, 2016). However, the study of Bilal et al.,(2018)demonstrate corporate governance could also be associated with internal audit independence; proficiency and due professional care; nature of work; quality assurance and improvement program; and managing the internal audit activity. The finding of the research establishes a significant positive relationship between internal audit effectiveness with effective corporate governance. However, the study of DiGabriele & Ojo (DiGabriele & Ojo, 2013) illustrates the dual role of the external auditor (in undertaking internal audit roles as well as skilled person roles) could be exercised to the optimal and maximum benefit of an entity or organization corporate governance. With regard to the association of internal audit effectiveness and corporate governance stakeholders involved in organizations such as investors, creditors, managers, auditors, and financial analysts take part in tax audit effectiveness (Chalmers et al., 2019).

Lin et al., (2013) investigate corporate governance practices effectiveness ability determine by the audit committee to constrain earnings management is associated with the listing environment and the presence of government officials on the audit committee. The article finds a significant

and positive association between audit committee independence, experience and earnings management when there are government officials on the audit committee. In addition, the study of Armstrong et al.,(2015) demonstrates the link between corporate governance, managerial incentives, and corporate tax avoidance. In their investigation, the authors find a positive relation between board independence and financial sophistication for low levels of tax avoidance, but a negative relation for high levels of tax avoidance. Those results indicate that corporate governance attributes have a stronger relationship with more extreme levels of tax avoidance and evasion, which are more likely to be symptomatic of over- and under-investment by managers. The study results of Tai et al., (2018) confirm that board of directors, especially the audit committee, plays an important role to control firm's tendency on their evasion decisions, including whether to evade and to what extent.

2.2.4.2. Tax Administration systems

Corporate governance and tax audit effectiveness in general found to be associated with a focus on the tax administration (IMF, 2016). Which is particularly related to selected issues concerning

- The tax and customs agencies' institutional arrangements, including their autonomy and accountability
- The tax administration system which focuses on identifying opportunities to improve its effectiveness

Due to its great effect on tax audit effectiveness nations therefore constantly seek solutions aimed at simplifying administrative procedures, improving and developing service quality and the business environment in general, automating internal work processes and significantly reducing the amount of manual work in tax collection and auditing process (Petersone et al., 2016). The research finding of Pomeranz et al.,(2014) argue that effective tax administration allows estimating what types of taxpayers are more likely to respond to an increase in perceived audit probability. In the process of fighting with tax evasion and avoidance strategies trust in government and in the judicial system (Abdixhiku et al.,2017). The authors confirm that strong and cooperative tax administration systems can enhance tax audit effectiveness without regard to firms’ size, used technology, social and personal characteristics.

However, authors like Shoup (2018) argue that tax administration scope is not limited with firms capability, however, tax audit effectiveness will be realized when federal tax auditing wing build a positive and cooperative tax administrative systems with regional, and lower level tax audit administrative systems. The authors also explore the important question of the legitimacy of these transnational networks, which will be crucial for their sustainability and effectiveness in the long term. Due to that, Improving tax administration has long been a matter of concern to those concerned with developing countries (Bird, 2015). In addition, the tax administration system constitutes one of the major interfaces between citizens and state in any country. Tax administration may thus play a critical role not only in shaping economic development but in developing an effective state (Abdixhiku et al., 2017).

The tax administration agency (TA) is required as an institution to maximize tax revenue collection and provide quality services to taxpayers (Serra, 2005). However, still, Corruption in tax administration is attracting much attention worldwide, because of its strong negative effect on the economic performance, particularly through the impact on tax revenue and fiscal deficit (Antonakas,et.al,2013). With regard to tax administration and success of corporate governance for tax audit effectiveness, Crandall(Crandall, 2011) describes diagnostic tools or approaches that assess tax administration performance either directly or indirectly are very useful. The study finds out that the current suite of tools exhibits as public financial management (PFM) is not single tools or approaches which meets all its characteristics of being comprehensive, evidence-based, driven by performance indicators and benchmarks or standards, and able to be commonly applied.

According to Ramamoorti et al., (2017) When it comes to auditing, the measurement of the audit quality of an auditing firm or the quality of a specific audit is subject to relevance challenges. In general, many of the most relevant and useful assessments are challenging because there appears to be “multiple determinism” involved, that is, an excess of factors would seem to influence the assessment, many of which confront meaningful quantitative expression and measurement.

In the process of tax audit effectiveness Lemgruber et al.,(Lemgruber et al., 2015) indicate Revenue Administration Fiscal Information Tool (RA-FIT) is found the valuable metric of tax audit effectiveness in a tax and customs data gathering initiative. However, according to these authors, the identified tool is mostly influenced by institutional arrangements and core operations of tax and customs administration. In addition, Badara&Saidin (2014) demonstrated risk

management, effective internal control system, audit experience, cooperation between internal and external auditors and performance measurement can be utilized as an appropriate metrics of tax audit effectiveness with tax administration perspective.

When it comes to Tax distortions in cross-border intangible assets tax audit performance is associated with an understanding of cross-border flows of disembodied knowledge, often associated with intellectual property (IP), international IP-related knowledge flows—namely cross-border payments for IP. For tax planning by multinational enterprises has seriously distorted the measurement of cross-border IP flows, affecting national measurements of imports, exports, GDP, and productivity (Neubig & Wunsch-Vincent, 2018). International initiatives to address the effects of tax base erosion, profit shifting, and other statistical initiatives on global value chains will improve future measurements of cross-border IP flows, improving the understanding of both the creation and uses of IP. Thus, calculated quantitative metrics may provide the illusion of measurability while in actuality not being meaningful (Ramamoorti et al., 2017).

2.3. Tax audit Effectiveness

The tax audit program increases compliance and enforcement arm of the tax administration (Thomson, 2008). According to this author 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. Effective tax auditing minimizes tax evasion and also helps tax agencies to achieve revenue objectives that ensure the fiscal health of the country and individual states (Tait, 1988). Tax audit effectiveness also derives voluntary compliance and generates additional tax collections, both of which help tax agencies to reduce the tax gap between the taxes due and the amount collected (Barreca & Ramachandran, 2004).

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). Deterioration of tax compliance and loss of credibility of the tax administration may come as a result of when an audit program is ineffective. Taxpayers may not be deterred from minimizing their tax liabilities if they believe that there is a little chance of being audited(Ebrill et al., 2001). Massive

corruption, conservative auditing method, lack of cooperation from auditee, low morale of auditors, lack of financial independence, lack of power to take action against malpractices, lack of financial technological and human resources, lack of qualified trainers and ineffective training institutes are some of the factors for ineffective audit program (Eleftheriou, 2018).

2.3.1. Empirical Studies of Tax audit Effectiveness

2.3.1.1. Tax audit effectiveness International practices

AL-Frijat (2013) study aimed at identifying the impact of accounting information systems used in the income tax department in Jordan on the effectiveness of tax audit and collection. The study found that the accounting information system used in the income tax department operated by qualified human resources and advanced computer systems and meets the requirement of good control systems improve the efficiency of tax audit and collection and the researcher recommends, to work on the future investigation.

Chalu and Mzee (2017) it explores factors influencing the effectiveness of tax audit in Tanzania. The study applies an explanatory research approach and data from 225 auditors in 23 tax region in Tanzania were collected and analyzed using both descriptive and inferential statistics. The Research tests independent variables which are organizational-related, tax auditor-related, taxpayers-related and regulatory related factors. Under the organizational factor, the implementation of tax auditors recommended by management has a significant positive influence on tax audit effectiveness whereas top management support was found to be insignificant. The second-factor tax auditor category the finding shows the adequacy of tax audit has a positive significant influence on tax audit effectiveness. Tax payers-related the taxpayer's attitudes to tax audit was found to be positively related to tax audit effectiveness on the other hand taxpayers satisfaction with the tax audit exercise was not found to be significant. Regulatory-related where only one factor the availability and application of regulation and standards for tax audit were found to have a strong significant positive relationship with audit effectiveness but leadership and tax policies for tax audit was found to have a weak positive relationship.

OECD (2006) assessed indirect income measurement methods to improve their efficiency and effectiveness of tax audit. The result showed using indirect income measurement to enhance the efficiency and effectiveness of tax audit when the auditors believe there is a misleading financial

report, absence of documents, using indirect measurements will solve the problems. Using mark up methods, asses bank deposits, cash flow statements are some of the techniques' used in indirect income measurement small entities that are not subjected to third-party reporting to the revenue authority & difficult to access by auditors given higher focus on the study to use indirect income measurement.

Masood and Lodhi (2015) studied the antecedents behind ineffective audits at government level of Pakistan. The data collected through depth interviews with fifteen government auditors. Massive corruption, conservative auditing methods, lack of cooperation from auditee, low morale of auditors, lack of financial independence, lack of power to take action against malpractices, lack of financial, technological and human resources, lack of qualified trainers and ineffective training institutes are found factors affecting the effective audit.

Al-Khaddashetal (2013) the study focused on identifying the most important factors affecting audit quality in Jordan commercial banks. The population of the study was internal, external auditors and financial managers and respondents believe that audit quality in the Jordanian banking sector ranges from satisfactory to very good. The result indicated a positive and significant correlation between audit quality and audit efficiency, the reputation of auditing office, auditing fees, the size of the audit firm, and the proficiency of auditor.

Njoroge (2016) attempted to trace out factors that affect the performance of the internal audit function in government ministries in Kenya. Descriptive research design applied and the study population was 126 members of the internal audit committee and 90 senior members of staff in 18 government ministries and data was collected by questionnaire. The study found out the internal auditors working environment, audit independence, internal auditors technical competence affect the performance of the internal audit.

The study of Samuel and De Dieu (2014) examined the role of financial statements audit in promoting tax revenues growth in Rwanda in the border perspective. Survey questionnaires as primary data collection instruments distributed to all audit officers of Rwanda revenue authority equaling to 100 staff and followed both analytical research design. Secondary data used reports from Rwanda revenue authority from 2006 to 2010. The paper also examines preliminary empirical results on the relationship between financial statements audit and tax growth

additionally the paper supports the practices of audit final books of accounts for both small and medium enterprises at the institutional level and a prerequisite for the growth of tax revenues in the country.

Mirera (2011) examined the effects of tax audit on revenue collection a case of the Kenya (West region) Revenue Authority. The study adopted a descriptive approach and secondary data used from Kenya revenue authority the data was analyzed using the T-test analytical model. As per the finding, there is an increase in tax paid after the audit, this shows tax audit is directly related to revenue collection.

J. Busee (2013) this study aimed to asses factors that affect the effectiveness of internal audit in business risk management in Tanzania. The study used both primary and secondary sources of data gathered through questionnaires and interviews. The study results reveal that there is a positive relationship between internal audit resources and competencies and internal audit effectiveness in managing risks in organizations in Tanzania.

Dellai et al., (2016) explored factors influencing of internal audit effectiveness in the Tunisian context. Questionnaires were distributed to chief audit executives of 148 Tunisian organizations. Multiple regression analysis used to examine the association between the effectiveness of the internal audit function and six principal factors. Results showed that the effectiveness of internal auditing is influenced by the independence of internal audit, the objectivity of internal auditors, the management support for internal audit, the use of internal audit function as a management training ground and the sector of the organization.

2.3.1.2. Tax audit effectiveness local cases

Local cases on tax audit effectiveness help to narrate on the scope of study and to show their limitation on the specific issue. Accordingly selected cases are reviewed below based on the level of analysis.

Ayalew (2014) The main objective of the study was to examine factors affecting tax audit effectiveness of the Bahirdar city revenue office. It uses a quantitative method of the research approach. Data was collected through a survey of questionnaire analysis of revenue offices tax auditors and taxpayer's analysis, auditors and taxpayer's selected based on simple random

sampling method of the census and lottery method. The study selected 333 sample participants from a total of 1518 observations, from this 265 were returned. Data was then analyzed on a quantitative basis using Pearson's correlation, linear regression analysis, and descriptive statistics. The finding of the study shows that; there is no statistical significance negative relationship between auditee attributes and tax audit effectiveness, There is no statistical significance positive relationship among organizational setting, top management support, and tax audit effectiveness and there is strongly significance positive relationship among audit quality, organizational independence, and tax audit effectiveness.

Melat (2016) used exploratory factor analysis used to examine the Factors affecting tax audit effectiveness in large tax payer's branch office based on auditor's perception. Mixed research method approach applied and data were analyzed using correlation, linear regression analysis, and descriptive statistics method. The target population was tax auditors in ERCA large tax payer's branch office 64 tax auditors, 10 team leaders and managed by 2 process owners. Questionnaires, interviews used in data collection and Questionnaires were distributed to 62 auditors, only 59 were returned. The finding of the study showed that tax audit effectiveness of large taxpayers highly affected by audit quality, management support, and organizational independence. While organizational setting and auditee attribute does not have statistical significance on tax audit effectiveness.

Kibret (2016) examined tax audit effectiveness in ERCA -Eastern Addis Ababa branch office based on tax auditor's perception. The study adopted an explanatory research design and mixed method of the research approach. Questionnaires were used and data was analyzed correlation, multiple regression and descriptive statistics employed. The result showed that there is a positive and statically significant relationship between information system, experience, and training with tax audit effectiveness. The legislation is negatively and statically significant relationship with tax audit effectiveness.

Tirsit (2017) assessed tax audit practice in ERCA - Eastern Addis Ababa branch office. The study has employed a descriptive type of research; both qualitative and quantitative research design used and the researcher takes the entire target population. The techniques used a survey with tax auditors and investigators, in-depth interviews with tax officials and documentary analysis. The findings showed that poor working condition, poor remuneration and lack of

motivational incentives, lack of training, insufficient public awareness, continuously high turnover, lack of follow–up, ineffective utilization of it and unclear data insights, were the major problems of tax audit activities.

Getaneh (2011) aimed to analyze tax audit practice in Ethiopia the case of the federal government and investigated key problems in tax audit operation regarding the appropriateness of audit type used, audit ratio, audit case selection method, audit examination techniques used and the experience and capability of audit staff resources. Mixed method approach used specifically survey with tax auditors and investigators, in-depth interviews with tax officials and taxpayers and documentary analysis. The result of the study showed audit coverage low, scarcity of audit resources particularly auditors, the audit selection method is not risk-based and absence of proficient and experienced tax auditors.

Tadesse and Goitom (2014) assessed factors influencing taxpayers to comply with the tax system in Mekelle city. The researcher used a cross-sectional survey method of research designs and 102 respondents were target population. The study revealed that tax compliance was influenced by the probability of being audited, financial constraints, and changes in government policy. The study informed policymakers how determinants influence tax compliance.

Nesanet (2014) used a mixed research approach and the descriptive survey was employed to assess the audit practice in Hawassa city administration. Questionnaire and interview were used to collect data. The target population was eleven tax auditors and seven revenue authority officials. The finding of the research states that The audit coverage of Hawassa revenue authority was too low due to comprehensive types of audit implemented ,audit cases were selected based on associated risk but not used the standard risk identification criteria as per business process reengineering, the revenue authority do not perform the audit work in predetermine time generally tax audit is not performed according to standard .

Chapter Three

Methodology of the Study

3.1. Introduction

The previous chapter discussed both theoretical and empirical studies and it tried to give a brief summary of a chapter and the knowledge gap identified by the researcher which is intended to address in this study. This chapter presents the research design, research approach, study population and sampling technique, data collection method, data analysis method respectively.

3.1.1. Research Design

Research design is plan and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis and interpretation. The selection of research design is based on the nature of the research problem, the researcher personal experience and the audience for the study (Creswell,2009). The research design for this study is explanatory which focuses on gaining background information and helps to better understand, clarify a problem, used to develop hypotheses, to develop questions answered and also it examines the cause and effect relationships between the dependent and independent variable (Abiy et,al. ,2009).

3.1.2. Research Approach

There are three types of research approaches for the researcher to use in their research methodology namely quantitative, qualitative and mixed methods of research approaches (Creswell,2003). Quantitative method applied to quantify the variation in a phenomenon, situation, problem or issues and quantify the magnitude of an association or relationship, provide an indication of the confidence it can place in your finding and help you to isolate the effect of different variables; and if the analysis is geared to ascertain the magnitude of the variation (Kumar, 2011). Quantitative research is an approach for testing and examining the relationship among variables. These variables, in turn, can be measured typically on instruments, so that numbered data can be analyzed using statistical procedures (Creswell, 2009).

Qualitative research approach is for investigating, clarify situations and understanding the meaning of individuals or groups of the asocial or human problem. They are less specific and precise and do not have the same structural depth as a quantitative approach (Kumar, 2011).

Whereas, mixed methods research include both qualitative and quantitative data a method that provides a more complete understanding of a research problem (Creswell, 2009).Therefore based on the nature of the problem and the objective of this study which is to examine the extent of tax audit effectiveness in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office a mixed research approach is preferred and thought as appropriate for this study.

3.1.3. Data Type

In the study of tax audit effectiveness determining the required data type is a necessary step. Specifically, this thesis focuses on the effectiveness authority (Tax audit department) over identified factors in literature. By such kind of investigation, the research creates an opportunity to disclose factors affecting tax auditors' effectiveness. Thus Addis Ababa City Administration Revenues Authority No 1 and No 2 Medium Tax Payers branch office tax auditors are considered as a main source of data. In the revenue authority, reported tax liabilities at least five years after the audit, direct revenues raised from the audit also investigated to have a clear view of the authorities performance on tax auditing. Based on the literature review done on identifying factors affecting tax audit effectiveness, those factors depicted in table 3-1 shows the data type on which each identified factor can be categorized along with each source on which those metrics are taken from. In general, the data type has the following metrics structures

Table 0-1 Data type metrics with each source

Tax audit effectiveness Factors	Measure 1	Measure 2	Source
Tax Avoidance and evasion	Legal Acts	Appropriate Standards of Legal system	(Romaniuk, 2018)
		The specific structure of digital/ Legal landscape	(Hadzhieva, 2016)
		Consistent action of legal authority	(Okello, 2014)
		Institutional and legal reforms	(O. H. Fjeldstad, 2005)
	Illegal acts of scammers	Preparing qualification of tax minimization	(Blaufus et al., 2016)
		Actions of allegations for illegal activities	(Blaufus et al., 2016)
		Decisions on new forms of transactions	(Blaufus et al., 2016)
		Informality and Income Shifting	(Waseem, 2018)
	Unknown acts (hidden scammers)	legal tax avoidance and evasion practices	(Campbell & Helleloid, 2016)
		Traceability of transaction systems	(Abdixhiku et al., 2017)
		Weak institutional and governance acts	(Xi, Yao, & Zhang, 2018)
Legal Values	General Rule of laws	Existence of General anti-tax avoidance and evasion laws	(Leung, et.al 2019)
		Existence of Rule of law and Policy Guidance	(Bayer & Cowell, 2016)
		Existence of governance Rules and Laws	(Ferry, et.al, 2017)
	Tax rules and regulations	Tax structure and rate	(Serra, 2005)
		Auditing procedures	(Hemberg,et.al, 2016)
		General Procurement and pricing Laws	(Ariga & Gathogo, 2016; , 2015)
		Enforcement of National tax laws	(Shoup, 2018)
Social Values	Cultural Norms	Cultural change interventions	(Giokas & Antonakas, 2013)
		Cross Cultural differences	(Cummings,et.al, 2009)
		Organizational, Social, and Cultural Phenomena	(Boll, 2014)
	Personal Attitudes	Social Trust	(Li, et.al, 2017)
		Perceived trust in tax authorities	(Siglé, et.al, 2018)
		Public Trust in government	(Bird, 2015)
Firm Size	SME	Financial Routines adopted	(Sinkovics et.al, 2018)

		Internal auditing experience	(Ji, et.al, 2018)
		Financial Transaction system capability	(Wittayapoom & Limanonthachai, 2017)
		Business environment and enterprise performance	(Abdixhiku et al., 2017)
	Large Enterprise	Financial Routines adopted	
		Internal auditing experience	
		Financial Transaction system capability	
		Business environment and enterprise performance	
	Multinational National Enterprise	Financial Routines adopted	
		Internal auditing experience	
		Financial Transaction system capability	
		Business environment and enterprise performance	
Technology	Tax Collection and Auditing System	Application of Decision Support Systems	(Didimo et.al, 2018)
		Effective Internal Control System	(Badara & Saidin, 2014)
		Big Data management System	(Petutschnig, 2017)
		Management information system	(Xing & Whalley, 2014)
	Scam Protection system	A decision support system for tax evasion and avoidance discovery	(Al-Matari, Abdullah, Mohammed, & Al-Matari, 2017)
Tax Auditing Capability	Tax Payers	Enforced, voluntary, and committed motivation	(Gangl et al., 2015)
		Information available to individual income taxpayers	(Vossler & Gilpatric, 2018)
		Interaction between individual taxpayers	(Casagrande et.al, 2015)
		Taxpayers attitude	(Chalu & Mzee, 2018)
	Community	Social infrastructure	(AZENE, 2016)
		Society degree of future orientation	(Petutschnig, 2017)
		Attitude of civil Society	(Anesa et.al, 2018)
	Tax collector, and auditor	Collectors bargaining power over tax-payers	(Khan, et.al, 2016)
		Managerial Incentives	(Robinson et., 2010)
		The administration cost of tax collecting and auditing	(Okello, 2014)
		Expertise level of tax collectors and auditors	(Bianchi & Minutti-meza, 2014)
		Certified tax auditor and collector	(Frey, 2018)

Risk Factor	Risk–seeking	Fraud, corrupted, activities seeking to damage the authorities image	(Health, 2012)
		Seek for tax avoidance and evasion	(Hsu,et.al, 2014)
		Less sensitive to penalties and also reflected the social and psychological differences	(Devos, 2014)
	Risk-neutral	Fear of Previous penalties	(Kastlunger et al., 2009)
		Induce honest reporting of income	(A. J. Auerbach, 2006)
		Perceived risk of criminal prosecution	(Lungeanu, 2015)
	Risk-averse	Individual auditor's tax certification on the bulky taxation procedural certificates	(Frey, 2018)
		Risk of being detected by tax authorities	
		Due to making wrong decisions on the basis of audit findings	(Romaniuk, 2018)
		Carelessness, distraction or fatigue of workers	
		Neglected by the management audit	
		The conspiracy of persons acting together to commit or conceal a tort	
Structural Factors	Corporate governance	Corporate ownership and control	(Drogalas, et.al, 2017)
		tax audit committee independence	(Armstrong et al., 2015)
		Managerial rent seeking characteristics	(Kim, Li, & Zhang, 2011)
		Organizational culture	(Hermanson & Rittenberg, 2003)
		Rules and regulations,	
		Government policy	
	Performance Measurement	Revenue Administration Fiscal Information Tools	(Lemgruber et al., 2015)
		Public Expenditure and Financial Accountability tools	(Crandall, 2011)
		Public financial management tools	
		Maximize tax revenue collection and provide quality services to taxpayers.	
		Business Environment and Enterprise Performance Survey	(Abdixhiku et al., 2017)
		Institutional arrangements, including their autonomy from and accountability	(IMF, 2016)

Note: *The table is the researchers own work based on identified sources in column 4*

3.1.4. Study population

Using data collected based on oral interviews with the case officials the study population of the research are tax audit department of Addis Ababa City Administration Revenues Authority Addis Ababa No 1 process owns, 12 team leaders, and 87 tax auditors and No 2 Medium Tax Payers branch office No 2 process owner, 8 team leaders, and 68 tax auditors are included.

3.1.5. Sample and Sampling Techniques

In conducting this study census (the whole population of tax audit department) method applied to study the population of the tax audit department. According to Bryman & Crame (2001), the sample size determines the accuracy of data analysis and less bised. The authors recommend for SPSS statistical analysis specifically for factor analysis sample has to include all population if there are a small number of population. In this case, the Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 has 177 tax audit workers, which the researcher has a small population.

3.1.6. Data Sources

To conduct this study the researcher used primary data by distributing a questionnaire to collect data on the case of factors affecting tax audit effectiveness; Addis Ababa revenues Authority of no 1 and no 2 Medium taxpayers branch office. The methodology supports the research to have an expert opinion on metrics prepared based on table 3-1 above. Additionally, secondary data applied to achieve the objective of the study from annual tax audit reports of Addis Ababa revenues Authority.

3.1.7. Data Collection methods

The source of data for this study composed of both primary and secondary sources. In order to get original data, to solve the problem on hand and to get real-time data primary data is the best (key.D,2019). The questionnaire consisted of 18 questions; with two sections, the first part has 10 questions that related to demographic information of respondents and its second part it will have 8 questions that are a plan to quantify 73 factors affecting tax audit effectiveness. These questionnaire required respondents to rank them on a five-point scale. The Likert scale was

positively and negatively worded ranging from 1, strongly disagree, to 5 “strongly agree”. In addition, a secondary source of data from sources annual tax audit reports from the period of 2014 to 2019 of the authority used for the study.

3.1.8. Methods of Data Analysis

The objective of the study is to investigate tax auditing effectiveness with the selected case with a mixed qualitative and quantitative analysis statistical analysis models employed. According to Brooks (2008) to describe and evaluating the relationship between a given variable of the dependent variable and one or more independent variables multiple regression model is the best to use. Thus the researcher adopted multiple linear regression model and factor analysis to examine the factors affecting tax audit effectiveness; Addis Ababa city administration revenues authority of no 1 and no 2 medium taxpayers branch office. The data output analyzed by using descriptive statistics which give the result of standard deviation, mean values, minimum and maximum and to analyze the general data. To investigate the relationship between a dependent variable and an independent variable correlation matrix used.

3.2. Model Specification

This study examined the factors affecting tax audit effectiveness in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office by employing a multiple regression model. Based on literature review the following hypothetical map is constructed.

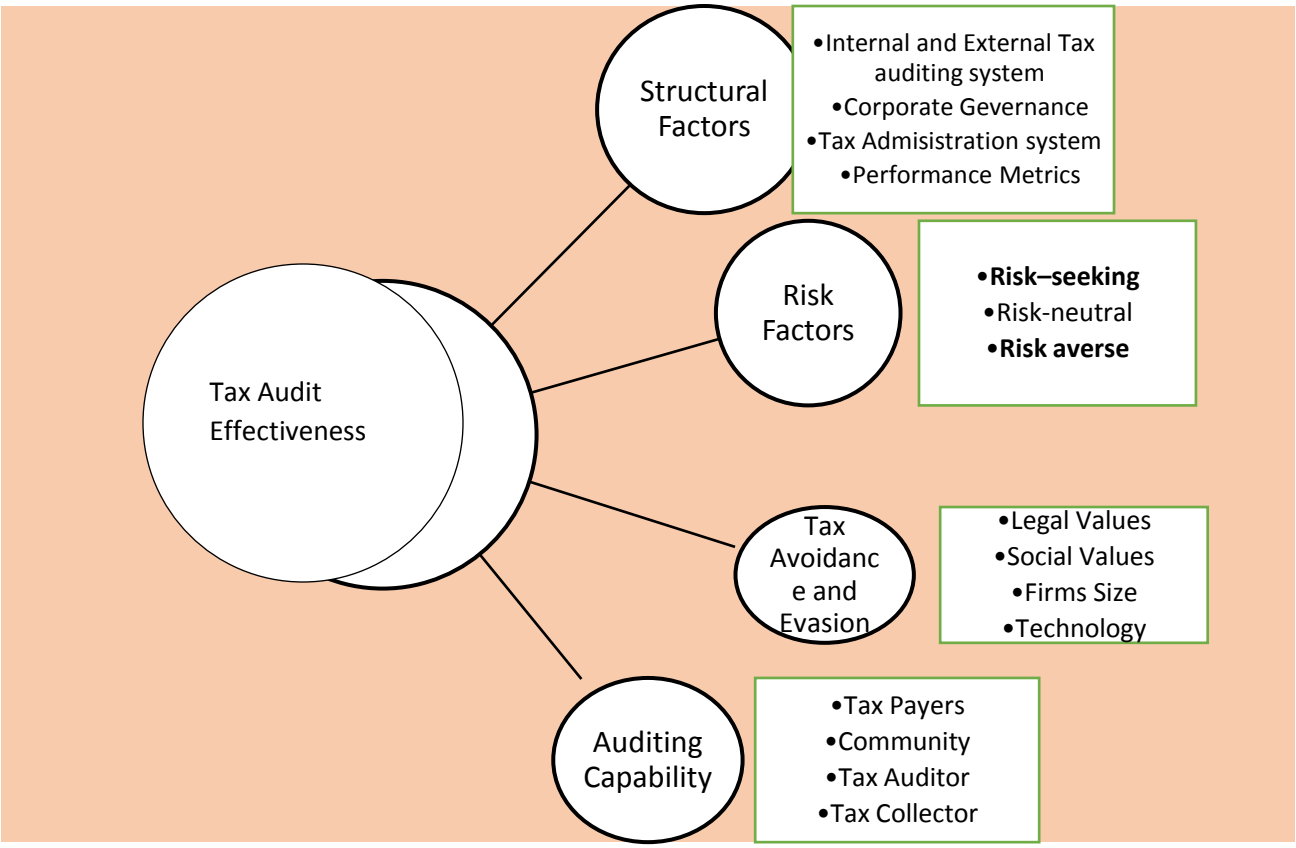

Figure 0-1 Hypothetical Model of Tax Audit Effectiveness

As it is depicted in the graph, tax audit effectiveness is boldly affected by identified factors of tax audit capability, tax avoidance and evasion, risk factors, and structural factors. Using this hypothetical relationship the following alternative hypothesis are constructed.

Hypothesis 1 ($H_{a:}$ 1): Tax audit effectiveness has a positive association with structural factors of internal and external tax system and tax administration systems. In this regard, tax auditing system has a hypothetical direct relation with corporate governance and tax administration performance metrics.

Hypothesis 2 ($H_{a:}$ 2): Tax audit effectiveness has a positive association with risk factors. In this case, tax auditing effectiveness has a hypothetical direct relation with risk averse, risk neutral, and risk-seeking behaviors of tax auditors and taxpayers.

Hypothesis 3 ($H_{a:}$ 3): Tax audit effectiveness has a positive association with Tax Avoidance and Evasion Combating Strategies. In which, tax audit effectiveness has a direct relation with factors of legal values, social values, firms size, and technology.

Hypothesis 4 (H_a: 4): Tax audit effectiveness has a positive association with auditing capability. Consequently, tax audit effectiveness has a direct relation with behavioral factors of Tax Payers, the community, tax auditor, and tax collectors.

Following the above hypothetical relations the following general equation used for model development purpose using the concepts of multiple regression analysis;

$$\mathrm{f(x)} = \quad x_1 + x_2 + \mathrm{x}_3 + \mathrm{x}_4$$

Where;

$\mathrm{f(x)} = Tax\ Audit\ effectiveness$

$\mathrm{x}_1 = Stractural\ factors$

$\mathrm{x}_2 = Risk\ Factors$

$\mathrm{x}_3 = Tax\ avoidance\ and\ Evasion\ combating\ strategy$

$\mathrm{x}_4 = Tax\ Auditing\ Capability$

In addition to that, data collection designed as an opinion-based questionnaire a representative model of tax audit effectiveness used to represent the 50th percentile of the respondent's argument with valid, and no missing values. For this purpose median statistical argument, appropriate to designate respondents opinion standing on the median or the 50th percentile distribution. Such kind of argument requires more than two numeric arguments which the research has 73 argumentative numeric data for analysis. Therefore, as indicated above each factor has its own regression measurement. However, Tax audit effectiveness is a un-observable factor, which its result is dependent on other measurable factors. In this regard, the researcher requires having the 50th percentile argument, which can represent the tax audit effectiveness. Thus the researcher produces MEDIAN (numexpr,numexpr[….]) computing function used for further analysis. Which it can be rewritten as Median (Structural, Risk, Avoidance, Capability).

Chapter Four

Results and Discussion

4.2. Introduction

This chapter deals about data presentation, and interpretation of findings with regard to tax audit effectiveness. Data collected from Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office are organized according to the source. Basically, in this research, questionnaires utilized as the main source of data since the main objective of this research was to investigate factors relation and effect on task audit effectiveness with regard in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office. Data were analyzed using techniques of descriptive statistics, regression analysis, correlation analysis, and finally confirmative analysis.

With regard to tax audit effectiveness data collected from Addis Ababa City Administration Revenues Authority, Addis Ababa showed in figure 4-1 that there is still a gap in filling the planned amount of income and actual performance. However, the authority performance with regard to generating revenues with tax collection increased gradually through time. Thus the growth in performance may be hypothetically thorough the effectiveness of tax auditing process of the administration, or it may be just by external influences which amplified due to an increased number of taxpayers, or due to enforced measures on increasing tax rates.

4.3. Background of respondents

The targeted respondents in Addis Ababa City Administration Revenues Authority were 100 Tax audit work process department in Addis Ababa City Administration Revenues Authority number I and 77 Tax audit work process department in Addis Ababa City Administration Revenues Authority number II.

In the questionnaire, the respondents allowed to give their, opinions, and feelings about tax audit effectiveness based on identified metrics by the researcher. As clearly indicated in figure 4-3 the total sample population for questionnaire distribution is about 177. As it is shown in figure 4-3

43.5% ((71+6)/177)*100 of respondents are located on Number 2 and the remaining 56.5% ((97+3)/177)*100 located on number 1. With regard to education level, number 2 shares 40.1% BA holders, and 3.4% Masters holders, while number one shares 54.8% BA holders and 1.7% Masters' holders. For this research the population and sample size number taken as the same due to the small size of the population. Moreover, the sample size increases the assurance of result accuracy. The following analysis presented based on the questionnaire regarding to the characteristic of respondents by their experience, gender, educational level, age, and others.

4.3.1. Respondents general information

As shown in table 4:1 profession distribution with gender depicts from the investigated case which is Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office BA degree holder take majority while there are few numbers of masters holders in both genders.

Especially both branches have a balanced professional distribution in female and male genders. Which, it may indicate that the authority works in focus to achieve government and international goal of balancing the workforce with both genders. However, with regard to tax audit effectiveness the authority should work on upgrading professionalism which, the above table 4.1 reveals there are only 7 tax auditors whom they have MSc in their educational background. When we see from a total population of respondents, only 3.7% of female respondents have MSc and 4.93% male respondents acknowledged they have MSc. In another way from total female respondents, only 8.1% of female respondents have MSc. Similarly, from total male respondents, 9.09% of male respondents have MSc.

However, from experiences specified by respondents, 58.69% are experienced from 6 up to 10 years. Which it justifies the legitimacy and the reliability of data source. In addition, the researcher also did not neglect experience effect on the accuracy of information so that data screening mechanisms did to transform data into reality, specifically experience years less than 1 year and 4 respondents which did not include their experience are excluded from further investigation. Which shows data screening processs started from an early stage of data handling.

Furthermore, respondents age included age in between 26 -30 are incorporated 41.97% which indicates the maturity of majority them. Thus, ages, which are included in 20-25, also have also

25.92% representation on the survey. Above 31 ages are also have a significant representation by their percentile allocation of 18.51%. Which from those respondents 13.58% did not specify their gender or age for unknown reasons. However, since such kind of data's are private information incorporated for further analysis.

Form the statistical data the researcher can generate hypothetical information that in this time workers working under 10,000 may not serve the society due to their un-satisfaction in life. However, another researcher can proof these hasty generalizations with proofed experimental research. For this thesis, it will be out of its scope. Surprisingly 32.09% of respondents do not want to indicate their salary which may also indicate their dis-comfortability on the amount they generate working on the authority.

4.3.2. Response Rate

The study sampled a total population equal to the sample population due to its target population are the authority tax auditors. As it is indicated in the following figure 4-6 the total sample population is depicted.

The figure shows that in Tax-audit work process department, there are 92 male and 85 female tax auditors. Consequently, the total sample size of Tax-audit work process department becomes 177. As indicated, above all the department workers considered as a legitimate sample for prepared questionnaire so that the distribution is 100%. However, due to unlike reasons the distributed questionnaire is not returned back as it is expected.

In which from the selected 177 population 81 questionnaires are collected back from respondents which the research has 45.685% response rate. In a survey study, the response rate known as a completion rate or return rate. Especially for very experienced and those respondents who have a master's degree showed 100% for male and 60% for female which confirms the response rate for these group of the respondent was more than expected.

4.4. Descriptive Statistics

As it is usual in this research, the first task is to explore the basic features of information for the purpose of clarification. Descriptive statistics was used to clarify and manage complex information through its display mechanism of tables and figures. In this research, tax-audit effectiveness considered as a dependent variable, which assumed in the hypothesis that it is influenced by four basis independent variables (Tax Avoidance and evasion combating strategy, Auditing capability, Risk factors, and structural factors).

However, before proceeding to the total statistical analysis it is legitimate to perform a reliability analysis test based on Cronbach's Alpha to assure the reliability of collected data from 81 respondents in case authority.

4.4.1. Reliability analysis

Reliability test confirms the validity of collected data from respondents. In which validity is a measurement of the degree of accuracy of a research instrument. In this research, the questionnaire is used as the main research instrument which reliability analysis determines how truly the questionnaire is compiled. As it is indicated in table 4:2 variables are processed through the reliability test based on scale measurements.

Table 0-1 Reliability Analysis for all 73 factors for 81 respondents

Case Processing Summary

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.951	.954	73

		N	%
Cases	Valid	26	32.1
	Excluded[a]	55	67.9
	Total	81	100.0

a. Listwise deletion based on all variables in the procedure.

The case processing summery shows from 81 cases of questionnaires 26 responds found valid and 55 responds are excluded from total 81 questionnaires. valid in a sense that, 55 respondents given unfilled values. Therefore, the case processing summary indicates that excluded data are due to list wise deletions based on missed (or unmeasured) data on the Likert scale value. The reliability test also confirms the Cronbach's alpha value is 0.954 which confirms the collected data is valid. On the above table, the reliability test also confirms there are 73 items processed for validation. Another kind of reliability test on the process of validation is using the correlation of each parameter. The correlation measured based on the scale of every item in the scale with every other item. Since the in this research Likert scale is utilized as a measurement mechanism, the statistical output should indicate factors correlations are tended into positive or negative which indicates the respondents worded each value in the same way.

As it is indicated below, factors have a positive tendency which, confirms respondents worded each measurement with the same common sense.

Table 0-2 Correlation based reliability analysis

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Legal Acts	63.5615	136.931	.449	.871	.908
Illegal acts of scammers	63.8981	136.548	.334	.775	.911
Unknown acts (hidden scammers)	63.2731	135.026	.555	.840	.906
General Rule of laws	63.5038	143.951	.035	.846	.919
Tax rules and regulations	63.5327	131.342	.545	.632	.906
Cultural Norms	64.1321	133.198	.472	.895	.908
Personal Attitudes	63.1962	133.202	.627	.855	.904
Small Size	63.5231	132.197	.638	.916	.904
Medium Size	63.4558	134.523	.656	.936	.904
Large Size	63.2058	128.947	.698	.902	.902
Tax Collection and Auditing System	63.3019	130.896	.542	.852	.906
Scam Protection system	63.3500	124.332	.637	.842	.904
Tax Payers	63.1673	131.638	.754	.935	.902
Community	63.4910	126.087	.822	.897	.899
Tax collector, and auditor	64.1115	136.763	.466	.800	.908
Risk–seeking	63.5167	128.137	.576	.914	.905
Risk-neutral	63.8115	130.289	.614	.718	.904
Risk-averse	63.8500	129.357	.679	.920	.902
Corporate governance	63.9333	134.527	.519	.873	.906
Performance Measurement	63.7962	130.401	.693	.960	.902

Thus, it also validates the analysis has a worthy procedure for future works. In addition, Cronbach's alpha if item deleted also indicates α value of the minimum 0.818 and a maximum of 0.868 which it confirms all considered factors and the respondent's metrics corresponds and it authenticates the final output. However, the community factor on Tax audit capability shows high correlation effect which it will be reconsidered in a factor analysis procedure due to its huge intensity for multi-colinearity effect. Besides, in the above table, the correlation squared is

another measure of the strength of the relationship of the factors. In which also indicates the is no nervousness dealing about multicollinearity since most of the squared correlations has minimum 63.2% and maximum 96% variation in the dependent variable that is accounted for or predicted by the independent variable.

4.4.2. Descriptive statistics of factors

In the descriptive statistics, the researcher used summarised statistical results from generated data from the analysis tool. As it is indicated in the frequency data, respondents evaluate factors a minimum of strongly disagree (1) to a maximum of strongly agree (5).

Table 0-3 statistical factor analysis

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Structural Factors	59	1.00	5.00	2.9514	.80779	.653
Risk Factors	58	1.67	5.00	3.0326	.87736	.770
Tax Avoidance and Evasion Combating Strategy	33	2.30	4.44	3.3537	.55979	.313
Auditing Capability	61	1.76	5.00	3.1034	.74264	.552
Valid N (listwise)	26					

Data' indicated above specifies that risk factors, Tax Avoidance, and Evasion Combating Strategy, and Auditing Capability are almost agreed by the respondents in which they have an influence on the tax audit effectiveness of the authority. However, according to the statistical table indicated above due to experience, educational level and attention (focus to the questionnaire) factors values given by respondents has a minimum of 55.97% and a maximum of 87.736% variation from each mean value. Furthermore, the same table also depicts that values given by respondents show a minimum of 31.3% and a maximum of 77%. Thus, using this result it can be deducted that, values given by respondents to evaluate factors influence for tax audit

effectiveness has a significant variation. However, this variation occurred due to hypothetically identified reaons of educational level, attention giving, and experience differences which influence respondents analyzing capacity.

4.5. Factor Analysis

Factor analysis is a method for investigating whether a number of variables of interest Y1, Y2……..Yk, are linearly related to a smaller number of unobservable factors F1, F2,……..Fk. Factor analysis is carried out on the correlation matrix of the observed variables. From the factor analysis, the researcher hopes to find a few factors from which the original correlation matrix may be generated. Which means the researcher did a dimension reduction procedure to reduce factors which don't have any significant effect for the final regression model in which the researcher develops in chapter 3. Originally the researcher had 73 measurable factors which measure unobservable factors such as structural factors, Risk Factors, Tax avoidance, and Evasion Combating strategy, and Auditing capability.

In this regard as it is depicted in chapter 3, the following mathematical models used as input to have a factor analysis using a regression approach. Thus this study examined factors affecting tax audit effectiveness in Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office.

$f(x) = \quad x_1 + x_2 + x_3 + x_4$ ……Eq …….1

Where;

$f(x) = Tax\ Audit\ effectiveness$

$x_1 = Structural\ factors$

$x_2 = Risk\ Factors$

$x_3 = Tax\ avoidance\ and\ Evasion\ combating\ strategy$

$x_4 = Tax\ Auditing\ Capability$

According to equation 1, for for a variable f(x) which represents Tax Audit effectiveness represented by independent factors of $X1, X2, \ldots, Xt$ measured on a sample of n factors, then

variable *i* can be written as a linear combination of *m* factors *F*1, *F*2, . . . , *Fm* where, as explained above *m* < *t*. Thus,

$$Xi = \beta i1F1 + \beta i2F2 + \ldots + \beta imFm + £i \ldots\ldots\ldots\ldots\ldots eq\ 3$$

Where;

- **f(x)** is latent (i.e.unobserved, underlying) variable (Tax Audit Effectiveness)
- **X's** are observed (i.e. manifest) variables (Structural, Risk Factor, Avoidance, and Capability)
- **£i** is measurement error for Xj.(ei..J)
- **βi** is the "loading" for Xj. (Wi…J)

In this case, where the βis are the factor loadings (or scores) for variable *i* and £i is the part of variable *X*i that cannot be 'explained' by the factors. In factor analysis, KMO (Kaiser-Meyer-Olkin) Measure of Sampling Adequacy result (=.772) indicates identified dependent factors have sufficient items for each factor. According to statistical analysis recommendations, KMO result expected to be greater than 0.7. Therefore, the result confirms the above-specified factors are ready to continue with factor analysis. Furthermore, Bartlett's test is used to check that the original variables are sufficiently correlated. This test comes out with significant (p =0.00), which confirms factor analysis is appropriate.

Table 0-4 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.772
Bartlett's Test of Sphericity	Approx. Chi-Square	51.801
	df	6
	Sig.	.000

So that in the factor analysis, the researcher can reduce the number of 73 representative factors into appropriate (representatives) for further confirmative analysis. Using variable computing mechanisms those 73 representative factors are reduced into 20 variables. Their general correlation is depicted in the table below.

4.5.1. Correlation Analysis

In particular, such kind of opinion based researches, statistical analysis association based studies plays a significant role. Furthermore, for Likert scale variable studies investigating the association between two variables is evaluated by using a bivariate correlation procedure.

Table 0-5 Correlation analysis of factors affecting tax audit effectiveness

Correlations					
		Structural Factors	Risk Factors	Tax Avoidance and Evasion Combating Strategy	Auditing Capability
Structural Factors	Pearson Correlation	1			
	Sig. (2-tailed)	.000			
Risk Factors	Pearson Correlation	.519**	1		
	Sig. (2-tailed)	.000			
Tax Avoidance and Evasion Combating Strategy	Pearson Correlation	.535**	.616**	1	
	Sig. (2-tailed)	.002	.000		
Auditing Capability	Pearson Correlation	.651**	.661**	.808**	1
	Sig. (2-tailed)	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).					

As it is indicated in table 4-6, from identified factors auditing capability shows a positive correlation with structural factors and risk factors with r-value of (r = 0.651, 0.661) respectively. In addition tax audit capability also show a very strong positive correlation with Tax Avoidance and Evasion Combating Strategy by r-value of (r = 0.808). Besides, all factors have a strong significant correlation at 0.001.

4.5.2. Multiple Regression Analysis

For the regression analysis of this document, the above mathematical model is taken into consideration. However, the goodness of fit analysis is performed to evaluate how much the actual data could fit with the proposed model. Such kind of test produces assurance on the magnitude of model fitness in the actual world. However, in the actual world variables are not correlated as it is expected in the previous topic. Variables may have multi-collinearity with each other and become tricky for the perfectness of a model. For this reason model options summary is performed by testing each model linear regression analysis and combine their values with metrics of R square, Adjusted R square, Std. error of the estimate, F change, VIF (Variance inflation factor), and significance P value. To select the best model fit, the following criteria were taken into consideration;

- The Highest R square Value
- The Highest Adjusted Square value
- The smallest standard error of the estimate
- The highest R square predicted
- The Highest F change
- The Smallest VIF and
- The smallest P value

With the above criteria, if two models measured equal, coefficient constant B value determines the best fit model among alternative regression models.

Table 0-6 Model Options Summary

Model	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics			
				R Square Change (Predicted)	F Change	VIF	Sig.
1.a	.470	.398	.65368	.470	6.501	2.68	.003
2.b	. .453	.378	.74918	.453	6.070	2.816	.004
3.c	.685	.642	.35368	.685	15.955	1.90	.000
4.d	.734	.698	.39010	.734	20.237	1.72	.000
a1 Dependent = Structural Factor a2 Predictors: (Constant), Auditing Capability, Risk Factors, Tax Avoidance, and Evasion Combating Strategy							
b1. Dependent: Risk Factors b2 Predictors: (Constant), Auditing Capability, Structural Factors, Tax Avoidance, and Evasion Combating Strategy							
c1: Dependent Variable: Tax Avoidance and Evasion Combating Strategy c2 Predictors: (Constant), Auditing Capability, Risk Factors, Structural Factors							
d1: Dependent Variable: Auditing Capability d2. Predictors: (Constant), Tax Avoidance and Evasion Combating Strategy, Structural Factors, Risk Factors							

For instance, when auditing capability becomes a dependent variable R square value shows 0.734. which it tells that auditing capability can account for 73.4% of the variation in combating tax audit effectiveness (or from identified independent variables). In other words, if we try to explain why other factors are influencing for the authority effectiveness there may be by factors which are not explained in Auditing Capability. This means 26.6% of the variation in tax audit effectiveness cannot be explained by auditing capability problems. However, it is explained whether on identified factors (other predicting variables), or it is unknown. Anyways the result

confirms auditing capability is a fundamental source of variation towards tax audit effectiveness with R square measurement. The standard error of the regression provides the absolute measure of the typical distance that the data points fall from the regression line. As it is shown in the table above the regression line is so tight which the average data distance from the regression line points is in maximum .74918 units and a minimum of .35368 units. The range of data dispersion is also approximately 0.3955 units which show how the data are densely populated around the regression line. With this sense, the following summery decision table helps to select good for the fit model by identified metrics above.

Table 0-7 summery of decision table

Measurments	**Model a**	**Model b**	**Model c**	**Model d**
The Highest R square Value				**d**
The Highest Adjusted Square value				**d**
The smallest standard error of the estimate			**c**	
The highest R square predicted				**d**
The Highest F change				**d**
The Smallest VIF and			**c**	**d**
The smallest P value			**c**	**d**
Total Selected	**0**	**0**	**3**	**5**

Based on the summary of the decision table, Model d seems appropriate. In Which, audit capability function as f(x), and others as predicting factors (Tax Avoidance and Evasion Combating Strategy, Structural Factors, Risk Factors).

Table 0-8 Model d Coefficient of Auditing Capability

Coefficients				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-.094	.463	
	Structural Factors	.237	.117	.281
	Risk Factors	.067	.110	.090
	Tax Avoidance and Evasion Combating Strategy	.725	.177	.604
a. Dependent Variable: Auditing Capability				

Based on the above specified mathematical model;

$$Xi = \beta i1F1 + \beta i2F2 + . . . + \beta imFm + £i \ldots\ldots\ldots\ldots\ldots\ldots\text{eq 3}$$

An initial linear regression model can be generated as follows;

Auditing Capability = -0.094 + 0.237(Structural Factors) + 0.067 (Risk Factors) + 0.725 (Tax Avoidance and Evasion Combating Strategy).

A negative coefficient suggests that as the independent variable increases, then dependent variables tends to decrease. Table 4-11 shows unstandardized negative coefficient, which represents the amount of influence by a dependent variable (or tax auditing capability) occurred due to a change of 1 unit of the independent variable (for the instant risk factor) by keeping constant other factors. Since the value of unstandardized coefficient = -0.094 it represents that when an independent variable (for instance, risk factor) influence increase with 1 unit then the dependent variable tax audit capability influence reduced with 0.094 unit. Thus, this finding implies that taxpayers, community, and tax collectors (and auditors) positive implication for tax audit effectiveness reduced when the negative influence of other factors (independent factors) increased.

Alternative Arguments

1. When 1 unit of negative influence on tax audit effectiveness by independent factors (such as structural factors, risk factors, and tax avoidance (and evasion)) increased by 1 unit then the dependent factor tax audit capability positive effect for tax audit effectiveness reduced by 0.094 unit. **(Accepted)**
2. When 1 unit of negative influence on tax audit effectiveness by independent factors (such as structural factors, risk factors, and tax avoidance (and evasion)) reduced by 1 unit then the dependent factor tax audit capability positive effect for tax audit effectiveness increased by 0.094 unit. **(Accepted)**
3. When 1 unit of positive influence on tax audit effectiveness by independent factors (such as structural factors, risk factors, and tax avoidance (and evasion)) increased by 1 unit then the dependent factor tax audit capability positive effect for tax audit effectiveness reduced by 0.094 unit. **(Not Accepted)**
4. When 1 unit of positive influence on tax audit effectiveness by independent factors (such as structural factors, risk factors, and tax avoidance (and evasion)) reduced by 1 unit then the dependent factor tax audit capability positive effect for tax audit effectiveness increased by 0.094 unit**. (Accepted)**

From this particular model alternative arguments imply that by increasing a positive (or reducing the negative) influence of factors can enhance taxpayers, community, and the tax collector (auditor) positive influence on tax audit effectiveness. It is true. However, model c also shows a promising result especially by having lower VIF (which measures unavailability of multicollinearity on the model) and a low P value (which measure significance). Therefore the following test performed to have an alternative model.

Table 0-9 Model c: Coefficients of Tax Avoidance and Evasion Combating Strategy

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	1.124	.345	
	Structural Factors	-.021	.115	-.030
	Risk Factors	.120	.097	.193
	Auditing Capability	.596	.146	.715

Dependent Variable: Tax Avoidance and Evasion Combating Strategy

Table 4-11 illustrate Coefficients of Model c: having Tax Avoidance and Evasion Combating Strategy as a dependent variable. The result exhibited positive unstandardized coefficient. In addition, Since it has also the lowest VIF value and a significant P value this model can be considered as the best alternative. However, A positive coefficient indicates that as the value of the independent variable increases, the mean of the dependent variable also tends to increase.

Alternative Arguments

1. In this particular case, when the negative influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) increase by 1 unit then the negative influence of Tax Avoidance and Evasion (such as act like legal, illegal acts of scammers, unknown acts or hidden acts of scammers) on tax audit effectiveness increased by 1.124. **(Accepted)**
2. When the negative influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) decreased by 1 unit then the negative influence of Tax Avoidance and Evasion (such as act like legal, illegal acts of scammers, unknown acts or hidden acts of scammers) on tax audit effectiveness decreased by 1.124. **(Accepted)**
3. When the Positive influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) decreased by 1 unit then the negative influence of Tax Avoidance and

Evasion (such as act like legal, illegal acts of scammers, unknown acts or hidden acts of scammers) effectiveness decreased by 1.124**. (Accepted)**

4. when the Positive influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) increased by 1 unit then the negative influence of Tax Avoidance and Evasion (such as act like legal, illegal acts of scammers, unknown acts or hidden acts of scammers) effectiveness increased by 1.124. **(Not Accepted)**

The argument works also for the positive influence of tax avoidance and evasion effect on tax audit effectiveness. In general, the positive influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) can play a great role in the positive increment of tax audit effectiveness.

At is shown in table 4-8, the following general linear regression equation can be developed as follows;

Tax Avoidance and Evasion Combating Strategy = 1.124 -0.021(Structural Factors) + 0.120 (Risk Factors) + 0.596 (Auditing Capability).

However, still, these regression model cannot reply for the quests of hypothetical assumptions proposed in the previous chapter. So that to have a clear structural relation of factors with tax audit effectiveness the following section, presents confirmative factor analysis using AMOS SPSS module application software.

Table 4-10 Partial View of Factors association

Correlation Matrix

		Legal Acts	Illegal acts of scammers	Unknown acts (hidden scammers)	General Rule of laws	Tax rules and regulations	Cultural Norms	Personal Attitudes	Small Size	Medium Size	Large Size	Tax Collection and Auditing System	Scam Protection system	Tax Payers	Community	Tax collector, and auditor	Risk-seeking	Risk-neutral	Risk-averse	Corporate governance	Performance Measurement
Correlation	Legal Acts	1.000	.491	.581	.076	.291	.288	.335	.432	.342	.391	.136	.099	.280	.447	.076	.289	.265	.468	.048	.072
	Illegal acts of scammers	.491	1.000	.366	-.262	.362	.297	.221	.348	.516	.416	.133	.143	.344	.275	.075	.125	.182	.297	-.186	.058
	Unknown acts (hidden scammers)	.581	.366	1.000	-.019	.317	.390	.484	.465	.390	.348	.180	.138	.481	.575	.072	.328	.351	.537	.221	.494
	General Rule of laws	.076	-.262	-.019	1.000	.216	-.110	.155	-.112	-.056	-.089	.112	.283	.092	.329	.266	-.206	-.065	-.222	.088	-.033
	Tax rules and regulations	.291	.362	.317	.216	1.000	.311	.350	.324	.338	.503	.321	.454	.393	.507	.231	.252	.265	.376	.229	.306
	Cultural Norms	.288	.297	.390	-.110	.311	1.000	.213	.427	.242	.523	.033	.172	.265	.271	.400	.433	.359	.638	.344	.172
	Personal Attitudes	.335	.221	.484	.155	.350	.213	1.000	.161	.256	.371	.304	.367	.499	.728	.412	.512	.351	.471	.573	.586
	Small Size	.432	.348	.465	-.112	.324	.427	.161	1.000	.766	.438	.543	.475	.673	.557	.161	.378	.400	.486	.132	.450
	Medium Size	.342	.516	.390	-.056	.338	.242	.256	.766	1.000	.528	.515	.485	.706	.595	.316	.231	.437	.486	.101	.502
	Large Size	.391	.416	.348	-.089	.503	.523	.371	.438	.528	1.000	.369	.396	.574	.485	.509	.488	.387	.473	.534	.539
	Tax Collection and Auditing System	.136	.133	.180	.112	.321	.033	.304	.543	.515	.369	1.000	.749	.544	.463	.086	.190	.324	.259	.389	.664
	Scam Protection system	.099	.143	.138	.283	.454	.172	.367	.475	.485	.396	.749	1.000	.574	.585	.282	.433	.457	.337	.353	.544
	Tax Payers	.280	.344	.481	.092	.393	.265	.499	.673	.706	.574	.544	.574	1.000	.703	.238	.545	.416	.392	.311	.697
	Community	.447	.275	.575	.329	.507	.271	.728	.557	.595	.485	.463	.585	.703	1.000	.482	.441	.529	.494	.481	.634
	Tax collector, and auditor	.076	.075	.072	.266	.231	.400	.412	.161	.316	.509	.086	.282	.238	.482	1.000	.295	.439	.305	.494	.333
	Risk-seeking	.289	.125	.328	-.206	.252	.433	.512	.378	.231	.488	.190	.433	.545	.441	.295	1.000	.614	.602	.417	.420
	Risk-neutral	.265	.182	.351	-.065	.265	.359	.351	.400	.437	.387	.324	.457	.416	.529	.439	.614	1.000	.617	.347	.468
	Risk-averse	.468	.297	.537	-.222	.376	.638	.471	.486	.486	.473	.259	.337	.392	.494	.305	.602	.617	1.000	.467	.497
	Corporate governance	.048	-.186	.221	.088	.229	.344	.573	.132	.101	.534	.389	.353	.311	.481	.494	.417	.347	.467	1.000	.708
	Performance Measurement	.072	.058	.494	-.033	.306	.172	.586	.450	.502	.539	.664	.544	.697	.634	.333	.420	.468	.497	.708	1.000

4.6. Confirmative Factor Analysis

After iterated model fitness test on IBM SPSS AMOS module, an initial structural equation model developed as follows indicated in figure 4-12. The structural model constructed based on two kinds of variables predictor variables and latent variable. The first latent variable that the researches hypothesized is tax audit effectiveness and it is a dependent variable. Following it, Structural factors, risk factors, tax avoidance and evasion, and tax auditing capability are also child latent variables which they are not directly measured. Each individual child latent variables are taken as predicting variables, which they are measured by structured observable variables measured by a structured questionnaire.

By assuming residuals follow a normal distribution, a covariance test is performed between latent variables by separating them from measurable predicting variables by computing their average value from SPSS. As indicated below, estimates of covariance among exogenous variables performed and all of the covariance result show positive paired associations among latent variables. This finding showed that all covariance is positive in which means they are showing the same behavior. In addition to that, factors are also showing significant p values, which is interpreted as those latent variables, are influencing each other positively

Table 0-1 initial values of Standardized Regression Weights: (Default model)

Paired Relation between latent variables (and Direction Of Influence)			Estimate	S.E.	C.R.	P	Label
Structural Factrors	<---	Tax Audit Effectivenss	1.000				
Risk Factor	<---	>>	1.093	.278	3.926	***	par_12
Tax Audit Effectivenss	<---	>>	.743	.229	3.245	.001	par_13
Tax Audit Capability	<---	>>	1.178	.258	4.573	***	par_16
Corporate Governance	<---	Structural Factrors	1.000				
Performance Measurment	<---	>>	1.203	.197	6.120	***	par_1
Risk-seeking	<---	Risk Factors	1.000				
Risk-neutral	<---	Risk Factors	1.029	.200	5.151	***	par_2
Legal Acts	<---	Tax Avoidance	1.000				

		and Evasion					
IllegalActs	<---	Tax Avoidance and Evasion	.872	.318	2.740	.006	par_3
Risk averse	<---	Risk Factor	1.088	.212	5.138	***	par_4
Unknown acts (hidden scammers)	<---	Tax Avoidance and Evasion	.814	.284	2.868	.004	par_5
General Rule of laws	<---	Tax Avoidance and Evasion	.623	.336	1.852	.064	par_6
Tax rules and regulations	<---	Tax Avoidance and Evasion	.885	.304	2.915	.004	par_7
Cultural norms	<---	Tax Avoidance and Evasion	1.539	.436	3.533	***	par_8
Personal Attitudes	<---	Tax Avoidance and Evasion	1.257	.351	3.576	***	par_9
Small Size	<---	Tax Avoidance and Evasion	1.484	.379	3.914	***	par_10
Medium Size	<---	Tax Avoidance and Evasion	1.315	.329	3.995	***	par_11
Tax Payers	<---	Tax Audit Capability	1.000				
Community	<---	Tax Audit Capability	1.199	.183	6.559	***	par_14
Tax collector, and auditor	<---	Tax Audit Capability	.846	.190	4.450	***	par_15
Scam Protection system	<---	Tax Avoidance and Evasion	1.646	.518	3.174	.002	par_17
Tax Collection and Auditing System	<---	Tax Avoidance and Evasion	1.057	.378	2.797	.005	par_18
Large Size	<---	Tax Avoidance and Evasion	1.708	.441	3.872	***	par_19

On significant P values greater than 0.01, respondents hardly argue with identified influential factors and the authority effort on tax audit effectiveness. However, other values showed respondents confirmation on identified factors influence tax audit effectiveness. For instance, When tax avoidance and evasion fighting strategies become strong and their value goes up consequently Effectiveness 74.3%. S.E. value shows, in reality, The regression weight estimate of linearity 74.3% increment has a standard error of about 22.9%. in which, C.R shows 3.24% deviation or standard error above zero. To have final goodness for fit model a series of tests done by eliminating relations which have nonsignificant p values. In addition, a final model evolved through experiment.

Table 0-2 Final values of standard Regression Weights: (Final Structural model)

Paired Relation between latent variables (and Direction Of Influence)			Estimate	S.E.	C.R.	P
Structural Factors	<---	Tax Audit Effectiveness	0.886	0.230	3.852	***
Risk Factor	<---	Tax Audit Effectiveness	1.129	.293	3.852	***
Tax avoidance and Evasion	<---	Tax Audit Effectiveness	.579	.175	3.297	***
Tax Audit capability	<---	Tax Audit Effectiveness	1.232	.279	4.421	***
Corporate Governance	<---	Structural Factrors	1.000			
Performance Measurment	<---	Structural Factrors	1.218	.204	5.959	***
Risk-seeking	<---	Risk Factors	1.000			
Risk-neutral	<---	Risk Factors	1.014	.197	5.141	***
Legal Acts	<---	Tax avoidance and Evasion	1.000			
Risk-averse	<---	Risk Factors	1.074	.209	5.137	***
Tax rules and regulations	<---	Tax avoidance and Evasion	1.000			
Cultural Norms	<---	>>	1.918	.494	3.885	***
Personal Attitudes	<---	>>	1.414	.384	3.682	***
Small Size	<---	>>	1.876	.425	4.415	***
Medium Size	<---	>>	1.698	.373	4.558	***
Tax Payers	<---	Tax Audit capability	1.000			
Community	<---	>>	1.181	.182	6.479	***
Tax collector, and auditor	<---	>>	.841	.190	4.433	***
Large Size	<---	Tax avoidance and Evasion	2.036	.482	4.224	***

4.6.1. Hypothetical Test

To proceed for Hypothetical Test the researcher first, pass through previous factor analysis results, which they are rid of tax-audit effectiveness influence. This is due to tax audit effectiveness is an unobservable factor and a dependent factor by itself. Using the argument a previous correlation analysis, and structural factor analysis result confirms, the un-observable factor, tax audit effectiveness has a direct association with factors indicated on the hypothesis. Therefore, following these results the researches has to argue with each hypothesis, which, they declare factors direct association with tax audit effectiveness. As clearly indicated on table 4-13, tax audit effectiveness showed a direct-paired relationship with Structural factors, Risk Factors, Tax avoidance and Evasion, and tax audit capability. Based on such facts, all of the following hypothesizes are acceptable.

- Hypothesis 1 ($H_{1:}$ 1): Tax audit effectiveness has a positive association with structural factors of internal and external tax system and tax administration systems. In this regard, the tax-auditing system has a hypothetical direct relation with corporate governance and tax administration performance metrics. (Accepted)
- Hypothesis 2 (H1: 2): Tax audit effectiveness has a positive association with risk factors. In this case, tax-auditing effectiveness has a hypothetical direct relation with risk averse, risk neutral and risk-seeking behaviors of tax auditors and taxpayers. (Accepted)
- Hypothesis 3 (H1: 3): Tax audit effectiveness has a positive association with Tax Avoidance and Evasion Combating Strategies. In which, tax audit effectiveness has a direct relation with factors of legal values, social values, firms size, and technology. (Accepted)
- Hypothesis 4 (H1: 4): Tax audit effectiveness has a positive association with auditing capability. Consequently, tax audit effectiveness has a direct relation with behavioral factors of Tax Payers, the community, tax auditor, and tax collectors. (accepted)
- Hypothesis (Ho: 0): Structural factors, risk factors, tax avoidance and evasion combating strategy, and tax auditing capability has a linear association with each other. (Accepted, Based on Table 4-7 Correlation analysis of factors affecting tax audit effectiveness).

For the second hypothesis test procedure, the researcher acknowledges the influence of tax audit effectiveness and used a median 50th percentile opinion arguments of respondents as it represents tax audit effectiveness. Since tax audit effectiveness depends on other factors, the median argument would represent the tax auditors' performance with regard to auditing and regarding influences.

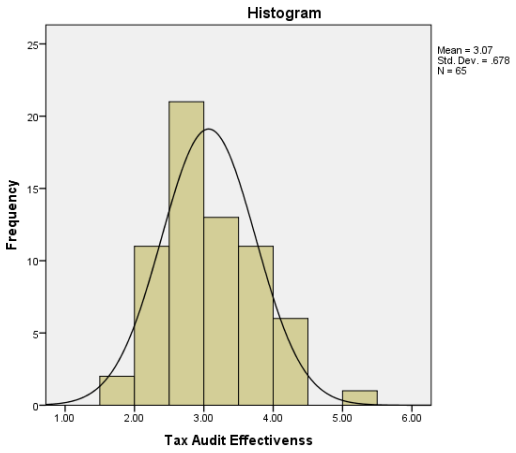

Figure 0-1 50th percentile or Median arguments of respondents on influential factors effect on tax audit effectiveness

Figure 4-ll proofs that the argumentative result has a normal distribution data which is in an acceptable range of mean and standard deviation for further analysis. Since the designed model does not entertain missed values for calculation, a number of data reduced into 65. The hypothesis designed above also depicts about associational information, correlation result by recognizing tax audit effectiveness could use to accept or reject the result.

Table 0-3 Correlation result by considering tax audit effectiveness

Correlations						
		MF1 Structural Factors	MF2 Risk Factors	MF3 Tax Avoidance and Evasion Combating Strategy	MF4 Auditing Capability	Tax Audit Effectiveness
MF1 Structural Factors	Pearson Correlation	1	.519**	.535**	.651**	.821**
	Sig. (2-tailed)		.000	.002	.000	.000
	N	59	53	31	55	26
MF2 Risk Factors	Pearson Correlation	.519**	1	.616**	.661**	.844**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	53	58	30	55	26
MF3 Tax Avoidance and Evasion Combating Strategy	Pearson Correlation	.535**	.616**	1	.808**	.845**
	Sig. (2-tailed)	.002	.000		.000	.000
	N	31	30	33	31	26
MF4 Auditing Capability	Pearson Correlation	.651**	.661**	.808**	1	.890**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	55	55	31	61	26
Tax Audit Effectiveness	**Pearson Correlation**	**.821****	**.844****	**.845****	**.890****	**1**
	Sig. (2-tailed)	**.000**	**.000**	**.000**	**.000**	
	N	26	26	26	26	26
**. Correlation is significant at the 0.01 level (2-tailed).						

By this, the researcher accept the entire hypothesis indicated above

Chapter Five

Summary, Conclusion, Findings, and Recommendation

In this chapter, tax audit effectiveness and its influential factors discussed. The chapter organized into sections of conclusion, findings, and final recommendations.

5.1 Summary

The purpose of this study was to examine the factors affecting tax audit effectiveness using statistical analysis; both descriptive and inferential statistics. The research instruments were surveyed questionnaires developed with census method and a total of 81 copies of questionnaire were distributed. Then in this chapter conclusions are made by summarizing the results stated on data collection instruments on chapter four and finally make recommendations on the possible findings.

5.2 Conclusion

As presented in chapter 4, data's collected from Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers Branch office, indicates authority performance with regard to generating revenues with tax collection increased gradually through time. Thus the growth in performance may be hypothetically thorough the effectiveness of tax auditing process of the administration, or it may be just by external influences which amplified due to an increased number of taxpayers, or due to enforced measures on increasing tax rates. To proof, which factor influence the authority history of gradual improvement in revenue needs a future study. However, in this particular study, it is found that the authority actual revenue generation and plan did not concise through time so that the researcher argues the gap is due to factors influence tax audit effectiveness which they are investigated in the previous chapter.

The study covers the total sample population of about 177 tax audit workers. From this population, 45.5% of respondents are located on Number 2 and the remaining 56.5% located on number 1. For this research the population and sample size number taken as the same due to the small size of the general population. Moreover, the sample size increases the assurance of result accuracy. Tax audit work process department has 92 male and 85 female tax auditors. In which

from the selected 177 population 81 questionnaires are collected back from respondents which the research has 45.685% response rate. In a survey study, the response rate known as a completion rate or return rate. Especially for very experienced and those respondents who have a master's degree showed 100% for male and 60% for female which confirms the response rate for these group of the respondent was more than expected.

The reliability test also confirms the Cronbach's alpha value is 0.954, which confirms the collected data is valid. The reliability test confirms that there are 73 items processed for validation.

Data' indicated on table 4-5 specifies that risk factors, Tax Avoidance, and Evasion Combating Strategy, and Auditing Capability are almost agreed by the respondents in which they have an influence on the tax audit effectiveness of the authority. However, due to experience, educational level and attention (focus to the questionnaire) factors values given by respondents has variation from each mean value. Thus, using the result it can be deducted that, values given by respondents to evaluate factors influence for tax audit effectiveness has a significant variation. However, this variation occurred due to identified educational level, attention giving, and experience differences, which influence respondents analyzing capacity.

5.3 Findings

Besides achieving the objectives of this research which investigating factors influencing on tax audit effectiveness the researcher finds the following facts from the process of the research.

- **Revenue from tax collection shows a gradual improvement:** growth in performance may be hypothetically thorough the effectiveness of tax auditing process of the administration, or it may be just by external influences which amplified due to an increased number of taxpayers, or due to enforced measures on increasing tax rates. To proof, which factor influence the authority history of gradual improvement in revenue needs a future study.
- **Gender Distribution:** Both branches have a balanced professional distribution in female and male genders. Which, it may indicate that the authority works in focus to achieve government and international goal of balancing the workforce with both genders.

- **Unbalanced Education Level:** This research finds out that the sample population of tax audit department 45.5% respondents are located on Number 2 and the remaining 56.5% located on number 1. With regard to education level, number two shares 40.1% BA holders, and 3.4% masters holders, while number one shares 54.8% BA holders and 1.7% master's holders. From the general population, 94.9% are BA holders, and only 5.1% has a master's degree. However, the relational effect of unbalanced educational level and tax audit effectiveness needs future research.
- **Low service rate:** In both cases, the average service rate is 2 cases per day which signifies how many customers complaint there will be and the length of service time before job delivery to the customer.
- **Hypothesis Accepted:** By using factor analysis, structural factor analysis, and the 50th percentile respondents argumentative value of tax-audit effectiveness result in the correlation result the researches accepted all proposed hypothesizes
- **Accepted Alternative Model 1**: From this particular model alternative arguments imply that by increasing a positive (or reducing the negative) influence of factors can enhance taxpayers, community, and the tax collector (auditor) positive influence on tax audit effectiveness.
- **Accepted Alternative Model 2:** The positive influence of independent factors (such as Structural Factors, Risk Factors, Auditing Capability) can play a great role in the positive increment of tax audit effectiveness.

In general, by depending on the above regression analysis, correlation analysis, and structural factor analysis the following confirmative model is developed to show confirmed factual relations with each other for the sake of tax audit effectiveness.

The structural model defines tax avoidance (and evasion), Auditing capability, risk factor, and structural factors have a significant p-value and a very small standard error, which shows no strong variation (deviation) from the regression line.

In addition, structural model finding also depicts that, the estimated covariance between identified factors also almost the same and very small, which validities the model can work for a specific case by including other metrics incorporated in the previous chapter. Specifically, the

final structural model dictates how each factor has an influential effect with each other controlling singe factor may increase the performance of tax audit effectiveness.

5.4 Recommendation

Based on findings of this research the researches recommend on the following issues. As it is known and literature indicated, tax audit effectiveness is affected by multiple and complex factors. Specifically, in the literature review part, they are generally identified as four mega factors with 73 specific factors which hinder the performance of tax auditors with regard to tax audit effectiveness. Using those factors and the factor analysis result including general findings the following points are recommended for the case organization to enhance its performance on the process of tax audit effectiveness.

- Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office is recommended to investigate increasing a positive (or reducing the negative) influencing of factors which can enhance taxpayers, community, and the tax collector (auditor) positive influence on tax audit effectiveness.
- Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office is recommended to investigate positive influencing independent factors (such as Structural Factors, Risk Factors, Auditing Capability) which can play a great role in the positive increment of tax audit effectiveness.
- Addis Ababa City Administration Revenues Authority Addis Ababa No 1 and No 2 Medium Tax Payers branch office is recommended to investigate the relational effect of unbalanced educational level and tax audit effectiveness as future research.

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Appendix

Tax audit effectiveness Factors	Measure 1	Measure 2	Scale **(1-5)**
gnitude of the authority readiness to fight tax avoidance and evasion and score high for tax audit effectiveness through the following factors) (if no measurement please give the lowest value)			
Tax Avoidance and evasion combating strategy	Tax avoidance and evasion appears Legal through	Appropriate Standards of Legal system	
		Availability of Specific structure of digital/ Legal landscape	
		Consistent action of legal authority	
		Availability of strong Institutional and legal reforms	
	known Illegal acts of Tax avoidance and evasion by scammers (Already known through the following factors)	Through qualification of tax minimization	
		Through Actions of allegations for illegal activities	
		Through Decisions on new forms of transactions	
		Through Informality and Income Shifting decisions	
	Unknown acts of Tax avoidance and evasion (hidden scammers)	Through legal tax avoidance and evasion practices	
		Through weakness of Traceability of the transaction systems	
		Through Weakness of institutional and governance acts	
Could you please evaluate how much the following factors support the authority to control tax avoidance and evasion (if no measurement please give the lowest value)			
Legal Values	General rule of laws	Existence of General anti-tax avoidance and evasion laws	
		Existence of Rule of law and Policy Guidance	
		Existence of governance Rules and Laws	
	Tax rules and regulations	Tax structure and rate	
		Auditing procedures	
		General Procurement and pricing Laws	
		Enforcement of National tax laws	
on how much the following factors can influence on tax audit effectiveness on the process of fighting tax avoidance and evasion (if no measurement please give the lowest value)			
Social Values	Cultural Norms	Cultural change interventions	
		Cross Cultural differences	
		Organizational, Social, and Cultural Phenomena	
	Personal Attitudes	Social Trust	
		Perceived trust in tax authorities	

		Public Trust in government	
Did you think the following factors of firm size has an influence on tax audit effectiveness? If yes, can you please relate those factors with the kind of enterprise that you experienced and evaluate its magnitude? (if no measurement please give the lowest value)			
Firm Size	SME	Financial Routines adopted	
		Internal auditing experience	
		Financial Transaction system capability	
		Business environment and enterprise performance	
	Large Enterprise	Financial Routines adopted	
		Internal auditing experience	
		Financial Transaction system capability	
		Business environment and enterprise performance	
		Financial Routines adopted	
	Multinational National Enterprise	Internal auditing experience	
		Financial Transaction system capability	
		Business environment and enterprise performance	
How do you think the following technology related factors support the authority tax audit effectiveness straggle? Could you evaluate it with magnitude? (if no			
Technology	Tax Collection and Auditing System	Application of Decision Support Systems	
		Effective Internal Control System	
		Big Data management System	
		Management information system	
	Scam Protection	A decision support system for tax evasion and avoidance discovery	
How do you think the following tax auditing capability related factors support the authority tax audit effectiveness straggle? Could you evaluate it with magnitude? (if no measurement please give the lowest value)			
Tax Auditing Capability	Tax Payers	Enforced, voluntary, and committed motivation	
		Information available to individual income taxpayers	
		Interaction between individual taxpayers	
		Tax payers attitude	
	Community	Social infrastructure	
		Society degree of future orientation	
		Attitude of civil Society	
	Tax collector, and auditor	Collectors bargaining power over tax-payers	
		Managerial Incentives	
		Administration cost of tax collecting and auditing	
		Expertise level of tax collectors and auditors	
		Certified tax auditor and collector	
How do you think the following Risk related factors support the authority tax audit effectiveness straggle? Could you evaluate it with magnitude? (if no measurement please give the lowest value)			
Risk Factor	Risk–seeking	Fraud, corrupted, activities seeking to damage the authorities image	
		Seek for tax avoidance and evasion	
		Less sensitive to penalties and also reflected the social and psychological	
	Risk-neutral	Fear of Previous penalties	
		Induce honest reporting of income	
		Perceived risk of criminal prosecution	
	Risk averse	Individual auditor's tax certification on the bulky taxation procedural	
		Risk of being detected by tax authorities	
		Due to making wrong decisions on the basis of audit	

		Carelessness, distraction or fatigue of workers	
		Neglected by the management audit	
		The conspiracy of persons acting together to commit or	
How do you think the following structural related factors support the authority tax audit effectiveness straggle? Could you evaluate it with magnitude? (if no measurement please			
Structural Factors	Corporate governance	Corporate ownership and control	
		tax audit committee independence	
		Managerial rent seeking characteristics	
		Organizational culture	
		Rules and regulations,	
		Government policy	
	Performance Measurement	Revenue Administration Fiscal Information Tools	
		Public Expenditure and Financial Accountability tools	
		Public financial management tools	
		Maximize tax revenue collection and provide quality	
		Business Environment and Enterprise Performance Survey	
		Institutional arrangements, including their autonomy from	

ይህንን ጥናት የምታካሂደው በቅድስተ ማሪያም ዩኒቨርስቲ የማስተርስ ተማሪ ስትሆን ስሟ……ይባላል፡፡ የመጠይቁ ዋና ዓላማ ለመመረቂያ ፅሁፍ ግብዓት የሚሆን መረጃ መሰብሰብ እና ጉዳዩ ከሚመለከታቸው አካላት ጋር ቀጥተኛ የሆነ ውይይት ማድረግ ነው፡፡ የጥናቱም ርእስ **"የታክስ ኦዲት አፈፃፀም ላይ ተጽእኖ የሚያሳድሩ ምክንያቶችን ማጥናት"** ነው፡፡ የ ጽሁፍ ቃለመጠይቁ ከ5 እሰከ 10 ደቂቃ ሊፈጅ ይችላል፡፡ ጥያቄዎቹ ስለ ባለስልጣኑ አገልግሎት ያልዎትን ግንዛቤ፡ በመጠቀም በዳሰሳ ፅሁፍ ያገኘናቸው ተግዳሮቶች አንፃር ባለስልጣን መስሪያ ቤቱ በታክስ ኦዲት ውጤታማነት ላይ ሊኖራቸው የሚችለውን አሉታዊ ተፅእኖ መለካት ነው፡፡ ከተዘረዘሩት ተግዳሮቶች ውስጥ አሉታዊ ተፅእኖ የሚያሳርፍ ከሌሉ እባክዎ ነጥቡን በማከበብ ዝቅተኛ ነጥብ ይስጡልን፡፡ በዚህ ጥናት በመሳተፍዎ በቀጥታ የሚያገኙት ጥቅም ላይኖር ይችላል ሆኖም ጥናቱ ሃገራዊ የሆነውን የታክስ መደበቅ እና ማጭበርበርን ለማስወገድ እና ተያያዥ ችግሮች ለመቅረፍ እየተደረገ ያለውን ጥረት ለማገዝ ስለሚረዳ በተዘዋዋሪ እርሶንና ማህበረሰቡን የሚጠቅም ስራ እንደሚሆን ተስፋ እናደርጋለን፡፡ የምናገኘውን መረጃ በሚስጥር እንጠብቃለን፡፡ ስምዎ ተመዝግቦ አይያዝም፡፡ በጥናቱ ያለመሳተፍ ሙሉ መብትዎ የተጠበቀ ነው፡፡ ለመሳተፍ ፈቅደው አንዳንድ መረጃዎችን ላለመስጠት ከፈለጉ መረጃውን ያለመስጠት መብትዎ ይከበርልዎታል፡፡ ምናልባት መረጃውን ከሰጡ በሁዋላ ስለ ግል መረጃዎ ጉዳይ ወይም ስለጥናቱ ማወቅ ከፈለጉ የጥናቱን ዋና ተመራማሪ ከላይ የተጠቀሰቸው ተማሪ ስትሆን +251939498601 በመደወል በስራቀን ማግኘትና መጠየቅ ይችላሉ፡፡

እባክዎ ፈቃደኝነትዎን በፊርማዎ ያረጋግጡል፡፡ ፊርማ_____

በጥናቱ ለመሳተፍ ስላሳዩት በጎ ፈቃደኝነት አስቀድመን ልባዊ ምስጋናችንን በአክብሮት እንገልፃለን፡፡ጸታ፡……

2. በሞያዎ የደረሱበት ከፍተኛ የት/ም ደረጃ (የተጠናቀቀ)
   - □ ዲፕሎማ
   - □ ቢኤስሲ (B.Sc.)
   - □ ማስተርስ (M.Sc.)
   - □ ፒኤችዲ/PhD
3. የስራ ልምድ ……ዓመት
4. ድርጅቶች የውስጥ ኦዲተር ሆነው ያውቃሉ ……አዎ/አላውቅም
5. ካዎቁ ለምን ያህል ጊዜ፡፡ …….
6. የኦዲተርነት ደረጃዎትን ሊገልፁልን ይችላሉ; ……..ከሆነ ደረጃዎትን ቢገልጡልን፡፡
7. የወርሃዊ ደሞዝዎ መጠን በብር _____ ብር/ በወር (Optional)
8. በቀን በአማካኝ ምን ያህል ተገልጋዮችን ያስተናግዳሉ? _____ ሰው/በቀን
9. እባክዎ አሁን ተመድበው የሚሰሩበትን ስራ ዘርፍ ይጥቀሱልን ---------

መጠይቅ

መመሪያ፡ እባክዎ እስከ መጨረሳ ድረስ የተዘረዘሩትን እያንዳንዱን ጥያቄዎች በጥንቃቄ በማንበብ መልስዎን ከ 1 – 5 ባለው ይመዝኑ፡፡

የግብር ኦዲት አፈፃፀም ውጤታማነት ሁኔታዎች	ልኬት 1	ልኬት 2	**(1-5) ባለው** ይለኩ
እባክዎ ታክስ ማጭበርበርን እና መደበቅን በመዋጋት ሂደት ውስጥ የሚከተሉት ጉድለቶች መኖረቻው ለባለስጣን ጽ/ቤቱ የኦዲት ውጤታማነት ምን ያህል ተፅእኖ እንዳላቸው ይለኩ፡፡ (ጉድለቶቹ ከሌሉ እባክዎ ውጤቱን 0 ያድርጉት፤ ካሉ እንደሚኖራቸው የተፅእኖ ልክ ውጤት ይስጡልን፡፡)			
ታክስ ማጭበርበርን እና መደበቅን ለማስወገድ የተዘጋጁ ስልቶች	ህጋዊ መስመርን ተከትለው የሚካሄዱ የታክስ ማጭበርበር እና መደበቅ ሂደቶች	ተገቢ ህጋዊ ስርዓት መስፈርቶች አለመኖራቸው	
		የተወሰነ የዲጂታል ገጽታ / ሕጋዊ መዋቅርን ተከትለው የተበጁ ስርዓቶች ተጠናክረው መገኘት አለመቻል	
		የህግ ባለስልጣን ያልተቆራረጠ የውሳኔ ተግባር አለመኖር	
		ጠንካራ ተቋማዊ እና ሕጋዊ ለውጦች ማግኘት አለመቻል	
	የታወቁ ህገወጥ ድርጊቶች ተከትለው የሚካሄዱ የታክስ ማጭበርበር እና መደበቅ ሂደቶች	ትክክል ያልሆነ የታክስ ቀረጥ ቅነሳ አሰራርን መከተል	
		ህገ-ወጥ ድርጊቶችን ለመከላከል በሚደረጉ ክሶች እና ተያያዥ ህገወጥ ክንውኖች ላይ ያለው ቆራጥ ውሳኔ ደካማ መሆን	
		አዳዲስ ግብይቶች ለመቆጣጠር የሚወጡ ውሳኔዎች ደካማ እና ግልፅ አለመሆን	
		መደበኛ ባልሆኑ እና የገቢ ማሻሻያ ውሳነተሮኔዎች ግልፅ አለመሆን	
	እስካሁን መንገዳቸው ያልታወቁ የታክስ ማጭበርበር እና መደበቅ ሂደቶች	ሕጋዊ የግብር ማስወገጃ እና የማጭበርበር ድርጊቶች መከላከያ መንገዶች ግልፅ አለመሆን	
		ሊታዩ የማይችሉ የግብይት ስርዓቶች መቆጣጠር አለመቻል	
		ተቋማዊ እና አስተዳደር ተግባሮች ድክመት	
እባክዎ የሚከተሉትን የህግ እሴት መለኪያዎች በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን)			
የህግ እሴቶች	አጠቃላይ የህግ የበላይነት	አጠቃላይ የሆኑ የጸረ-ታክስ ማስወገድ (መደበቅ) እና ማጭበርበር መከላከያ ህጎች	
		የህግ የበላይነት እና የፖሊሲ አቅጣጫዎ	
		የአስተዳደር ደንቦችና ህጎች	
	የታክስ ህጎች እና ደንቦች	የግብር መዋቅር እና ደረጃ	
		ኦዲት አሰራር	
		ጠቅላላ የግዥ እና የዋጋ አወጣጥ ሕግ	

		የብሔራዊ የግብር ህጎችን ማክበር	
እባክዎ የሚከተሉትን የማኅበራዊ እሴት መለኪያዎች በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን)			
ማኅበራዊ እሴቶች	ባህላዊ ደንቦች	የባህል ለውጥ እና ጣልቃ ገብነት	
		የተለያዩ ባህላዊ ልዩነቶች	
		ድርጅታዊ, ማህበራዊ እና ባህላዊ ተምሳሌቶች	
	የግል አመለካከቶች	ማህበራዊ ትስስር	
		በግብር ባለሥልጣኖች ላይ እምነት ማጣት	
		በመንግሥቱ ላይ እምነት ማጣት	
እባክዎ የሚከተሉትን የድርጅት መጠን መለኪያዎች እና ተያያዥ የውጤታማነት ልኬቶችን በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን) (እባክዎ የውጤታማነት ልኬቶች ከ ግብር ከፋይ ድርጅቶች አንፃር በመመልከት የባለስልጣን መስሪያ ቤቱ ምን ያህል በግብር ከፋይ ድርጅቶቹ ውጤታማነት ምክንያት ሊኖርበት ይሚችለውን ተፅእኖ ይለኩ)			
የድርጅቱ መጠን	ጥቃቅን እና አነስተኛ፡	የተለመዱ የፋይናንስ ሂደቶች	
		የውስጥ ኦዲት ተሞክሮ	
		የፋይናንስ እንቅስቃሴ ስርዓት ችሎታ	
		የንግድ አካባቢ እና የድርጅት አፈፃፀም	
	መካከለኛ	የተለመዱ የፋይናንስ ሂደቶች	
		የውስጥ ኦዲት ተሞክሮ	
		የፋይናንስ እንቅስቃሴ ስርዓት ችሎታ	
		የንግድ አካባቢ እና የድርጅት አፈፃፀም	
	ትላልቅ	የተለመዱ የፋይናንስ ሂደቶች	
		የውስጥ ኦዲት ተሞክሮ	
		የፋይናንስ እንቅስቃሴ ስርዓት ችሎታ	
		የንግድ አካባቢ እና የድርጅት አፈፃፀም	
ተመራማሪው ባደረገው የ ቅድሚያ ስነፅሁፍ ዳሰሳ በአሁኑ ስዓት ቴክሎሎጂ ኦዲት ውጤታማነት ላይ አይነተኛ ድርሻ ይጫወታል፡፡ እባክዎ የሚከተሉት የቴክኖሎጂ መለኪያዎች በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን)			
ቴክኖሎጂ	የግብር አሰባሰብ እና ኦዲት ስርዓት	የውሳኔ ድጋፍ ሰጭ ስርዓቶች መኖር	
		ውጤታማ የውስጥ ቁጥጥር ስርዓት	
		ትላልቅ የመረጃ አያያዝ ስርዓት	
		የአስተዳደር መረጃ ስርዓት	
	የማጭበርበሪያ ስርዓት መቆጣጠሪያ	የማጭበርበሪያ ስርዓት ለሞቆጣጠር የሚውሉ የውሳኔ ድጋፍ ሰጭ	

	ስርዓቶች	ስርዓቶች መኖር	
እባክዎ የሚከተሉትን የግብር ኦዲት አቅም መለኪያዎች በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን)			
የግብር ኦዲት አቅም	ግብር ከፋዮች	ፈጻሚ, ፈቃደኝነት እና ተግባራዊ ተነሳሽነት መጉደል	
		ለግብር ከፋይ ግለሰቦች መረጃ እንዲያገኙ ማድረግ አለመቻል	
		አግባብነት የሌለው የግለሰብ ግብር ከፋዮች መካከል ያለውን ግንኙነት	
		የግብር ከፋዮች አመለካከት አናሳ መሆን	
	ማህበረሰብ	ማህበራዊ መሠረተ ልማት ዝርጋታ መጓደል	
		የወደፊቱን የመተንተን የብቃት ደረጃዎች ያሉው ማህበረሰብ መፈጠር አለመቻል	
		የሲቪል ማህበረሰቡ አመለካከት መንሻፈፍ	
	ቀረጥ ሰብሳቢ, እና ኦዲተር	ሰብሳቢዎች በግብር ታክስ ላይ በኃይል የመደራደር አቅም መጎልበት	
		አስተዳደራዊ ማበረታቻዎች መጨመር	
		የግብር ማሰባሰብ እና ኦዲቲን የማስተዳደር ወጪ መጨመሩ	
		የግብር ሰብሳቢዎች እና ኦዲተሮች የሙያ ደረጃ ደካማነት	
		የተመሰከረላቸው የግብር ኦዲተር እና ሰብሳቢዎች መበራከት	
ግብር ከፋዮቹም ሆነ ሰብሳቢዎቹ ግብርን በመሰብሰብ እና ማጭበርበር መክንያት ከሚመጣ አደጋ ነፃ ሙኖን እንዳለባቸው የስነፅኑፍ ዳሰሳው ያስረዳል፡፡ ሆኖም ግብር ከፋዮቹም ሆነ ሰብሳቢዎቹ ከዚህ አደጋ ነፃ ሊኖኑ አልቻሉም፡፡ በዚህም ምክንያት ኦዲት ባለስልጣኑ ውጤታማ እንዳይሆን ተግዳሮት ሆኗል፡፡ ስለሆነም እርስዎ የ ኦዲት ባለሙያ ስለሆኑ መስሪያ ቤቱን በከፍተኛ ሁኔታ እየፈተኑ ያሉ አደጋን የመፈለግ፣ ገለልተኛ የመሆን እና የመጥላት ባህሪዎች ውስጥ የግብር ከፋዮች በየትኞች መለኪያዎች በከፍተኛ ሁኔታ ይፈተናሉ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን)			
በአደጋ ምክንያት	አደጋን መፈለግ	የማጭበርበር, የተበላሸ ባህሪ ማዳበር, እና ባለስልጣኖችን ምስል በማበላሸት የእጅ አዙር ባሪያ ለማድረግ የሚደረጉ እንቅስቃሴዎች	
		ታክስን ማስወገድ (ለመደበቅ) እና ለማጭበርበር በእጅጉ መፈለግ	
		ሆን ብሎ ወንጀልን ለመፈፀም ወይም ለመደበቅ የሚሰሩ የሴራ ስራዎች	
		በማኅበራዊ እና ሥነ ልቦናዊ ልዩነቶች ምክያት የባልስጣኖች ቁጣ (ቆራጥ ውሳኔ) ወደ ጎን ማድረግ ባህሪ መዳበር	
	ከአደጋ-ገለልተኛ	ያለፈውን ቅጣት በመፍራት	
		መንግስት የሚገባውን ገቢ በሐቀኝነት ሪፖርት ማድረግ የራስ ተነሳሽነት እና ተፈጥሮ	
		በወንጀል ክስ በደረሰበት እንግልት ምክንያት	
	አደጋን የሚጠላ		
		በግብር ባለሥልጣኖች የመገኘት አደጋን መፍራት	
		በተሳሳቱ የኦዲት ግኝቶች መሰረት የሚመጡ የተሳሳቱ ውሳኔዎች	

		ምክንያት	
		ግዴለሽነት, ልዩነት ወይም የድካም ስሜት	
እባክዎ የሚከተሉትን መዋቅራዊ ሁኔታ መለኪያዎች በትኩረት በማየት፤ የመለኪያዎቹ ጥንካሬ የባለስልጣን መስሪያ ቤቱ የኦዲት አሰራር ውጤታማነት ላይ የሚኖራቸውን ተፅእኖ ይለኩ፡፡ (መነሻ፤ ከፍተኛ ተፅእኖ ያለው ከፍተኛ ነጥብ ይስጡልን) ()			
መዋቅራዊ ሁኔታዎች	የታክስ አስተዳደር	የባስልጣን መስሪያቤቱ ባለቤትነት እና ቁጥጥር ማጣት	
		ታክስ ኦዲት ኮሚቴ ገለልተኛ አለመሆን	
		አስተዳደራዊ ኪራይ ሰብሳቢ ባህርያት መዳበር	
		ድርጅታዊ ባህል አለመዳበር	
		ደንቦች ደካማ መሆን	
		የመንግስት ፖሊሲ ተግዳሮት	
	የአፈጻጸም መለኪያዎች	የገቢ አስተዳደር እና የፋይናንስ መረጃ መሣሪያዎች አለመዳበር	
		የታክስ ገቢ መሰብሰብን ውስብስብ ማድረግ እና ለግብር ከፋዮች ጥራት ያላቸው አገልግሎቶችን ማቅረብ አለመቻል	
		የንግድ አካባቢ እና ኢንተርፕራይዝ አፈፃፀም ጥራት ማነስ	
		ተቋማዊ አቀራረቦች, ነፃነታቸውን እና ተጠያቂነትን ጨምሮ አለመስራት	