

***ST. MARY’S UNIVERSITY***

***SCHOOL OF GRADUATE STUDIES***

**ASSESSMENT OF TAX AUDIT PRACTICES: THE CASE OF LIDETA SUB CITY SMALL TAX PAYERS BRANCH OFFICE.**

BY

**TESFAYE BEGASHAW TIRUNEH**

JULY, 2020

ADDIS ABABA, ETHIOPIA

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ATHESIS SUBMITIED TO ST. MARY’S UNVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENTS OF THE REQUIREMENTS FOR THE DEGEREE OF MASTER OF BUSINESS ADMINSTRATION (ACCOUNTING AND FINANCE)

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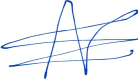
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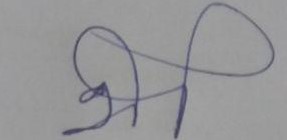
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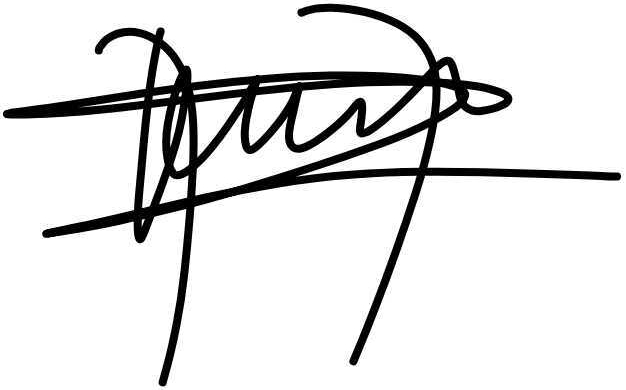
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**DECLARATION**

I, Tesfaye Begashaw, declare that this thesis is my original work, prepared for the partial fulfilment of the requirements for MSC Degree in Accounting & Finance entitled ‘**Assessments of tax audit practices the case of Lideta sub city Small tax payers branch office**’ under the guidance of the research advisor .All Source of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been summited either in part or in full to any other higher learning institution for the purpose of earrings any degree.

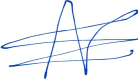
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**ENDORSEMENT**

This thesis has been submitted to St. Mary’s University, School of Graduate studies For Examination with my approval as a university advisor.



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St. Mary’s university, July, 2020

Addis Ababa,

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# List of Abbreviations and Acronyms

AAA The American Accounting Association

I T Information Technology

OECD Organization for Economic co-operation & Developments

SPSS Statistical Package for Social Science

VAT Value Added Tax

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# *Abstract*

*This study assess the tax audit practices in the case of lideta sub city small tax payer’s branch office, and focused on key challenges in tax audit operation regarding the effectiveness of audit program in terms of improving voluntary compliance and tax revenue performance, audit coverage achieved, audit case selection methods used, examination techniques applied, and availability of audit resources, proficient and experienced tax auditors in particular. The study adopted mixed research approach in order to achieve the research objectives and to answer research questions. The techniques used were questioner from tax auditors and taxpayers, in-depth interviews with tax officials, and documentary analysis. The results of the study reveal that gap of understanding tax rules and regulation, absence of proficient and experienced tax auditors, scarcity of audit resource, tax auditors in particular, weak audit performance, lack of tax payers culture, weak accountability, lack of clear available information which are used for tax auditing activity. Therefore the tax audit practice in the branch is very much discouraging.*

**Key words: Tax compliance, Audit Scheme, Tax audit practice, tax audit polices, Tax payer.**

# CHAPTER-ONE

# 1. INTRODUCTION

## 1.1 Background of the study

The government of Ethiopia has several options to finance its public expenditures and pursue its fiscal policy. These options include imposing of taxes on businesses and persons, and non-tax revenues such as service fees, loans (both domestic and foreign institutions), property and investment income, privatization of public enterprises, and domestic and foreign grants (Misrak , 2011).

Tax in Ethiopia is as old as the country itself. All kings, leaders and land lords of ancient time have levied different types of taxes for various purposes. During those times the tax that was levied and collected all-most all in kind was spent for military purposes. Traditional taxes were paid in kind ,however taxes in the form of money has become applied in 19th and 20th century due to the circulation of money and modernization of government policies (Gebrie, 2006).

However, the modern tax system has been started during Emperor Hailesselasie (1942). To reach the current stage the Ethiopian tax has passed different stages even on wards from the Imperial period. According to the new constitution of Ethiopia adopted in November 1994, the federal democratic republic of Ethiopia would comprise a federal state and member states in which both organs shall have their respective, legislative, executive and judicial powers. All financial requirements necessary to carry out duties and responsibilities that have been given to the federal government and the city are envisaged to be covered by the respective organs and the sharing of revenue between the federal government and the city follow the arrangements of the powers of the government./ proclamation No. 33/1992/

The proper amount of tax must be collected on a timely manner for successfully improving and maintaining steady economic progress of a nation. To do this, the enforcement powers of the tax administration, including tax audit, must be applied judiciously and in an even handed fashion (Baurer, 2005).

As Biber (2010) noted, the role of an audit program in a modern tax administration must extend beyond merely verifying a taxpayers reported obligations and detection of discrepancies between a taxpayer’s declaration and supporting documentation.

Tax audit may increase tax revenue in two ways: directly through assessment of additional taxes, and indirectly by improving taxpayer compliance with the tax laws and regulations (Barreca and Ramachandran, 2004).

## 1.2 Problem statement

Properly designed and administered taxation system is very essential for generating revenue as well as increasing the tax base to the government.

In Ethiopia there are various reasons why revenue administration reform may be needed. While tax policy and tax laws create the potential for raising tax revenues, the actual amount of taxes flowing into the government treasury, to a large extent, depends on the efficiency and effectiveness of the revenue administration. Inadequate tax administration including insufficient and ineffective audit program, the potential amount of tax revenue has not been collected in an efficient and equitable manner (Bird, 2004). It is unmoving under a number of challenges regarding to its operation and administration that are not yet resolved. Further, weak tax administration may make the tax system unfair in that honest taxpayers would bear heavier and disproportional burden. It, in turn, may have impact on the efficiency of tax operation, and also may encourage businesses to work in the illegal economy (Bird, 2003).

Tax systems are usually elaborated without proper discussion with the business community. In addition, the business owners do not have easy access to and clarification on information of the tax laws. The tax agencies do not also provide advising services. As a result, taxpayers misinterpret tax rules and regulations. Moreover, they have lack of awareness regarding the tax type to be imposed on their doings, purpose and operation of goods and services exempted from tax, negative upshot of smuggling trade, and reporting and filing requirements of the tax law. Therefore, a successful audit program should be implemented which is capable to investigate, detect and prevent loss of tax revenue. To the greatest possible extent, tax systems should be supported by clear and straightforward laws and procedures that facilitate revenue collection, develop taxpayers “awareness, and minimize taxpayers” effort and compliance costs. The administration should be provided with appropriate enforcement tools, including conduct of effective audit (Gundi, 2005).

The tax auditing systems are experiencing challenges from the taxpayers as well as tax office. Few studies (Netsenet, 2014; Getaneh, 2011; Mirera, 2011) were carried out on the problems of tax audit practice and its effects on tax collection and voluntary tax compliance behaviour. This had laid a promising start but it does not fully address the challenges of tax audit in all parts of each taxpayer’s categories and taxpayer’s branch office, such as awareness of tax payers, fraud issues, and competency of staffs, audit staff turnover and mismatch of qualified audit staffs with number of taxpayers. Therefore, as far as the researcher knowledge is concerned no research has been conducted on assessments of tax audit practices of Lideta sub city small tax payer’s branch office. Therefore, based on the above substantial information and reflection, my professional knowledge and work experiences, I was initiated to conduct this research.

Taking in view the above research problem, the following research question to be clarified with the respondent and objectives including general and specific objectives have been included in the project study.

## 1.3 Research Question

This research addresses the following specific research questions.

1. How does the tax audit practice in Lideta sub city?
2. Does Lideta sub city have adequate tax audit resources and tax audit staff?
3. What mechanisms are being employed by the tax audit staff to carry out the tax program?
4. What type of technology is available to facilitate tax audit?
5. To what extent are training facilities and tax rules and regulations are available to improve quality of tax audit?

## 1.4 Research objectives

### 1.4.1 General Objective

The main objectives of this study is to assess the tax audit practice in Lideta sub city small tax payer’s branch office.

### 1.4.2 Specific Objectives

1. To assess the tax audit practice in Lideta sub city small tax payer’s branch office in respect of tax rules and regulations.
2. To investigate the existence of well skilled tax auditor and sufficient tax audit resource.
3. To investigate the mechanisms being employed by tax audit staff to ensure quality of tax program.
4. To investigate technology availability and its application.
5. To assess the availability of training facilities and tax rules and regulations are used for improve quality of tax audit.

## 1.5 Significance of the study

The study clearly show the assessments of tax audit practices and state the mechanism to overcome the problems which will help the branch office to see its level and performance of tax audit activities, and learn some lessons and build some corrective measures for the weaknesses based on recommendations to be forwarded. The study also useful for other researcher for further research.

## 1.6 Scope of the study

The study encompasses the assessments of tax audit practice in Lideta sub city small tax payer’s branch office. In particular category “C “taxpayers those prepare profit and loss statement and Balance sheet to declare their taxes.

The study examined the assessments of tax audit practice, and focused on the effectiveness of audit program in terms of improving voluntary compliance and tax revenue performance, audit coverage achieved, audit case selection methods used, examination techniques applied, and availability of audit resources, proficient and experienced tax auditors in particular.

## 1.7 Limitation of the study

While studying assessments of the tax audit practice, the present study, considers only the tax audit practice in Lideta sub city small tax payer’s branch office, so that the scope may be somehow limited due to lack of data and other materials constraints. Moreover, it will also difficult to assess all tax reforms that affect the performance of revenue collection. So that the researcher limited the scope of this research only one of the tools of revenue administration the so called tax audit.

## 1.8 Organization of the study

The rest of the thesis organized in to four chapters, the second chapter review related literature, the third chapter deals with methodology the fourth chapter deals with data analysis presentation and the fifth chapter conclusion and recommendation.

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# CHAPTER-TWO

# 2. REVIEW OF RELATED LITERATURES

## 2.1 Overview of Tax Audit

Auditing is such an examination of books of accounts and vouchers of business, as will enable the auditors to Satisfy himself that the balance sheet is properly drawn up, so as to give a true and fair view of the state of affairs of the business and that the profit and loss account gives true and fair view of the Profit/loss for the financial period, according to the best of information and explanation given to him and as shown by the books; and if not, in what respect he is not satisfied (Barreca & Ramachandran, 2004).

Auditing is an examination of accounting records undertaken with a view to establish whether they correctly and completely reflect the transactions to which they relate (Dicksee, 2015).

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users (The American Accounting Association, 2014)

A tax audit is an examination of whether a taxpayer has correctly reported its tax liability and fulfilled other obligations. In other words, tax audit is an extension of the normal audit generally conducted for the purpose of expressing an opinion as to the fairness of the accounts examined by the auditor, and the certification of financial statements for tax purposes (OECD, 2006a). It is meaningful if based on the knowledge of tax laws, similarities and dissimilarities between commercial accounting and tax accounting also reporting to the tax department and recognizing their requirements to enable the latter to compute taxable income. It includes what a tax official can look for when aiming to complete an assessment of tax. It covers also the disclosure of all significant accounting practices employed in the organization, a report on the financial accounts, i.e. the balance sheet, profit and loss account and other related accounts and schedules which are part and parcel of the financial reports. Furthermore, information is required to compute the assessable income as well as to ensure that the compliance of the tax laws and regulations is proper.

In a narrower sense, audit is an “attestation communication” because it presents the auditor’s opinion or judgment concerning the degree of correspondence between accounting information and established criteria. To the tax administration, a tax audit is an examination of whether a taxpayer has correctly reported its tax liability and fulfilled other 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, 2006a). As Biber (2010) noted, the role of an audit program in a modern tax administration must extend beyond merely verifying a taxpayer’s reported obligations and detection of discrepancies between a taxpayer’s declaration and supporting documentation.

Most taxpayers’ report their tax liabilities more accurately if they believe that the tax administration has the capacity to detect any unreported liabilities and that heavy penalty may be applied when they are detected (Biber 2010). Thus, tax audit results in increased tax revenue in two ways: (1) directly through assessment of additional taxes; and (2) indirectly by discouraging underreporting of liabilities by all taxpayers. Further, Barreca and Ramachandran (2004) noted that the purpose of tax audit is to check the evasion of tax and ensure compliance in accordance with the laws and regulations.

A tax audit is one of the most sensitive contacts between the taxpayer and a revenue body. The presence of an auditor in a taxpayer’s private dwelling or business premises, coupled with the exploration of private and business issues and the gathering of information from taxpayers’ books and records, or just the disruption of day-to-day workflow, represents a burden on the taxpayer and may be seen by some as an unwarranted intrusion into their affairs. Notwithstanding this, tax audits remain the only effective method for ascertaining additional facts or verifying provided information.

The subsequent subsections discuss thoroughly about tax audit in a tax administration system that includes characteristics of effective audit program, types of tax audit to be performed, audit case selection methods, examination techniques to be applied for tax audit, and characteristics and required capabilities of effective tax auditors.

## 2.2. Theories of Tax Compliance

Any strategy to prevent tax evasion should begin with the theory of why people cheat on their taxes. Naturally, much of it is unconvincing and ambiguous. Nevertheless, to give an indication of the full range of variables that social scientists have studied in an attempt to answer this question. The Forum on Tax Administration (2004) “identified some of the basic theories of tax compliance” which include, among others: Economic theories, Psychological theories and Sociological theories.

### 2.2.1. Economic Theories

Economists approaching the question of why people fail to comply with the law began by constructing a theory based upon the assumption about human behaviour that underlies all economics; namely that individuals generally act rationally in evaluating the cost and benefit of any chosen activity. Consequently, in modelling the choice confronting individuals who are deciding whether to engage in tax evasion, their basic model assumes that people would commit evasion when the expected utility of their criminal act exceeds its expected disutility (Slemrod, 2000)

### 2.2.2. Psychological Theories

Many analysts have suggested that the economic model of human behaviour reflects a too simplistic view of human beings and, in the real world of everyday life, is without any predictive value. Like economists, psychologists also tend to explain human behaviour in terms of variables that relate to individuals. However, they tend to model human behaviour in much more complex terms than economists. Unlike economists, they would not think of modelling tax payers, in this context, as perfectly amoral, risk averse utility maximizes. Instead, they might be interested, as key independent variables, in tax evasion decision in factors such as: the individuals are moral beings with ideas and values of their own and that commands and their own impulses filter through and are affected by this moral screen (Slemrod, 2000)

### 2.2.3. Sociological Theories

Sociologists tend to see the cause of variation in human behaviour in the structure of the social system. Thus they explain people’s actions by examining the forces that impinge on the position that they occupy within the system. Among other things, this means that they extend the basic economic model of crime control by making the point that law is not the only source of punishment and rewards. Tax payers live and work in society. They have families, friends and co-workers who are sources of reward or punishment. These social forces shape behaviour just as effectively as the reward and punishments administered by the state. Given their basic assumptions about human behaviour, sociologists are also likely to look to attitudes towards government views relating to the enforcement of tax laws, views about the fairness of the tax system, contact with the tax department and demographic characteristics as independent variables (Slemrod, 2000). Beron (2002) is of the view that Social scientists from almost every discipline have turned their attention to tax evasion as social phenomena. What have we learned from their efforts? In a perfect world, by now we would have a theory about why people comply with the tax laws from which an interested tax administration department could deduce a comprehensive compliance strategy. However, compliance with the tax law typically means: True reporting of the tax base, Timely filing of the tax return, and Timely payment of the amount due (Slemrod, 2000).

## 2.3. Nature and Scope of Tax Audit

Kircher (2008) stated that tax audit is the examination of an individual or organization’s tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state. He further reported that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return. Ola (2001) stated that the process of tax audit involves tax returns that are selected for audit using some selection criteria. Thereafter, the underlying books and records of the taxpayers are examined critically to relate them to the tax return filed. Tax audit is important because it assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to organize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government.

According to Badara (2012), audit tax objectives include to establish a viable and effective tax administration in order to deal with constantly changing economy, to put strategies in place in order to resolve tax dispute between the tax office and the liable tax payers, to maintain a strong mechanism to deal with tax avoidance techniques which are available to various organizations, but are susceptible to tax abuse, to bring defaulting tax payers to the net of tax authorities, to prove the completeness, accuracy and timely filing of tax returns submitted by the tax payers. Niu (2010) in a study found a positive association between the audit and the voluntary compliance. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the voluntary compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state. Jin Kwon (2004) study in Korea observed that a more rigorous analysis to evaluate the determinant of tax culture for the study of tax compliance and tax audit.

Cremer (1990) concluded that “International tax laws have their domicile in their domestic tax laws of respective states (countries)”. Countries enact laws in order to enable their tax authorities to collect tax funds for public welfare and stimulation of domestic investment and business. From the explanation, it can be seen that the international taxation system has taken an important role in many countries of the world. The tax system is so important that world bodies were organized to deal with administration, collection and prevention of tax avoidance, tax evasion and double taxation of multinational corporations (MNCs). Therefore, an international tax audit is the examination of MNCs tax reports to ascertain compliance with applicable tax laws and regulations, domestic and foreign.

Erard (1994) mentioned some reasons for tax audit which include, among others: To assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to minimize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government.

James (1993) identified a priority list of tax audit mission as follows: To establish a viable and effective tax administration in order to deal with constantly changing economy, to put strategies in place in order to resolve tax dispute between the tax office and the liable tax payers, to maintain a strong mechanism to deal with tax avoidance techniques which are available to various organizations, but are susceptible to tax abuse, to bring defaulting tax payers to the net of tax authorities, to prove the completeness, accuracy and timely filing of tax returns submitted by the tax payers.

### 2.3.1Types of Audit Scheme

Beck (1998) concluded that the audit scheme found in the tax compliance literature might be classified as: Random Tax Audit Scheme, Cut-Off Tax Audit Scheme and Conditional Tax Audit Scheme.

2.3.1.1 Random tax audit scheme

Simply provides each self-report of income an equal chance of being chosen for verification by an audit. No information is used to select the report to be audited.

2.3.1.2 Cut-off audit scheme

Audit resources are employed to verify reports of the tax payers reporting the lowest income levels.

2.3.1.3 Conditional audit scheme

It requires in addition to the reported income, sources of information representing a noisy signal of tax payers’ thorough income earning potentials. The cut-off and conditional audit schemes incorporated the preliminary information transmitted when tax payers self-reports income and the corresponding tax liability.

### **2.3.2** Types of tax audit

Audits can vary in their scope and the level of intensity to which they are conducted. For this reason, various terminologies have evolved to describe different types of audit activity (Ebrill et al. 2001; Grandcolas, 2005; Harrison and Krelove, 2005).

#### 2.3.2.1 Full audits

The scope of a full audit is all-encompassing. It typically entails a comprehensive examination of all information relevant to the calculation of a taxpayer’s tax liability for a given period. The objective is to determine the correct tax liability for a tax return as a whole. In some countries full audits are carried out as part of random audit programs that are used to gather data on the extent, nature and specific features of tax compliance risks, for compliance research purposes and/or the development of computerized audit selection formulae. Given their broad scope, full audits are typically costly to undertake a substantial program of full audits will require considerable resources and reduce the rate coverage of taxpayers that could otherwise be achieved by a more varied mix of audit types.

#### 2.3.2.2 Limited scope audits

Limited scope audits are confined to specific issues on the tax return and/or a particular tax scheme arrangement employed by the taxpayer. The objective is to examine key potential risk areas of noncompliance. These audits consume relatively fewer resources than full audits and allow for an increased coverage of the taxpayer population.

#### 2.3.2.3 Single issue audits

Single issue audits are confined to one item of potential non-compliance that may be apparent from examination of a taxpayer’s return. Given their narrow scope, single issue audits typically take less time to perform and can be used to review large numbers of taxpayers involved in similar schemes to conceal non-compliance.

In practice, the scope and nature of any audit activity undertaken for a particular taxpayer will depend on the available evidence pointing to the likely risks of noncompliance and a taxpayer’s prior history. Extensive audit inquiries may also be justified simply because a taxpayer’s financial and /or business activities are unusually complex. Periods under examination: Audits can focus on one financial year or accounting period, or be extended to cover multiple fiscal periods. An audit can focus on specific parts of the taxpayer’s activities (such as sales, goods in stock etc.), specific incidents or transactions or activities (such as those carried out in a branch or subsidiary), or specific tax obligations. An audit can vary in its level of detail. Sometimes the taxpayer’s affairs are examined in detail and in other situations, subject to the level of risk perceived, merely superficially.

#### 2.3.2.4 Desk audit or verification

This type of audit usually carried out annually and primarily based on: (1) a review of income tax and VAT returns, or basic ratios comparing with previous periods or other taxpayers in similar industries, and (2) the cross checking of information included in the taxpayer files. It involves basic checks conducted at the tax office when the auditor is confident that all necessary information can be ascertained through in-office examination. Information technology (IT) systems should provide strong support for these verifications.

#### 2.3.2.5 Field Audit

It is a detailed examination of taxpayers‟ books and records to determine whether the correct amounts were reported on the tax returns. The auditor may also obtain information from other sources such as banks, creditors and suppliers, to confirm items on returns. A field audit usually includes one or more of the following taxes: income, franchise, sales and use, withholding, and excise taxes. The audit is conducted at taxpayers‟ place of business, home, or at the office of their accountant, attorney, or other person who may represent them. The auditor tries to select the place that is most appropriate under the circumstances and most convenient for them.

### 2.3.3 Examination techniques

A tax auditor applies various techniques to examine the books and records behind a return. The techniques to be used depend on the taxpayer and the tax regime concerned. As Biber (2010) noted, an effective case plan can be cognizant of a range of investigative and analytical approaches that may vary depending upon the area of risk and the circumstances of the particular taxpayer. The decision regarding the type of tests to be undertaken as well as the records needed by the auditor to address specific issues is influenced by the nature of the taxpayer’s operations, adequacy of books and records, and materiality of potential adjustments. According to OECD (2006a), the techniques used for audit examination purposes include analytical review, investigative approach, field examination, record examination, and counterpart examination.

#### 2.3.3.1 Analytical review

An analytical review of financial statements and returns are often completed during the preliminary stages of the audit. Ratios, such as gross profit and inventory turnover, are used to test the accuracy of taxpayers‟ reported sales, cost of sales, or ending inventory. The unusual variances (abnormal deviation of calculated ratios from the previous experience) are noted and addressed during the interview with the taxpayer and additional audit procedures developed where necessary.

#### 2.3.3.2 Investigative approach

Auditors are encouraged to use an investigative approach in their audits. Such an approach uses information obtained through observation, discussion, documents or records obtained from either the taxpayer or other sources. It requires judgment, imagination and using information outside the accounting records to perform the audit.

#### 2.3.3.3 Field examination

This is utilized when information gathered on significant events such as underhand trade, disguised transaction and other data concerning transactions. The examination also include on sight survey of the current conditions of the taxpayer’s business through physical checks of original transaction records and vouchers, assets and liabilities and other aspects of the business.

#### 2.3.3.4 Record examination

The main approaches to detect false accounting include the examination of books and documents conducted at the taxpayer’s business office or branches, counterpart examinations and examination of savings and deposit accounts.

#### 2.3.3.5 Counterpart examination

It is an examination performed based on third party information where warranted. As OECD (2006a) stated, information can be obtained during the course of an audit from third parties to verify the taxpayer’s income, for example:

* Financial institutions and public companies information on interest and dividends matched with what taxpayers report in their tax return;
* Information from Government regarding social benefit payments, and employer information concerning salary and wages paid and tax deducted, both for income and non-monetary benefits; and
* Matching foreign source income.

### 2.3.4 Auditors Required capability

According to OECD (2006a) stated, the required capabilities of auditors are generally identified by analysing the activities required to perform particular audit tasks, and through practice and experience. In addition to their primary role of detecting and deterring noncompliance, tax auditors are often required to interpret complex tax laws and conduct intensive examinations of taxpayers‟ books and records. Hence, revenue bodies pay close attention to the overall management of the tax audit function, and particularly to the strategies and methods used for recruiting, developing and managing individual audit staff. Thus, tax auditors should have a capability to: conduct investigations, determine compliance, tax accounting and financial analysis, conduct research and analysis, make effective decisions under the law, effective communication, apply work processes and procedures, and manage own work and relationships (OECD, 2006b).

In addition to the required core capabilities, greater attention and emphasis is needed on soft skills and other attributes. These include behavioural and motivational competencies, personal attributes such as work and integrity, feeling for the detection of fraud and irregularities, observe and detect relevant indicators in surroundings, identifies patterns and describes their significance to the situation, and effective observational skills. Familiarity with basic accounting, bookkeeping, and business and industry practices is also generally expected for all staff (OECD, 2006b). Moreover, the required capabilities of audit managers and directors are typically identified based on the notion of coaching, communication, and leadership skills. The required capabilities for audit managers and directors often focused on leadership and management skills, technical expertise, advanced audit skills, achievement orientation, ability to develop and coach others, high level communication skills, and ability to make strategic decisions (OECD, 2006b).

### 2.3.5 Competency assessment

It is important for tax administrations to assess and evaluate the competencies of their staff. The direct manager commonly performs competency assessments during recruitment and promotional processes on an annual or semiannual basis for those staff maintaining current positions (OECD 2006a). Assessments performed as part of recruitment processes are often performed by external specialists, human resource departments and/or panels of internal subject matter experts. Other events triggering capability assessments include prior to performing a new type of work, prior to starting a new role, and ongoing informal assessments and learning and development activities (OECD, 2006b).

Assessment methods used include knowledge-based assessments administered online, formal tests and exams to attain a recognized qualification, peer reviews, a tutor to support and assess newly hired staff, and technical evaluations. The measurement and tracking process of the audit workforce provides management with tangible information of the resource and capability mix or trends across the whole audit workforce, providing valuable data for workforce and succession planning. Many revenue bodies indirectly attain a measure of the competency level of their audit workforce by considering: key performance indicators and results, quality assurance results, client or professionalism survey results, quantity of audits performed, training course and other assessment results (OECD, 2006a).

Further, tax administrations may record the skills (including qualifications) and areas of expertise of individual staff. Using and sharing this information across the organization, tax administrations may better allocate work and identify specialist resources or skills (OECD, 2006b).

### 2.3.6 Improving competency and addressing capability gaps

Responsibility and accountability for improving auditors, audit managers and audit directors commonly lies with the staff member in question and their direct manager and/or local management team. Competency improvement should be integrated (not be seen as extra task) into normal business activities. Together with tax auditing or training departments, human resource departments (where applicable) often have joint responsibility and be significant contributors to the improvement process (OECD, 2006a). Revenue bodies may develop staff and address capability gaps through recruitment processes and the use of programs such as training and development programs, mentoring and coaching programs, accreditation models, job rotation and/or placement programs, career paths, knowledge sharing initiatives and knowledge tests. Capability gaps are typically gathered from various sources including quality management system results, performance system interviews and appraisals, client professionalism, satisfaction and other similar surveys, and training program evaluations (OECD, 2006b).

Tax administrations must recruit audit staff specifically to carry out tax audits. To attract the right staff in increasingly competitive and skilled labour markets, effective recruitment policies are essential. Audit staffs are generally recruited either fully trained so they can be effective in post very quickly, or selected because they have strong potential to become auditors through in-house training and education. A minimum standard of specific academic qualifications, such as a diploma or degree or being a chartered accountant, is often required for some grades of audit staff. There is also an assessment of applicants against competencies relevant to their audit work in the areas of problem solving, analytical skills, interpersonal skills, self-management, decision making and oral and written communications. Further, all auditors required to have computer skills with other more specialized skills, such as legal experience or specific types of tax knowledge being needed for posts that are more technical (OECD, 2006a). In order to maintain standards of auditing it is essential that auditors are given both initial training (classroom and on-the-job instruction) to bring auditors up to the required level, and continued training so that their skills are kept up to date and relevant. The extent and nature of this training and the balance between the two varies according to need, and relates to the recruitment and development policies adopted. Initial training varies depending on the level of qualifications and experience expected of new recruits. For instance, recruit staff without professional qualifications need much more extensive initial training in tax law and auditing, in-house testing is generally used to confirm that trainees reach the required standard (OECD, 2006a).

To deliver ongoing training and development, a number of methods are used including training courses, computer based training packages, memos, guidance notes, self-study packs, facilitated workshops and discussion forums, on-the-job training, coaching and mentoring, and virtual university and learning tools. As a rule, continuing professional training is not normally examinable and the amount of training undertaken varies between countries and over time (OECD, 2006a).

### 2.3.7 Location of audits

Tax audits can be conducted in different locations. Sometimes there is a need to carry out the audit at a taxpayer’s business premises. In other situations, the books and records required to complete an audit can be collected by, or sent to, the revenue body and the audit work performed in the office. Tax audits can be categorized as ‘field audits’ or ‘office or desk audits’ on this basis. Given that audits can vary in terms of their scope and intensity revenue bodies should have a clear policy on the types (and numbers) of audits to be conducted, and the circumstances in which specific types of audits are to be carried out, so that audit officials (including managers) understand what is expected of them(Biber, 2010).

### 2.3.8. Approaches and standards of Tax Audit

In conducting a tax audit the audit should apply the generally accepted practices of auditing as one would do in the case of other audits, e.g. an audit of a company under the companies act. The generally accepted auditing practices are communicated in the various pronouncements of the respective country. The auditor should get the financial statements as well as the statement of particulars authenticated by the assessed before he verifies them. The auditor can apply the technique of selective verification (statistical sampling/ test-checking), depending on his evaluation of the internal control system prevalent in the entity under audit and the materiality of transactions.

In conducting the audit the auditor should keep in mind that the basic objective behind is to assist the authorities in assessing the collect income of the assessed. For conducting the tax audit effectively an auditor needs to develop an approach which is a synthesis of taxation laws and auditing principles. The nature of tax audit is such that an auditor has to rely on various legal pronouncements in the field of taxation (Biber, 2010).

## 2.4 Empirical Evidences

The Study by Netsenet (2014) has attempted to analyse the existing tax audit practices and its performance in the Hawassa city revenue authority. According to this study, the revenue authority audit department has been applying compressive audit intensively and there is less flexible tax audit programme. The authority has not used different types of audit options in relation to simplicity and complexity of the audit cases. The study also identified that there is unreasonably consumption of audit resources as well as increase the hard ship associated with repetitive audits for fully compliant tax payers.

The study by Getaneh (2011) has been carried out on the problems of tax audit practice and its effects on tax collection and voluntary tax compliance behaviour by the tax payers in Ethiopian tax system.

The findings of this study indicated that tax audit programme of Ethiopia federal government remains undeveloped with an emphasis on compressive and desk audit with the exclusive of other tax audit types which are known in empirical world.

In addition, even though the audit programme performed in federal government of Ethiopia could detect non-compliance behaviour of individual tax payers, and used as a compliance enforcements tool to collect unpaid or evaded tax return and to ensure the deferent efficient, its tax audit practice is still a weak tool in improving voluntary compliance through helping tax payers to understand their tax and customs obligation that could generate the right tax revel at the right time.

Mirera (2011) has carried out the research study on the effects of tax audit on revenue collection in case of Kenya revenue authority and found that tax audit is directly related to revenue collection. He suggested that all the tax audit types are important to extra revenue collection in Kenya revenue authority. According to the researcher finding, practicing of more tax audits should be encouraged as it assists the government in collecting appropriate tax revenue necessary for the government’s expenditures.

Collins and Plumlee (1991) Studied the effect of tax schemes on the taxpayer’s labor and reporting decision the study also examined the impact of alternatives tax rates and penalty levels on earned and underreported income. Experimental design was adopted, and laboratory labor setting was used to test the effects of audit schemes, tax rates, and penalty levels on underreported income and work report. The three independent variables that were manipulated included tax rate, audit scheme, (the decision rule the taxing authority followed in determining reports to be audit), and penalty for underreporting. The audit scheme took on three levels that differ principally in the information used by taxing authority to determine self –reports to be audited. Random (no information) cut-off (reported income information), and conditional (both reported income and an estimate of true income.)

The experimental results of the study by Collins and plumlee (1991) indicated that audit schemes that incorporate some preliminary information signal sent by the taxpayers might be more successful in curbing underreporting them purely random audit models. Non-random schemes are most effective when tax rates are low and penalty levels are rather high further, reported income and actual income do vary at the same time in that electing to under report also earn more actual income.

Getaneh (2011) focused on key problems in tax audit operation regarding the appropriates of audit type used, audit rate, aptness of audit case selection methods, audit examination techniques used, and the experience and capability of audit staff resources at federal governmental levels. The results of the study indicates that tax audit programme, remains undeveloped with slight range of tax audit activities performed targeting aptly specific risks further low audit coverage, absence of compliance risk-based audit case selection strategy, scarcity of audit resources and absence of proficient and experienced tax auditors are revealed as major problems in this study.

## 2.5. Conclusions and Knowledge Gap

Tax audit practices is a current issue for both developing and developed countries. There is no sufficient theory regarding tax audit activities in the theoretical review, to the knowledge of the researcher, there is no standard as to the percentage of audit methodologies to be conducted in a given tax authority.

The empirical studies that have been reviewed in the preceding section focused on the different audit strategies that affect tax compliance behaviour, and the use of sampling tax audit strategy for improving the tax audit coverage. In addition, most prior studies regarding tax audit issues tried to examine the possible audit strategies including the use of audit information for the purpose compliance improvements and fraud detection, and the impact of competent reporting requirements on taxpayer’s incentives to misstate the tax liability.

Based on these gaps in the literature together with the problems stated in chapter one and in order to attain major objectives of the study, the following research questions will be addressed. How audits are practices in lideta sub city small tax payers with respect examined challenges and practices of tax audit, the effectiveness of audit program in terms of improving voluntary compliance , tax revenue performance, audit coverage achieved, audit case selection methods used, examination techniques applied, and availability of audit resources, proficient and experienced tax auditors in particular.

With this end, the next chapter discusses research methodology and specific research methods that are applied for the study along with proper justification for the selection of appropriate samples and data collections instruments.

# CHAPTER - THREE

# 3. RESEARCH METDOLOGY

This section deals with research design and methods, source of data, samples and sampling techniques, data collection instruments, procedures of data collection and methods of data analysis.

## 3.1. Research design

Research designs are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Creswell, 2009). A research design presents a frame work or arrangements of action for study.

Descriptive design describe data on variables of interest, provide an accurate and valid representation of the factors or variable that pertain or relevant to the research question, this study applied descriptive analysis using tables and percentage.

### 3.2. Research approaches

The study adopted mixed research approach in order to achieve the stated research objective and to answer research questions. Specifically, the study used quantitative survey and qualitative in-depth interview and documentary analysis was made using audited file. The survey conducted with tax auditors while the in-depth interviews were conducted with tax officials in lideta sub city taxpayer’s branch office In addition, documentary analysis made using annual reports, tax audit policies, and other documents that were relevant for the conduct of the study.

## 3.3. Population, sample size and sampling technique

Population refers to a set of people or items with similar characteristics that a researchers intends to study and to draw statistical inferences or conclusions (Gall et al., 2006). The population of the study comprised of lideta sub city taxpayer’s branch office, thus the study carry out a census.

**3.3.1. Sample size**

The population of this study was auditors, officials, and audited tax payers company there is a rule of thumb that says when the number of the target population of the given study area is less than one hundred, it is more appropriate to take the whole population as a sample size for the study (yount, 2006) In the current case since the number of auditors, official’s and audited tax payer’s as its respondents.

In addition, the lideta sub city small tax payer’s branch offices is selected based on the interest of the researcher and the width of revealed problem. The given office also collects the considerable amounts of government’s revenue from domestic tax sources. The researcher gives special attention for asses audit practices in the office thus the research population to this study was all 15 tax auditors , 2 official and all 26 audited company tax payers.

**3.3.2. Sampling Design**

A sample design is definite plan for obtaining a sample from the sampling frame. It refers to the ateqninque or the procedures the researchers would adopt in selecting some sampling units from which inferences about the population is drawn.

Sampling is the process of choosing smaller and more manageable number of study units from a defined study population, the sample should be selected carefully using the correct procedure The sampling Strategy adopted can affect the quality of apiece of research (Dawson 2002; Cohen et al.2000). Therefore this Study also goes through all necessary steps of sampling design first, the sample frame is determined, then from the sample frame, proper size of the sample which can represent the population , is determined the researcher also clearly stated the procedures of selecting participate of the study.

## 3.4 Data sources and data collection methods

In this study, both the primary and secondary data used to get adequate information about the assessment of tax audit practice in lideta sub city taxpayer’s branch office.

Primary data used to get first-hand information from tax payers, officials and tax auditors through questionnaires and personal interview.

Secondary data used to strengthen the primary sources of the study. Hence, Secondary data are also collected from audit file.

The instruments used to gather data’s are questionnaires, structured interview, observation and document analysis. With respect to this, Creswell (2003:62) instruments help the researcher to combine strengthen and amend some of the inadequacies and for triangulation of the data.

## 3.5 Data analysis methods

In this study descriptive data analysis method applied to be used for Classification and analysis of data. The main tools that have been applied for Classification of data was frequency tables and percentage. The analysis of data involves computation of statistics such as percentage analysis methods are applied.

The analysis is based on the Tax audit program performance as compared to the actual audited, and the result of its impact on incremental revenues and the assessments of tax audit in lideta sub city taxpayer’s branch office. Using the applied tax rules and regulations.

# CHAPTER-FOUR

# 4. RESULTS AND DISCUSSION

## 4.1. Introduction

The findings of this research are presented in this chapter. This chapter discusses the assessment of tax audit practice in the study area. This chapter includes analyses of the responses given the open and closed ended-survey questions that aimed to assess tax audit practice. The findings from such analysis are integrated and compared with those from interviews, document analysis and observation.

The completed questionnaires were coded and the quantitative data were analysed by using the Statistical Package for Social Sciences (SPSS), Version 20 computer software. The analysis of the data from the SPSS produced frequencies and percentages on each aspect.

## 4.2. Tax auditors Perception towards the practices

15 Questioners were distributed to tax auditors and collected 15. This section presents the results regarding respondents back ground information, types of tax audit performed, audit resources, audit case selection methods applied technology availability and application in conducting audit.

### 4.2.1. Background Information of respondents

***Table 4.1. Demographic variables of respondents***

|  |  |  |  |
| --- | --- | --- | --- |
| **Variables** | **Categories** | **N=15** | **Percentage (%)** |
| Gender | Male | 13 | 86.7 |
| Female | 2 | 13.3 |
| Education level | Diploma | 1 | 6.7 |
| BA/BSC | 14 | 93.3 |
| Age | Less than 25 | 3 | 20.0 |
| 25-30 | 9 | 60.0 |
| 31-35 | 2 | 13.3 |
| Above 35 | 1 | 6.7 |
| Field of study | Accounting | 8 | 53.3 |
|  |  |  |
| Management | 2 | 13.3 |
| Economics | 5 | 33.3 |
| Current occupation | Tax auditor | 8 | 53.3 |
| Tax investigator | 5 | 33.3 |
| Tax audit coordinator | 2 | 13.3 |
| Previous audit work experience | Yes | 7 | 46.7 |
| No | 8 | 53.3 |

Questionnaire result, 2020

Based on the output of table 4.1 for demographic characteristics of respondents; out of the total sample respondents 86.70% are male and the remaining 13.30% are female and from these respondents 6.70% and the remaining 93.7% are diploma and degree holders respectively. Moreover, out of these respondents; 53.30% , 13.30% and 33.30% are graduated in Accounting, Management and Economics disciplines and their current occupation in the office is as tax auditor, tax investigator and tax audit coordinator which constitutes 53.30%, 33.30% and 13.3% respectively. Once again, the age category of respondents showed that; 20.00%, 60.00%, 13.30% and the remaining 6.70% are below 25 years, between 25-30 years, between 31-35 years and above 35 years respectively among respondents. In line with this, from these respondents asked for the question related with previous experience on audit work; 46.7% respond yes and the remaining 53.3% respond no or do not have previous work experience in other offices before they employed in the current position.

### 4.2.2Tax Audit practice

***Table 4.2. Knowledge on tax rules and regulations***

|  |  |  |  |
| --- | --- | --- | --- |
| **Variables** | **Responses** | **Frequency** | **Percentage (%)** |
| Knowledge about tax rules and regulations | Yes | 9 | 60.00 |
| Almost all | 5 | 33.30 |
| Partially | 1 | 6.70 |
| **Total** | **15** | **100.00** |
| Types of audit | Desk (office) audit | 19 | 41.30 |
| Limited scope audit | 7 | 15.24 |
| Comprehensive audit | 12 | 26.08 |
| Field audit | 8 | 17.38 |
|  | **Total** | **46** | **100.00** |

Questionnaire result, 2020

Base on the table 4.2. Regarding to audit practice respect to the tax rules and regulations, 60.00% responds yes, 33.30% responds almost all and the remaining 6.70% responds partially respectively. This implies that, most 60.00% of the auditors performed their audit work depending on the tax rules and regulations and 33.30% of sample respondents know almost all of the tax rules and regulations to perform audit for tax payers and only 6.70 % of the respondents have a partial knowledge on the tax rules and regulations. This might be due to experience of the auditors on the audit work. In addition to this, from the sample respondents response for types of audit engaged in the office; 41.30%, 15.24%, 26.08% and 17.38% of the respondents are engaged on desk (office) audit work, limited scope audit, comprehensive audit and filed audit in the study area. Thus, the data pertains that most41.30% of the respondents are engaged on desk (office) audit work to identify the possible frauds and tax evasion made by the tax payers or to give assurance on the financial statements.

### 4.2.3Tax audit staff and tax audit resource

***Table 4.3. Audit staff and audit resources***

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit resources and audit staffs** | **Variables** | **Frequency** | **Percentage (%)** |
| Availability of Audit manual | Yes | 15 | 100.00 |
| No | 0 | 0 |
| Total | 15 | 100.00 |
| Evaluation of audit manual | It is clear and workable | 12 | 80.00 |
| It lacks some clarity | 3 | 20.00 |
| **Total** | **15** | **100.00** |
| Adequacy of audit staff | Strongly disagree | 1 | 6.70 |
| Disagree | 11 | 73.30 |
| Neutral | 3 | 20.00 |
| **Total** | **15** | **100.00** |
| Work experience | Less than 2 years | 9 | 60.00 |
| 2-6 years | 4 | 26.7 |
| 6-10 years | 2 | 13.3 |
| **Total** | **15** | **100.00** |
| Average individual auditor annual competence in the budget year 2012/2013 | Less than 50 cases | 8 | 53.30 |
| 51 to 100 cases | 4 | 26.70 |
| 101 to 150 cases | 2 | 13.3 |
| Above 151 cases | 1 | 6.70 |
|  | **Total** | **15** | **100.00** |

Questionnaire result, 2020

Based on the output the data analysed for audit staff and resources 100.00% of the respondents assured that the existence of audit manuals in the tax offices as a guide line to perform audit works. However, during evaluation of the audit manual; 80.00% respond that the audit manual is quite clear and workable in the office to perform audit works whereas the remaining 20.00% respond that it lacks some clarity to implement the guide line in performing audit works.

Regarding the question for adequacy of the tax audit staff members sample respondents; 6.70% strongly disagree for the adequacy of staff members but 73.70% disagreed about the adequacy of the tax audit staff members and the remaining 20.00% are neutral about the current existed tax audit staff members to made comprehensive audit on the tax payers documents to determine the amount of tax liability or for the assurance of reliability of financial statements.

In line with this, 60.00%, 26.70%, and the remaining 13.30% sample respondents have Less than 2 years, 2-6 years and 6-10 years’ experience on the audit work. This revealed that, most of the tax auditors are junior officials in the study area. Hence, they need much training and support from the office as well as senior officials of the study area. Moreover, based on the assessment on the tax office for average individual auditor annual competence in the budget year 2018/2019; those who performed less than 50 cases constitutes 53.30%, 51 to 100 cases constitutes 26.70%, 101 to 150 cases constitutes 13.30% and above 151 cases constitutes the remaining 6.70% per year. Hence, most of the sample respondents can perform less than 50 cases annually.

### 4.2.4 An audit cases selection Techniques and Quality of tax audit program

***Table 4.4. Techniques of selecting audit cases and its quality***

|  |  |  |  |
| --- | --- | --- | --- |
| **Mechanisms employed to conduct audit** | **Variables** | **Frequency** | **Percentage (%)** |
| Techniques of selecting audit cases | Taxpayers are simply selected randomly | 5 | 12.00 |
| Data mining that identifies patterns of noncompliance in the past and current | 10 | 23.80 |
| Auditors select audit cases manually based on their own knowledge | 12 | 28.57 |
| Statistical techniques using prior tax audit results in conjunction with taxpayer data | 15 | 35.63 |
|  | **Total** | **42** | **100.00** |
| Accuracy of tax audit checked for tax returns | Review of financial statements and returns | 11 | 21.56 |
| Observing, discussing and reviewing documents of taxpayers | 15 | 29.41 |
| Physical checks of current transactions, vouchers, assets and other aspects | 8 | 15.68 |
| Examination of taxpayers record such as books and documents | 14 | 27.45 |
| Examination of information from third party such as financial institutions | 3 | 5.90 |
|  | **Total** | **51** | **100.00** |

Questionnaire result, 2020

Based on the output of table 4.4. regarding techniques of selecting audit cases and quality of audit the respondents reported that taxpayers are select to conduct audit using simply selected randomly, data mining that identifies patterns of noncompliance in the past and current, auditors select audit cases manually based on their own knowledge and statistical techniques using prior tax audit results in conjunction with taxpayer data that constitutes 12.00%, 23.80%, 28.57% and 35.63% respectively. Thus most of the auditors used statistical techniques using prior tax audit results in conjunction with the taxpayer’s data in the study area to determine the total amount of tax liability and to evaluate fair presentation of the financial statements.

Once again, the respondents response for accuracy of tax audit checked for tax returns was 21.56%, 29.41%, 15.68%, 27.45% and 5.90% for review of financial statements and returns, observing, discussing and reviewing documents of taxpayers, physical checks of current transactions, vouchers, assets and other aspects, examination of taxpayers record such as books and documents and examination of information from third party such as financial institutions respectively. Thus, most of the time the auditors checked accuracy for tax return using discussing and reviewing documents of taxpayers.

### 4.2.5. Technology in auditing Process

***Table 4.5. Types of technology used***

|  |  |  |  |
| --- | --- | --- | --- |
| **Technology** | **Responses** | **Frequency** | **Percentage (%)** |
| Availability of technology | Yes | 15 | 100.00 |
| NO | 0 | 0.00 |
|  | Total | 15 | 100.00 |
| Type of technology | Manual | 5 | 33.33 |
| Computerized system | 10 | 66.67 |
|  | Total | 15 | 100.00 |
| Software | Word, excel and cash register | 11 | 73.33 |
| SIGTAS soft ware | 4 | 26.67 |
|  | **Total** | **15** | **100.00** |

Questionnaire result, 2020

The availability of technology and software’s are helpful to accomplish the tax audit on time and it also improves the quality of the work. Furthermore, it reduces fraud and evasion of tax liability and also increases accuracy in determination of the tax liability. Hence, based on Table 4.5.almost all of the tax auditors have an access to technology to process their work and the auditors used both the manual and computerized system to generate the required information. In line with this, in the study area the officers applied the SIGTAS software to process tax payer’s liability and also to assess risk those who are involuntary to pay the determined amount and to provide all types of information’s related with tax. Moreover, the officers also used MS word, Excel and also cash register machine to facilitate their work.

### 4.2.6. Training and Support

***Table 4.6. Training and support provide by the office.***

|  |  |  |  |
| --- | --- | --- | --- |
| **Training and support** | **Response** | **Frequency** | **Percentage (%)** |
| Training regarding to tax law &tax regulation | Yes | 4 | 26.67 |
| No | 11 | 73.33 |
|  | Total | 15 | 100.00 |
| Assessment to improve capacity or competence on tax audit | Yes | 5 | 33.34 |
| No | 10 | 66.66 |
|  | **Total** | **15** | **100.00** |

Questionnaire result, 2020

Based on table 4.6 for the output of data in relation with training and support that should be provided by the tax office to create awareness and improve the tax auditors knowledge, skill and attitude about the tax rules and regulations most 73.33% of the respondents answered that they never got any training and the remaining that constitutes 26.67% only got training about the tax rules and regulations. This implies that, most of the tax auditors are performing their duties using the tax audit manual as a guide.

In line with this, 33.34% and 66.66% at the same time respond for the question that is related with assessment to improve capacity or competence on tax auditors in the study area. Hence, the finding also pertains that the existence of little support and guidance from the tax office once again.

## 4.3. Taxpayers Perception towards the Tax audit Practice

## 26 Questioners were distributed to tax audited company and collected 26.

### 4.3.1 Back ground Information

***Table 4.7. Background information of tax payers***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Variables** | **Frequency** | **Percentage (%)** |
| Type of business engaged | Construction materials | 8 | 31 |
| Merchandising business | 12 | 46 |
| Service providers | 6 | 23 |
|  | **Total** | **26** | **100.00** |
| Category | Category c | 26 | 100.00 |
|  | **Total** | **26** | **100.00** |
| Year of staring Paying tax based on financial statements | Before 2012 | 4 | 15.00 |
| 2012 and after | 22 | 85.00 |
|  | **Total** | **26** | **100.00** |

Questionnaire result, 2020

Regarding the back ground information of the tax payers; 31%, 46% and 23% of the sample respondents are engaged on construction and construction materials, merchandizing business and service provision sectors respectively and from these sectors.

Thus, most of the tax payers are registered as a payer recently as the data indicates based on the analysis. Moreover, from these tax payers 15.00% started to pay their tax liability based on financial statements before the year 2012 and the remaining 85.00% started paying their tax liability based on financial statements in 2012 and after the year 2012 at the same time.

### 4.3.2 Qualification of Accountants

***Table 4.8. Knowledge and qualification of accountants***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responses** | **Frequency** | **Percentage (%)** |
| Availability of accountant to prepare financial statement | Yes | 23 | 89 |
| No | 3 | 11 |
|  | Total | 26 | 100.00 |
| Qualification of the accountant | BA in accounting | 15 | 57 |
| BA in management | 1 | 4 |
| BA in economics | 1 | 4 |
| Diploma & certificate | 9 | 35 |
|  | Total | 26 | 100.00 |
| Accountants knowledge on tax rules and regulations | Yes | 18 | 69 |
| No | 2 | 8 |
| Other | 6 | 23 |
|  | **Total** | **26** | **100.00** |

Questionnaire result, 2020

Based on table 4.8. 89% of the tax payers have an employed accountant to prepare their financial statements in a monthly basis but the remaining 11% have no any accountant to prepare their financial statements. Similarly, from those tax payers who have an employed accountant; 57%, 4%, 4% and the remaining 35% have BA degree in accounting, BA degree in management, BA degree in economics and diploma and certificate related with business courses respectively. Moreover, when the respondents are asked about the accountants of their firms on knowledge on the tax rules and regulations 69% respond yes, 8% no and the remaining 23% respond other i.e. the accountants have partial knowledge on it.

### 4.3.3. Ethical Values and audit opinion Evaluation

**Table 4.9. Ethical values and audit opinion evaluation**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responses** | **Frequency** | **Percentage (%)** |
| Ethical values of auditors | Excellent | 1 | 4 |
| Very good | 5 | 19 |
| Good | 11 | 43 |
| Not good | 5 | 19 |
| Other | 4 | 15 |
|  | **Total** | **26** | **100.00** |
| Auditors opinion on financial statements | It follows rules and regulations of tax audit | 12 | 46 |
| It is based on source documents | 3 | 12 |
| It seems from seeking benefits and other interest | 8 | 31 |
| Other | 3 | 11 |
|  | **Total** | **26** | **100** |

Questionnaire result, 2020

Regarding on evaluation of tax payers about auditors ethical values and fair disclosure of their opinions’ on the financial statements; 4%, 19%,43% and 19%,19%responds excellent, very good, good, not good and other (I don’t know) respectively. Hence, most 43% respond good for the question related to ethical values of auditors. As a result, tax payers and tax auditors have positive relationship or are satisfied by the response of auditors in the study area.

In addition to this, 46%, 12%, 31% and 11% of the respondents answered it follows rules and regulations of tax audit, it is based on source documents, it seems from seeking benefits and other interest and Other (from some unknown objective) respectively for the question related with tax auditors opinion disclosure. Thus, from the study result most of the audit opinions are disclosed based on the rules and regulations of the tax audit and there is also an audit opinion disclosed by the tax auditors based on seeking benefits or corruption in the study area. Furthermore, in the study are there is an audit opinion disclosed based on unknown objectives.

### 4.3.4 Tax Auditors Confirmation

***Table 4.10. Physical observation on firms***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responses** | **Frequency** | **Percentage (%)** |
| Physical observation of tax auditors | Yes | 11 | 43 |
| No | 15 | 57 |
|  | **Total** | **26** | **100.00** |
| Benefit of physical observation | Be able to understand the actual operation of the business | 10 | 38 |
| It facilitates the audit work | 1 | 4 |
| Others | 15 | 58 |
|  | **Total** | **26** | **100.00** |

Questionnaire result, 2020

Based on table 4.10 43% respond that, tax auditors are making physical observation on firm’s plant to verify the fairness of tax liability and conformation purpose and the remaining 57% respond that tax auditors have not appearing in their plants to make observation for conformation purpose. In connection to this, 38% respond that physical observation has the advantage of understanding of the actual operation of the business and 4% that physical observation has an advantage of facilitating audit works and it creates common understanding between them. But, the remaining 58% of the respondents answered other (do not have advantage) for the question.

### 4.3.5 Awareness Creation

***Table 4. 11. Training acquired by tax payers***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responses** | **Frequency** | **Percentage (%)** |
| Training acquired by tax payers | Yes | 16 | 62 |
| No | 10 | 38 |
|  | **Total** | **26** | **100.00** |
| Reason for not acquiring training | No adequate employee in the office | 14 | 54 |
| The office has many incidental works | 6 | 23 |
| Needs not to have awareness | 2 | 8 |
| Other | 4 | 15 |
|  | **Total** | **20** | **100.00** |

Questionnaire result, 2020

Based on table 4.11. 62% respond that they acquired training provided by the tax office in different times and the remaining 38% respond that they do not acquired any training form the tax office before. From those respondents who respond that do not acquired training from the office, they reasoned out some of the possible cases of not acquiring training from the office might be; adequacy of employee, incidental works, awareness and other reasons limited the office to provide different trainings that are appropriate for the tax payers.

***Table 4.12. Training on book keeping***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Response** | **Frequency** | **Percentage (%)** |
| Book keeping | Yes | 20 | 77 |
| No | 6 | 23 |
|  | **Total** | **26** | **100.00** |
| How many times they acquired till know | 1 times | 20 | 77 |
| 2 times | 2 | 8 |
| 4 times and more | 4 | 15 |
|  | **Total** | **26** | **100.00** |

Questionnaire result, 2020

Regarding training provision on book keeping; 77% respond that they acquired training on it and the remaining 23% do not acquired any training on book keeping from the tax office. Moreover, from those 77 % of the respondents who took trainings on book keeping; 8%, 15%acquired the training 1 times, 2 times and 4 times and more than respectively from the tax office up to now. Hence, most of the respondents who got the chance for training took 1 times up to now from the tax office.

### 4.3.6 Prior Period Information

***Table 4.13. Submitting prior period information***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responses** | **Frequency** | **Percentage (%)** |
| prior period audited financial report requirement | Yes | 23 | 88 |
| No | 3 | 12 |
|  | **Total** | **26** | **100.00** |
| Receiving feed backs | Within 1 year after I issued the financial report | 5 | 19 |
| Within 2 years I issued the financial report | 12 | 46 |
| Within 3 years I issued the financial report | 6 | 23 |
| Within 4 and more years I issued the financial report | 3 | 12 |
|  | **Total** | **26** | **100.00** |
| Additional documents and information needed | Yes | 15 | 58 |
| No | 11 | 42 |
|  | **Total** | **26** | **100.00** |

Questionnaire result, 2020

Regarding to submitting prior period audited financial statements by the tax payers to the tax office for auditing purpose, 88% are asked to submit prior period audited financial statements to use as a bench mark or to make comparison between the previous year tax liabilities with the current year one. Furthermore, the tax payers are acquired feed backs from the tax office within one year, with in two years, with in three years and within four years after the tax auditors are examined their financial statements which constitutes 19%, 46%, 23% and 12% respectively. As a result, most of the tax payers acquired response from the auditors within 2 years after they submitted their financial statements.

## 4.4 Document analysis on the audit Reports

### 4.4.1 Revenue Collection

Lideta sub city small tax payer’s branch office work plan

***Table 4.14. Lideta sub city small tax payer’s branch office plan for Revenue collection.***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Plan**  **/birr/** | **Actual**  **/birr/** | **Percentage (%)** |
| 2014/2015 | 20,753,963 .00 | 16,977,187.00 | 81.00 |
| 2015/2016 | 27,067,900 .00 | 20,442,367.00 | 75.00 |
| 2016/2017 | 29,100,000 .00 | 28,103,728.00 | 96.00 |
| 2017/2018  2018/2019 | 47,039,000.00  85,217,738.00 | 39,679,766.30  52,670,311.45 | 84.00  61.00 |

***Source: - Lideta sub city small tax payer’s branch office report, 2020.***

Lideta sub city small tax payer’s branch office plan to collect 20,753,963 birr, 27,067,900 birr, 29,100,000 birr, 47,039,00 birr and 85,217,738 birr for the previous five consecutive years from the year 2014/2015-2018/2019 and the office actually collected 16,977,187, 20,442,367, 28,103,728, 39,679,766.30 and 52,670,311.45 birr respectively from the year 2014/2015-2018/2019. Regarding the percentage of accomplishing the plan showed that 81.00, 75.00, 96.00, 84.00 and 61.00 percentages respectively from the year 2014/2015-2018/2019. As a result, the percentage of execution pertains that the existence of fluctuation in performance of collecting the planed amount of revenue by the tax office for the previous five years based on their report. Hence, the tax office should give much emphasis for the reconciliation of the plan and actual performance.

### 4.4.2 Audit Performance

***Table 4.15. Category c taxpayers audit performance.***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **No of File available for auditing** | **No of audited files** | **Percentage (%)** |
| Category C tax payers |  |  |  |
| 2014/2015 | 76 | 52 | 68.42 |
| 2015/2016 | 110 | 46 | 41.82 |
| 2016/2017 | 163 | 102 | 62.57 |
| 2017/2018 | 190 | 78 | 41.05 |
| 2018/2019 | 268 | 90 | 33.58 |

***Source: - Lideta sub city small tax payer’s branch office report, 2020*.**

Regarding audit plan and actual performance of tax auditor’s for category A and B tax payers showed on table 4.8 and based on the output of the data it revealed that the actual performance of the auditors is low as a whole. This is due to the inadequate number of auditors and availability of computerized system of tax audit execution in the tax office. As a result, the data in the above table pertains that the minimum and maximum actual performance of the tax office for category c tax payers it is 33.58% and 68.42% respectively from the year 2014/2015-2018/2019.

### 4.4.3 Training Plan

***Table 4.16. Training plan for Category C taxpayers***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Plan** | **Actual** | **Percentage (%)** |
| Category C tax payers |  |  |  |
| 2014/2015 | 76 | 28 | 36.84 |
| 2015/2016 | 110 | 67 | 60.90 |
| 2016/2017 | 163 | 98 | 60.12 |
| 2017/2018 | 190 | 103 | 54.21 |
| 2018/2019 | 268 | 149 | 55.59 |

***Source: - Lideta sub city small tax payer’s branch office report 2020.***

It is well known that, training can improve knowledge, skill and attitude of tax payers about paying tax on time by presenting fair and complete set of financial statements. Lideta sub city small tax payer’s branch office always planned to provide training about the rules and regulations of tax and about keeping of records and preparation of financial statements. Hence, based on the report of the tax office for planned and actual performance relation to training from the year 2014/2015 – 2018/2019 presented on tale 4.9. Thus, based on the report the minimum and maximum training provided by the tax office for category C tax payers is 36.84% and 60.90% respectively. Thus, the tax office is expected to do more in provision of training related with tax rules and regulations to create awareness and to increase the city revenue by some percentage.

### 4.4.4 Taxpayers Claim

***Table 4.17 Tax payers’ claims for Audit result***

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **No of Audited File** | **No of Audited File Tax payers claim for audit result** | **Percentage (%)** |
| Category C tax payers |  |  |  |
| 2014/2015 | 52 | 32 | 61.53 |
| 2015/2016 | 46 | 18 | 39.13 |
| 2016/2017 | 102 | 43 | 42.15 |
| 2017/2018 | 78 | 15 | 19.23 |
| 2018/2019 | 90 | 51 | 56.67 |

***Source: - Lideta sub city small tax payer’s branch office report, 2020***

Lideta sub city small tax payer’s branch office always accepts any claims raised by the tax payers for any issues related with disagreement with the tax liability, misunderstanding about the tax rules and regulations and refunding of over payments. Hence, based on the report of the tax office the number of files which are audited and the number of files which are audited the taxpayers claim because of audit findings from the year 2014/2015 – 2018/2019 presented on table 4.10. Thus, based on the report the minimum and maximum claims raised for category C tax payers is 19.23% and 61.53% respectively. Thus, the tax office is expected to do more in the improvement of auditors’ skill about auditing, the tax office tax rules and regulations and also improve resource availability. Moreover the tax office is expected to do upgrade the taxpayers awareness related with tax rules and of regulations because to reduce their claims and to create peace contact between taxpayers and the office.

### 4.4.5. In depth- interview analysis

Based on the in depth interview made with the two official of the mentioned that Lideta sub city small tax payer’s branch office the problem relating with low performance of the tax office in collecting the revenue is that the limitation of the tax office in estimating the tax within three years and full implementation of tax rules and regulations in the city. Furthermore, the officers mentioned that to upgrade 'C' category tax payers to 'B' category tax payers is a problem since the tax levy is estimated within 3 years.

In line with this, the interviewers also underlined that the main problems related with Hotels and restaurants, construction companies, coffee traders and other traders who work in the city administration no standard (norms) in the rules and regulations for its products and difficult to calculate the exact amount of tax liability. Furthermore, the officers raised problems related with adequate number of audit staff members, shortage of budget, provision of training and its budget.

Besides this, the officers raised auditor’s competence, tax payer’s preparation of financial statements, prompt payment of tax liability from the tax payers and problem of presenting source documents in the city. Moreover, in the tax office there is a problem of employee turnover and preparation of financial statements of the tax payers and this lead possibly the staff members to corruption and rent seeking.

In addition, the officers raised the unbalance between number of taxpayers and number of auditors, so because of this problem the taxpayers’ files not audited on time within budget year. The consequence of this event also leads to get the taxpayers to tax burden and besides the branch office also not collect the revenue on time.

Finally, the officers mentioned some of the challenges of the tax audit that are:-

* The gap of the tax rules and regulations
* Weak accountability
* Lack of skilled auditors
* Lack of a taxpaying culture
* Auditors turnover
* Lack of transparency
* Weak audit performance
* And unstable tax amendments are highly affects the quality of the audit work and the time taken to express auditor’s opinion on the findings.
* Lack of clear available information which are used for tax auditing activity

# CHAPTER-FIVE

# CONCLUSIONS AND RECOMMENDATIONS

This chapter presented the conclusions and recommendations of the study depending on the findings of the study. The chapter has two sections. The first section deals with conclusions and the second section presents possible recommendations suggested by the researcher to be improved by the tax office.

## 5.1 Conclusions

The goal of tax audit is to form and express an opinion on financial statements. The audit is performed to get reasonable assurance on whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and the significant estimates made by the management. An audit involves the following steps: Gathering of audit evidence, evaluation of the evidence, deciding on their reliability and acceptability, drawing a conclusion based on such evaluations, forming an opinion based on a set of conclusions and expressing an opinion. The auditor should get sufficient and appropriate audit evidence both at the transaction level, as well as the account level.

A sound tax system should identify surpluses in the economy and should tax it in such a fashion as to cause minimal damage to productive activity. Tax collection should act as a catalyst for economic growth. Ideally a tax system should be neutral with respect to its effect on economic behaviour. In the real world, however, it is impossible to achieve neutrality.

Thus, the study examined practice of tax audit in Lideta sub city small tax payer’s branch office to identify practice of tax audit, to identify the main problems of the tax audit program performed that affects tax revenue collection and taxpayers’ willingness to comply with rules and regulations. The study adopted both quantitative and qualitative approaches of research with census using questioner, document analysis and in-depth interviews with tax officials.

Tax auditors are not at the required level of operational capability to conduct tax audit and professional capability to give appropriate services to taxpayers. The incapability of tax auditor might be due to absence of using effective pre-audit plan and inadequate audit training as well as their lack of willingness.

Moreover, based on the finding of the study the numbers of audit staff are few in number and due to this factor; most of the auditors audited less than 50 cases per year and this lead low actual performance of the audit from the documentary analysis result also.

In line with this, the tax payers assured that few tax auditors of the tax office lack knowledge, skill and attitude on the rules and regulations tax. Moreover, the tax payers assured that in the study area there is no positive relationship between the tax payers and tax auditors to discuss each issue for over payment and other related cases such as inclusion of different expenditures, Service Company’s estimation of unit products and putting of standards (norms).

Finally, the tax auditors assured that some of the challenges of tax audit are weak accountability, lack of a taxpaying culture, lack of transparency, weak audit performance and unstable tax amendments are highly affects the quality of the audit work and the time taken to express auditor’s opinion on the findings.

## 5.2 Recommendations

Based on the tax administration, in the context of tax audit practice with a special reference of Lideta sub city small tax payer’s branch office, based on the findings obtained the following recommendations are given:

* For effective and efficient revenue collection, Lideta sub city small tax payer’s branch office need to give much emphasis for both tax evasion and tax avoidance by applying effective and efficient tax audit based on reliable evidences and documents.
* Continuous education and training should be provided to the tax payers; by the respective tax office specially to create awareness about rules and regulation of tax audit to the tax payers.
* Increased accountability and an open and honest relationship with taxpayers are important to build public trust and confidence in the performance of tax administration. Hence, Lideta sub city small tax payer’s branch office must made the tax laws, regulations, procedures, and administrative guidelines public, easily accessible, and applied in a consistent manner by avoiding unstable tax laws which creates confusion not only for tax payers but also for tax auditors.
* It is clear that most taxpayers of any country do not want to pay taxes unless compelled by a situation where they are left with no option other than to pay the taxes. Therefore, for better tax compliance, a system should be designed that automatically extracts taxes rather than leaves the payment of taxes to the voluntary choice and morality of taxpayers.
* The tax office should make SIGTAS accessible to tax auditors, and should fully utilize it for risk assessment purpose. There must be also a specified time range within which the taxpayers are expected to present their report or information, to enforce especially non-volunteer taxpayers, and to get the necessary information as required for audit activities.
* From the in depth interview, in Lideta sub city small tax payer’s branch office there is a practice from few auditors of the tax office who prepared the financial statements of the tax payers that may decrease independence of the auditor’s opinion disclosure. Hence, the researcher recommends that this practice should be eliminated in the future in the study area.
* Finally, Lideta sub city small tax payer’s branch office should increase the number and capability of total audit staff resources to achieve required audit rate and audit quality. Further, the tax office should supply sufficient computers and other necessary audit resources for auditors for the facilitation of the audit work.

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# Appendix-I

ST. MARY’S UNIVERSITY



School of Graduate Studies

Faculty of Business and Economics

MBA Specialization in Accounting & Finance

This project is entitled **“Assessment of Tax audit Practices** in the Caseof the Lideta sub city small & micro tax Payers branch office’’ The investigator is Tesfaye Begashaw who is currently an MBA Specialization in Accounting & Finance student at the St. Mary’s University. The aim of the project is to investigate Assessment of Practice of Tax audit:  *Case of Lideta sub city* small & micro tax Payers branch office.

Responding this questionnaire may not take much time. Any information provided would only be used for academic purpose. As a result it would be kept confidential & utmost secrecy would be maintained.

I thank you in advance for your cooperation.

Tesfaye Begashaw

**Questionnaires for tax auditors:**

**Instruction**: Please make encircle you thought appropriate and your opinion for the open ended questions.

**Note: You can also give your opinion in Amharic language.**

**Part I**. **Background question**

1. Gender: I. Male II. Female

2. Age: ------------------------

3. Education status of the respondent

1. Certificate
2. Diploma
3. BSc/BA
4. MSc/MA or any other post graduate course
5. Others, Please specify \_\_\_\_\_\_\_\_\_\_

4. Field of study (multiple answers are possible):

1. Accounting
2. Management
3. Economics
4. Others, Please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Your Current job occupation in the office

1. Tax auditor
2. Tax audit coordinator
3. Tax investigator
4. Tax audit team leader
5. Others, please specify -------------------------------

6. Did you have any audit experience before you joined this office?

1. Yes II. No

7. If your answer in question #6 is yes, how long did you work as an auditor?

1. Less than 2 years
2. 2-5 years
3. 5-10 years
4. Above 10 years

8. How long did you work with your current job occupation in this office?

1. Less than 2 years
2. 2-5 years
3. 5-10 years
4. Above 10 years

9. Would you please describe your current job area, function and main responsibilities? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. How and by what criteria the position that currently you hold is provided to you (multiple answers are possible)?

1. Based on your past work experience related to your position
2. Based on your field of study completed
3. Based on exam and training attended
4. Based on education level achieved
5. Others, please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

11. Does the office provide training regarding tax law and tax audit issues soon you employed before you engage in tax audit activities?

1. Yes
2. Usually
3. Neutral
4. Sometimes
5. No

12. Does the office perform a continuous assessment to improve the capability or competency of staff resources, auditors and investigators in particular, after you occupied the current position and engaged in the tax audit and related activities?

1. Yes
2. Usually
3. Neutral
4. Sometimes
5. No

**Part II. General Questions**

13. Is there any tax audit manual?

I. Yes II. No

14.If you have the manual how do you evaluate it?

I. It is clear and workable II. It lacks some clarity

III. It is completely unclear

15. How much do you know the rules and regulations related to tax?

I . Yes II. almost all

III. Partially IV. I don't know

16. If the answer for No. 15 is I don't know, how do you carry out your audit finding?

1. Referring rules and regulations
2. Working with someone who has better knowledge
3. As per the knowledge gained through education and training

17. What is the primary purpose of tax audit performed in your office? (Multiple answers are possible)

1. To check the evasion of tax
2. To ensure compliance in accordance with tax law
3. To educate taxpayers
4. For assessment and collection of additional tax revenue
5. Others , please specify\_\_\_\_\_\_\_\_

18. What are the main activities that tax auditors, investigators and assessors expected to perform during an audit period? (Multiple answers are possible)

1. Detecting noncompliance behaviour of individual taxpayer
2. Gather information on the health of the tax system including compliance behaviour
3. Educating taxpayers
4. Identify areas of tax law that require clarification and amendment
5. Interpreting complex tax rules and regulations for taxpayers
6. Search for unregistered taxpayers
7. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

19. Taxpayers believe that there is a good chance of being seized in their under-reporting and other noncompliance activities during an audit.

1. Strongly agree
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

20. Tax Payers can easily understand and be aware of the rules, regulations, forms and instructions or information provided by the office.

1. Strongly agree
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

21. Tax audit program performed by the office makes its power visible to the community and encourages noncompliant taxpayers to comply.

1. Strongly agree
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

22. Which business sectors are most usually selected for tax audit (multiple answers are possible)?

1. Manufacturing enterprises.
2. Service enterprises ( hotel and hospitality etc)
3. Merchandising enterprises
4. Construction sector
5. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

23. What is the reason behind for the selection of the taxpayers that you have selected in Q #22?

1. Taxpayers have higher compliance risk
2. Taxpayers have large tax potential at risk
3. Taxpayers have no effective record or bookkeeping
4. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

24. What types of audits are usually performed by the office (multiple answers are possible)?

1. Field audit
2. Desk (office) audit
3. Single issue audit
4. Limited scope audit
5. Full audit
6. Others, please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

25. When and in what condition the audit type that you have selected in Q #24 above would be conducted?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

26. Is there a responsible unit at the office for the investigation of serious fraud or evasion?

1. Yes II. No

27. How those responsible units in question #28 decide about the need to investigate a certain taxpayer? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

28. If your answer is yes to question #28, when and how an investigation on selected taxpayers is conducted? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 29. Whether the office has enough audit staff resources to perform onsite audits on all taxpayers or comprehensive crosschecking of invoices or transactions?

1. Strongly agree
2. Agree
3. Neutral
4. Disagree
5. Strongly disagree

30. How many audit cases on average an individual (one) desk auditor has expected to complete in a month at the office?

1. Less than 5 cases
2. 5 to 15 cases
3. 15 to 25 cases
4. Above 25 cases

31. How many audit cases on average an individual field auditor has expected to complete in a month at the office?

1. Less than 4 cases
2. 4 to 6 cases
3. 7 to 10 cases
4. Above 10 cases

32. How many audit cases on average an individual experienced tax auditor has completed during the budget year 2017/2018 at the office?

I. Less than 50 cases

1. 51 to 100 cases
2. 101 to 150 cases
3. 151 to 200 cases
4. Above 201 cases

33. Do tax auditors and investigators have good access to information held by the taxpayers and others?

I. Yes II. No

34. If your answer is yes Question #35 how tax auditors and investigators can get the required information?

1. Using information from third parties such as financial institutions
2. By reviewing the previous case histories of taxpayers concerned
3. Using business sector profile
4. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

35. Do taxpayers declare their income properly?

I. Yes II. No

36. If your answer is No Question # 37 what is the reason behind this?

1. Taxpayers‟ carelessness
2. Taxpayers‟ lack of awareness
3. Weakness in tax administration itself
4. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

37. Do taxpayers that were audited in the previous audit period and found no tax liability owed during an audit be selected for audit in the current audit period?

1. Yes
2. Usually
3. Neutral
4. Sometimes
5. No

38. If your answer is yes to question #39, when and in what condition those taxpayers may be audited?

1. When taxpayers reported tax returns less than previous period return
2. When taxpayers have large tax potential
3. When serious tax fraud case is found
4. Other , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

39. Would you please mention the criteria and procedures used to identify the highest risk taxpayers?

40. Does an individual tax auditor or investigator perform the audit work repetitively the same business in different audit periods?

1. Yes
2. Usually
3. Neutral
4. Sometimes
5. No

41. What are the possible techniques used by the office in selecting taxpayers to be audited (multiple answers are possible)?

1. Taxpayers are simply selected randomly
2. Data mining that identifies patterns of noncompliance in the past and current
3. Auditors select audit cases manually based on their own knowledge of taxpayers‟ behavior and environment
4. Statistical techniques using prior tax audit results in conjunction with taxpayer data
5. Others , please specify \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

42. Is there any rule in the office that requires the audit work to be started and completed within a predetermined time frame?

I. Yes II. Neutral III. No

43. If your answer is yes to question #44, are taxpayers aware for this rule? How substantial audit frauds that found out of the audit period could be treated?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

44. Does office consider the amount to be collected by audit and the collectability of tax return assessed for the purpose of conducting tax audit?

I. Yes II. Usually III. Neutral IV. Sometimes V. No

45. Which type of tests are conducted at office to check the accuracy of tax returns (multiple answers are possible)?

I. Review of financial statements and returns

II. Observing, discussing and reviewing documents of taxpayers

III. Physical checks of current transactions, vouchers, assets and other aspects

IV. Examination of taxpayer’s record such as books and documents

V. Examination of information from third party such as financial institutions

46. Could you state when and in what conditions the tests that you have selected in Q #45 are conducted?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

47. Do you use any technology to facilitate and accurate tax audit?

I. Yes II. No

48. If your answer is yes to question #49, what kind of technology applied?

49. Do you use professional consultancy on the tax audit activity?

I. Usually II. Sometimes III. No

50. If your answer is No to question #51, how to perform the audit activity, which needs professional consultancy?

51. Do you think that you are performing the audit work as per GASP (Generally Auditing Standards Procedure)?

I. Yes II. No III. Partially

52. Could you state the possible reasons for the answer given for question No.53? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

53. Do you have any ideas, opinions and suggestions that have not been included in the mentioned earlier questions?

**Thank you for your cooperation.**

# Appendix-II

**Questionnaires for Audited tax payers:**

**Instruction**: Please make encircle you thought appropriate and your opinion for the open ended questions.

1. Type of business sector you involved
2. Tax payer category
3. Year of becoming category c tax payer?
4. When did you start paying tax based on financial statement reports? ----------------
5. Have you ever received any training on tax & tax related issues from the tax office? 1. Yes 2. No
6. If your answer is Yes for Q-5 what was the reason? (multiple answer question)
7. No adequate employee in the office
8. The office has many incidental works
9. Needs not to have awareness
10. If other, please mention
11. Have you ever taken any training about book keeping? 1. Yes 2. No
12. If your response is yes for Q-7 how many times you received the training per year?
13. 1 times
14. 2 times
15. 3 times
16. 4 and more than 4 times
17. Do you have an accountant who prepares your financial statements? 1. Yes 2. No
18. If your response is yes for Q-9 what was the qualification of the accountant?
19. BA in accounting
20. BA in management
21. BA in economics
22. If other
23. Do you believed that your accountant has adequate knowledge on rules and regulations on tax issues? 1. Yes 2. No
24. If your response is yes for Q-11 what was the reason? -----------------------------------------------------------------------------------------------------------------------
25. Have you ever got any decision on audited financial report prior period? 1. Yes 2. No
26. If your response is yes for Q-13 after how many days you received feed backs on the financial statements?
27. Within 1 year after I issued the financial report
28. Within 2 years I issued the financial report
29. Within 3 years I issued the financial report
30. Within 4 and more years I issued the financial report
31. If other --------------------------
32. Have you ever asked any additional documents & information by auditors during verification of your financial statements? 1. Yes 2. NO
33. If your response is yes for Q-15 what type of documents & information’s are asked by the auditors during verification? ---------------------------------------------------------------------------------------------------------------------------------------------------------------
34. How did you evaluate the ethical values of the tax auditors?
35. Excellent
36. Very good
37. Good
38. Not good
39. If other ------------------------------------------------------------------------
40. How did you evaluate auditor’s opinion on financial statement?
41. It follows rules and regulations of tax audit
42. It is based on source documents
43. It seems from seeking benefits and other interest
44. If other -----------------------------------------------------------------------
45. Have you ever get refund on over payment of tax? 1. Yes 2. NO
46. If your response was yes for Q-19 what was the reason? ---------------------------------------------------------------------------------------------------
47. Do you believed that paying tax based on financial report is important? 1. Yes 2. NO
48. If your response was yes for Q-21 what was the benefit? ------------------------------------------------------------------------------------------------------------
49. During making tax audit; do the auditors of the tax office making physical observation on your business activity ever? 1. Yes 2. No
50. If your response was yes for Q-23 what was the benefit of physical observation of the auditors?
51. Be able to understand the actual operation of the business
52. It facilitates the audit work
53. If other --------------------------------------------------------------------------
54. If you have any question which was not answered by auditors during the audit work please mention below?

------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

1. If you have any additional questions which is not incorporated and answered above, please mention here under? -----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Thank you for your cooperation.**

# Appendix III

**Tax officials in-depth interview instrument**

1. Do you think there is a gap in the tax rules and regulations? If your answer is yes in which area?
2. Do you believe the tax office send the new rules and regulations to your office on time?
3. Do you believe your office have skilled and enough auditors?
4. What is the primary purpose of conducting an audit?
5. Your office recognize proper tax payer?

6. How the decision to audit a certain taxpayer is conducted? What inference or criteria considered for such decision?

7. Could you tell me the level of taxpayer’s tax awareness and compliance behavior for tax system? If they are not aware, what office plans to do regarding awareness creation and compliance improvement?

8. Do you believe that office has currently collecting the potential amount of tax revenue? If yes, how is it achieved? If not, could you tell me the reason behind, and on what audit cases should office concentrate in its audit work?

9. How and in what condition desk audit, field audit, full audit and single issue audit is performed in office? Which audit type is mostly performed? Why could it be?

10. Which category of taxpayers and sectors are usually selected for tax audit? What would be the reason behind this selection?

11. How the highest risk taxpayers could be identified?

12. Does office consider the amount and collectability of tax returns assessed for conducting an audit work?

13. How and by what criteria audit cases are assigned to senior and junior auditors?

14. What are the primary criteria and preconditions to employ individuals as a tax auditor and to participate in tax audit activities?

15. Are there any exam and training to hire an auditor? If so, when and how the trainings and exams are provided?

16. Could you tell me the required capabilities of auditors and audit team leader in office?

17. Is there any continuous assessment on competency of tax audit staff? If yes, who performs the assessment? When and how these assessments are conducted?

18. is there a possibility of tax auditors resign themselves from their position in office? Would you tell me the reason behind this?

19. Do you believe all the tax rules and regulations are available in your office?

20. is there any implemented system may be the auditors doing things beyond the tax rules and regulations?

**ቅድስት ማሪያም ዩኒቨርሲቲ**

**ድህረ ምረቃ ት/ቤት**

**የቢዝነስ እና ኢኮኖሚክስ ክፍል**

**ማስተርስ ኦፍ ቢዝነስ አድምንስትሬሽን ስፔሻላይዜሽን ኢን አካውንቲግ እና ፋይናንስ**

ይህ ፕሮጀክት ጥናት በልደታ ክ/ከተማ አነስተኛ ግብር ከፋዮች ቅርንጫፍ ጽ/ቤት በኩል የሚከናወነዉን የታክስ ኦዲት ችግሮቹንና ተሞክሮዉን ለማጥናት ተብሎ የተዘጋጀ መጠይቅ ሲሆን ፡ መጠይቁ ለትምህርት ጉዳይ ብቻ የሚያገለግል እና በሚስጥር የሚያዝ መሆኑን እየገለፅኩ፡ ጥያቄዎችን በመመለስ ስለተባበራችሁኝ ከወዲሁ እመሰግናለሁ፡፡

ተስፋየ በጋሻው

**ማሳሰቢያ፡- ስም አይጻፍም**

ለደረጃ **' ሐ'** ግብር ከፋዩች የተዘጋጀ መጠይቅ

የሚከተሉትን ጥያቄዎች ይመልሱ፡፡/ በምርጫ መልክ የቀረቡትን ጥያቄዎች ትክክለኛ ነዉ የሚሉትን በመክበብ ይመልሱ/

1. የተሰማሩበት የስራ መስከ ቢገልፁልን?
2. ደረጃ ስንት ግብር ከፋይ ነዎት?------------------------
3. በተራ ቁጥር 2 የተጠቀሰዉ ጥያቄ መልስዎ ደረጃ ' ' ሐ' የሆኑት ከመቼ ጀምሮ ነዉ?

1. ግብርዎ በሂሳብ መዝገብ መወሰን የጀመረዉ ከመቼ ጀምሮ ነዉ?
2. በፅ/ቤቱ በኩል ስለ ግብር እና ታክስ ህጎች የግንዛቤ ትምህርት ተሰጥቶዎት ያዉቃል?

ሀ. ያዉቃል ለ. አያዉቅም

1. በተራ ቁጥር 5 የተጠቀሰዉ ጥያቄ መልስዎ አያዉቅም ከሆነ ምክንያቱ ምንድነዉ ይላሉ? / ከአንድ በላይ መልስ መስጠት ይቻላል/

ሀ. በፅ/ቤቱ ብቁ የሰዉ ሀይል ስለሌለ

ለ. በፅ/ቤቱ የተለያዩ ደራሽ ስራዎች ስለሚበዙ

ሐ. ግንዛቤ እንዳይኖርዎ ስለተፈለገ

መ. ሌላ ከሆነ ቢገልፁልን

1. በፅ/ቤቱ በኩል ስለ ሂሳብ መዝገብ አያያዝ ትምህርት ተሰጥቶዎት ያዉቃል?

ሀ. አዎ ለ. አያዉቅም

1. በተራ ቁጥር 7 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ በአመት ስንት ጊዜ ትምህርቱ ተሰጥቶዎት ያዉቃል?

ሀ. አንድ ጊዜ ለ. ሁለት ጊዜ ሐ. ሶስት ጊዜ መ. አራት ጊዜ እና ከዚያ በላይ

1. የድርጅቶን ሂሳብ የሚሰራልዎ ሂሳብ ሰራተኛ አለዎት?

ሀ. አዎ ለ. የለኝም

1. በተራ ቁጥር 9 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ የሂሳብ ሰራተኛዎ የሙያ መስኩ ምንድን ነዉ?

ሀ. የመጀመሪያ ዲግሪ በአካዉንቲንግ

ለ. የመጀመሪያ ዲግሪ በማናጅመንት

ሐ. የመጀመሪያ ዲግሪ በኢኮኖሚክስ

መ. ሌላ ከሆነ ቢገልፁልን

1. የሂሳብ ሰራተኛዎ የታክስ ህጎችን እና ደንቦችን በትክክል ያዉቃል ብለዉ ያምናሉ?

ሀ. አዎ ለ. አያዉቅም

1. በተራ ቁጥር 11 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ ምክንያትዎን ቢገልፁልን?
2. ከዚህ በፊት የሂሳብ መዝገብዎ ኦዲት ተደርጎ ዉሳኔ ተሰጥቶዎት ያዉቃል?

ሀ. አዎ ለ. አያዉቅም

1. በተራ ቁጥር 13 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ ሂሳቡን ካሳወቁ ከስንት ጊዜ በኻላ ኦዲት ተደርጎ ይገለፅልዎታል?

ሀ. ሂሳቡን ባቀረቡት አመት ዉስጥ ሐ. ሂሳቡን ባቀረቡት ሶስት አመት ዉስጥ

ለ. ሂሳቡን ባቀረቡት ሁለት አመት ዉስጥ መ. ሂሳቡን ባቀረቡት አራት አመት እና ከዚያ በላይ

ሠ. ሌላ ከሆነ ቢገልፁልን

1. ኦዲተሮች የሂሳብ መዝገብዎን ኦዲት ሲያደርጉ መረጃ እና ማብራሪያ ተጠይቀዉ ያዉቃሉ?

ሀ. አዎ ለ. አያዉቁም

1. በተራ ቁጥር 15 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ ምን አይነት መረጃ ተጠይቀዉ ያዉቃሉ?

1. የኦዲተሮችን ስነ ምግባር እንዴት ያዩታል?

ሀ. እጅግ በጣም ጥሩ ሐ. ጥሩ

ለ. በጣም ጥሩ መ. ጥሩ አይደለም

ሠ. ሌላ ከሆነ ቢገለፅ

1. ኦዲት ተደርጎ ዉጤት የተገለፀልዎ ሂሳብ መዝገብ ካለዎት የኦዲት አደራረጉ እንዴት ነዉ ይላሉ? / ከአንድ በላይ መልስ መሥጠት ይቻላል/

ሀ. መመሪያና ደንብን የተከተለ ነዉ ሐ. ሌላ ጥቅም ፍለጋ በሚያስመስል መልክ ነዉ?

ለ. በመረጃ የተመሰረተ ነዉ መ. ሌላ ከሆነ ይገለፅ

1. እስከ አሁን ኦዲት ከተደረገልዎ የሂሳብ መዝገብ ዉስጥ ግብር በብልጫ ከፍለዉ ተመላሽ ተደርጎሎት ያዉቃል?

ሀ. አዎ ለ. አያዉቅም

1. በተራ ቁጥር 19 የተጠቀሰዉ ጥያቄ መልስዎ አያዉቅም ከሆነ ምክንያቱን ቢገልጹ፡፡

1. ግብርዎን በሂሳብ መዝገብ አሳዉቀዉ መክፈልዎ ተጠቃሚነኝ ብለዉ ያምናሉ?

ሀ. አዎ ለ. አይደለሁም

1. በተራ ቁጥር 21 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ ጥቅሙ ምንድን ነዉ?

1. ግብርዎን ኦዲት ለማድረግ የፅ/ቤቱ ኦዲተሮች በድርጅትዎ በአካል ተገኝተዉ የድርጅቶን እንቅስቃሴ አይተዉ ያዉቃሉ?

ሀ. አዎ ለ. አያዉቁም

1. በተራ ቁጥር 23 የተጠቀሰዉ ጥያቄ መልስዎ አዎ ከሆነ ጥቅሙ ምንድን ነዉ ይላሉ? / ከአንድ በላይ መልስ መስጠት ይቻላል/

ሀ. የድርጅቱን እንቅስቃሴ ትክክለኛነት ይረዳሉ

ለ. የኦዲት ስራዉን የተሳለጠ ያደርገዋል

ሐ. ሌላ ከሆነ ቢገለፅ

1. የሂሳብ መዝገብዎ ኦዲት በተደረገባቸዉ ጊዜ ዉስጥ ሁሉ ፅ/ቤቱን በኦዲት ስራዉ ላይ ያለዎትን ጥያቄ ጠይቀዉ ያልተመለሰልዎ ካለ በዝርዝር ቢገልጹ?
2. ከላይ ያልተነሱ ጥያቄዎች እና መመለስ አለባቸዉ የሚሉዋቸዉ ካሉ ቢገልፁ?

**ስለትብብርዎ ከወዲሁ እናመሰግናለን፡፡**

**ከልደታ ክ/ከተማ ግብር ከፋዮ ቅርጫፍ ፅ/ቤት ከዶክመንት መገኘት ያለባቸዉ መረጃዎች**

1. ከ2014-2019 በጀት አመት ድረስ ያለዉን እቅድ እና ክንዉን ሪፖርት.
2. ጠቅላላ የፅ/ቤቱ ሰራተኛ ብዛት/ የታክስ ኦዲተር ብዛት/.
3. ከ 2014አ.ም ጀምሮ ግብራቸዉን የሂሳብ መዝገብ አቅርበዉ የከፈሉ ደረጃ ሐ ግብር ከፋዩች ብዛት.
4. ኢዲት ተደርጎ የተገኘ ተጨማሪ ገቢ /2014-2019/.
5. ሂሳብ መዝገብ ቀርቦ ዉድቅ የተደረገ የመዝገብ ብዛት.
6. የግንዛቤ ት/ት የተሰጣቸዉ የደረጃ ሐግብር ከፋዩች ብዛት/2014-2019/ ተለይቶ.
7. ሂሳብ መዝገባቸዉ ኦዲት ተደርጎ በኦዲት ግኝቱ ባለመስማማት ቅሬታ ያቀረቡ ግብር ከፋዩች ብዛት.
8. ለፅ/ቤቱ የተፈቀደ የሰዉ ሀይል/ ኦዲተር/ ብዛት እና አሁን ያለዉ ብዛት.
9. የሚቻል ከሆነ ኦዲት የተደረገ የሂሳብ መዝገብ ለናሙና መመልከት.