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Tax Audit Practice and Down South Tax Revenue Generation in Nigeria

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ABSTRACT

A very important challenge with regard to tax audits by their tax authorities is how to ensure timely completion. Infact very little exercise on a tax audit in Nigeria begins and ends within 12 months, most of them for many years before closing. This study examined empirically, the effect of tax audit practice on down south tax revenue generation in Nigeria. Both primary and secondary source of data was adopted and the data collected was analysed using linear regression analysis and multiple regression analysis with the aid of special package for social sciences (SPSS) version 21.0 with 0.71%, the empirical results indicate that the predictor variable of tax audit practice has positive effect on criteria variable of tax revenue in Nigeria. The study include that the exist a significant positive effect of desk audit on personal income tax. Based on the above, the study expressly make the following recommendations that cost and cost analysis between the value of tax verification and tax receipt tax that are expanded to be conducted before the tax authorizes. This is to ensure that the collection of taxes has been higher then the costs improving compliance. Tax administrators should not concentrate only on desk tax audit but also on field tax audit and back tax audit so as to block all leakages and increase the level of tax payers compliance.

Keywords: Tax Audit Practice, Tax Revenue Generation, Desk Tax Audit, Personal Income Tax and Psychological Theory.

INTRODUCTION

A tax is a compulsory levy by government through its agencies on the income, consumption and capital of its subjects. These levies are made on personal income such as salaries, business profit, interest, dividend, discount or royalties to obtain revenue. It is levied against company profit, petroleum profit, capital gains and capital transfer (Bello, 2001). Therefore, taxation is a compulsory payment or transfer of resources from private to public sector levied on the basis of the determined criterion and without reference to specific benefits received in order to accomplish some of the nation's economic and social objectives. Taxation is primarily aimed at generating revenue for government in order to cater for its expenditure (Al Zakari, 1995).

The issue of taxation is as old as the world itself. Tax audit has been known since the biblical era. Yet, many are never comfortable discussing taxation, worse still tax audit practice. To deter evasion and maximize compliance with tax laws is a key in government's revenue policy. One of the aims of tax audit is to drive the taxpayer to comply with the outcome of tax audit and also to make him become compliant with the provisions of tax laws in future. That is why the terms have become synonymous with the efforts of government to generate revenue. Auditing generally is an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in accordance with his terms of engagement and compliance with statutory regulation and professional requirements (Daniel, 1999). It is important to note that any individual or organization that falls within the scope of the above income groups, is obliged to pay tax, this can be voluntarily or otherwise. It is within this process that the issues of returns and assessment arose. Every individual or organization liable to income tax for a year of assessment is required to submit returns of his income and other relevant matters to the tax authority having power to assess him to tax. And this is subject to satisfaction of the returns by the tax authority (Oyebanji, 2006).

It is no records that no taxpayer is ready to open his/her books for examination by tax officers. Not minding the concept of quid pro quo (something for something), it is still the duty of taxpayers to declare their tax affairs in line with the available tax laws. Audit is said to be "an evaluation of a person, organization, system, process, enterprise, project or product. Audits are performed to ascertain the validity and reliability of information; also to provide an assessment of a system's internal control". The goal of an audit is to express an opinion of the person/organization/system etc. in question, under evaluation based on work done on a test basis (Zysman, 2004). Audit is "a systematic approach that follows a structured, documented plan called audit plan". In this, accounting records are examined by the auditors who use a variety of generally accepted techniques. Financial audits are thorough review of a company's financial records conducted by external auditors to verify that their financial statements are accurate and reliable. Audits are also customarily conducted to assess the effectiveness of internal controls or compliance with regulations (Bradford, 2013).

Slemrod, (2000) is of the view that tax audit is "one of the most effective policies to prevent tax evasion behaviour". The level of tax audit can be determined by two elements: one is how many tax payers are selected for audit and the other is how much intensive the audit is. The first element is easily measured by the number of audited tax payers divided by the total number of tax payers. However, the latter is so difficult to measure due to non-published information about tax audit progress. It is commonly measured by the first element to indicate the level of tax audit for practical comparison. In the word of Okonkwo (2014), tax audit is "independent examination of accounts, tax returns, tax payments and other records of a taxpayer to confirm compliance with tax laws, rules and regulations and accuracy and correctness of tax paid and adhering to generally relevant accounting principles and standards. While tax investigation and tax audit are often used interchangeably, however, in practice, tax investigation is a more detailed and painstaking examination of the taxpayer's records". It is usually triggered by suspicion of fraud, evasion and related offences (Okonkwo, 2014).

A very significant challenge around tax audits by relevant tax authority has been how to ensure timely completion. In fact, very few tax audit exercises in Nigeria commence and get concluded within twelve months as most span for years before closure. No doubt, tax authority has a duty to be thorough in its review but this duty need to be balanced with the duty to ensure timely completion of audits. Protracted tax audit exercise is not in the interest of the Federation nor in the interest of the taxpayer. They are not in the interest of the Federation because of time value of money in respect of potential additional tax liability locked up in unresolved tax audit portfolios. They are not in the interest of the taxpayers who need to commit men and materials towards closure of the tax audits as well as incur professional fees retaining tax advisors during the period.

One major factor contributing to the delay in timely completion of tax audits is the adoption of a vouching approach in the examination of a company's accounting and financial records with the aim of ascertaining the level of compliance with the provisions of the various tax laws.

Beck (1998) claimed that "the tax audit schemes found in the taxation literature are classified as random tax audit scheme, cut-off tax audit scheme and conditional tax audit scheme". The 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. Under the cut-off audit scheme, audit resources are employed to verify reports of the tax payers reporting the lowest income levels. In contrast, the conditional audit scheme 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.

Tax audits remain the primary tool through which the tax and accounting records of taxpayers are reviewed by Federal and State tax authorities to ensure that the correct tax returns have been filed and correct taxes paid in the relevant year of assessment. In the last couple of years tax audit has been a critical issue often discussed in Nigeria. The tax authority has had lots of sleepless nights, trying to review the books of the tax payers with the sole aim of increasing the revenue of the government. The question is to what extent has tax audit contribute to the revenue generation in Nigeria? It is on this premise that this study is being consummated.

The rest of this paper is organized after the introduction as follows: Section two provides the theoretical framework, concept, empirical studies and research hypothesis. Section three describes the data and methodology used in the analysis. Section four handles the presentation of empirical and discussions. While section five draws the conclusion, recommendations, limitation and suggestion for further study.

Theoretical framework and Hypothesis development

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"**.** This study anchored on Deterrence base-line Theory. This study is premised on "Classical Theory of Tax Compliance". This theory of tax compliance is also called the "A-S models based on the deterrence theory". The theory states that "the taxpayer is assumed to maximize the expected utilities of the tax evasion gamble, balancing the benefits of successful tax cheating against the risky prospect of being caught and punished by tax authorities" (Sandmo, 2005).

However, this study is premised on Deterrence theories. Alabede, Zainol-Affirm, and Idris, (2011) stated that "the deterrence theory depends largely on tax audit and penalty". They further stressed that this theory of tax compliance makes taxpayers to pay tax as a result of fear and sanctions. Trivedi and Shehata (2005) says that "the deterrent theories suggest that taxpayers "play the audit lottery", that is they make calculations of the economic consequences of different compliant alternative. Verboon and Dijke (2007) stated that the "essence of the deterrence model of tax compliance is to chiefly examine the interaction between probability of detection and sanction severity that should affect non-compliance". Brook (2001) says that "classical theory is only based on economic analysis but social and psychological variables are equally important in understanding the issue of noncompliance to tax". Some of the important studies about the effects of deterrence on compliance include Hasseldine (2000), Torgler (2002) and Kirchler (2007). Elffers (2000) and Braithwaith (2003) argued that if deterrence (that is the probability of detection and sanction severity) would be the most significant variable in explaining compliance, rational individuals in most societies of the world would be non-compliant because the levels of deterrence are low.

Tax Audit Practice

Taxes are considered as a source of revenue for economic growth and development. Tax revenues and other revenues are central to the current economic development agenda. They provide a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure, and are interwoven with numerous other policy areas, from good governance and formalizing the economy, to spurring growth (Pfister, 2009).

The Nigeria tax system has failed on the area of it ‘administration. Personal and company income tax administration in Nigeria today do not measure to the appropriate standard. The self-employed persons earn more than those in paid employment. The self-employed earn four times than those in paid employment but the bulk of personal income yield comes from those paid employment whereas those who are self-employed earn most of the money. As a result of inadequacy in monitoring taxes paid, lots of those who are self-employed evade tax. These thus call for the need for a good and standard tax audit. Tax audit can be defined as "an examination of an individual or organisation's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state". He further said that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return (Kircher 2008). In other words, tax audit is an inspection of a taxpayer's business records and financial affairs to ensure that the amount of tax reported and paid are in accordance with tax laws and regulations. Tax audit in Nigeria are terms which embrace a variety of sectors. It simply means the advanced part of auditing practice that involves examination of books of account in other to check if the assessable profit showed by the tax payer is correct. Tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently.

More importantly however, a professional tax auditor or investigator must possess sound accounting and taxation knowledge, he must be sharp in interpreting the tax laws, tactical and must display high intelligence in applying tax laws, he must have sound knowledge of investigation techniques. Apart from technical skills, he must be alert and open minded with good communication Skills. These are necessary personal prerequisite for any tax auditor or investigator to be successful for tax audit assignments. A tax as we already know is a charge imposed by governmental authority upon property, individual or organisation to raise money for public purpose. An audit on the other hand can be seen as the examination of the records underlying a financial statement as will enable the auditors to report authoritatively, whether in his opinion, the statement gives a true and fair view (Izedonmi 2000,Okoye,2006).

Adesina (2005) defined an audit as "the examination of accounting documents and of supporting evidence for the purpose of reaching an opinion concerning their propriety". It is an examination intended to serve as a basis for an expression of opinion regarding the fairness, consistency, and conformity with accepted accounting principles of statement prepared by a corporation or other entity for submission to the public or to other interested parties. Tax audit is therefore a means "of ensuring compliance with the tax laws. The primary purpose of tax audit is to maintain the confidence in the integrity of the self-assessment system". It helps to improve voluntary compliance by detecting and bring to book those who do not pay the correct amount of tax.

One of the cardinal principles governing the tax audit program is that each line of grade or business should receive at least a nominal amount of audit attention. The selection of times for audit is management decision and criteria used vary from time to time. (Ola: 1999).

The idea of tax audit became known through Lagos state where monitoring agents were appointed to carry out tax audit on government behalf. These monitoring agents mostly Chartered Accountants who are performing the function of carrying out tax audit of PAYE. The function of these monitoring agents however was taken over by tax consultant in 1996 and their mode of operations different from that of monitoring agents. It has become fashionable for state government to carry out tax audit exercise in order to fulfill all righteousness that the actual tax due to the government have been deducted and remitted to the government account (Ojo, 1998).

This exercise has however received some credits which are:

1. Making the taxpayer conversant with the applicable tax laws
2. The rate at which the taxpayers comply with tax laws has been increased.
3. It has added depth to the Nigeria tax practice.
4. The revenue of the government was increased.

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 minimise 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. It will enable the government to control and ensure the taxpayers' compliance with tax laws thus this will increase tax revenue collected from taxpayers. One of the functions of auditing is to detect errors and frauds, RRA's tax audit and investigation aim at stopping the loss which comes from tax evasion, fraud and corruption. If there is a fraudulent event by taxpayers, auditing practices will enable the RRA to find out the taxpayers who had avoided paying tax and paying the tax due with penalties and fines. The purpose of auditing is to discover, check, verify and control some or other aspects in an organization. It can therefore be said that one of the main characteristics of an audit is that it is diagnostic.

James (1993) identified a priority list of tax audit mission, this includes: 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 authority and the liable tax payers, to maintain a strong mechanism to deal with tax avoidance techniques which are available to various organisations, 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.

Today's tax agencies typically lose some percentage of total revenues due to tax evasion and other types of noncompliance known as the "tax gap" Brown et al , (2003). The primary goal of a revenue body's compliance activity is to improve overall compliance with their tax laws, and in the process instill confidence in the community that the tax system and its administration are fair. Instances of failure to comply with the law are inevitable whether due to taxpayers' ignorance, carelessness, recklessness and deliberate evasion, or weaknesses in administration. To the extent that such failures occur, governments, and in turn the communities they represent, are denied the tax revenues they need to provide services to citizens Forum on tax administration's compliance, (2006). At a time when tax evasion techniques have grown more sophisticated, tax agencies have simultaneously been hit with a cascade of budgetary and staffing restrictions, continually changing tax statutes and more rigorous requirements for privacy. As a result of these pressures, many tax agencies continue to rely on audits of taxpayers' business records and financial affairs to ensure taxpayers have computed their tax payable in accordance with current tax laws and regulations and this implies the tax revenues growth otherwise, tax agencies can lose significant revenues opportunities.

Finally, when tax audit is well conducted, taxpayers understand that their returns will be quickly and scientifically analysed, voluntary compliance rates may rise which could help tax agencies avoid costs and further improve revenue collections, Brown et al, (2003) claim that "tax audit and compliance system, is a comprehensive, integrated solution designed to improve tax auditor productivity and increase tax revenues". It is an additional audit to the statutory audit and is carried out by tax officials from a relevant tax authority. This is not the same as the statutory audit with respect to the requirement of the Company and Allied Matter Act (CAMA) 1990 (as amended). "It should also be noted that the criteria for selecting cases for tax audit include persistent loses, nil tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud or evasion, transfer mispricing, thin capitalization and most often when the taxpayers request for tax clearance certificate among others" (Bitrus, 2014, Okonkwo 2014, Oyedokun 2014) .

Desk Tax Audit:

Bassey (2013), however classified tax audit into two: Desk Audit and Field Audit. Desk or office audit is said to be the tax audit or examination which takes place in the tax office where books and financial records of the taxpayers are examined. This is one which the whole activity of the audit takes place within the confines of the office of the tax officials. In this situation the tax official may simply request the taxpayers to provide some additional documents to his office to enable him clear some issues in the returns submitted.

In this type of audit, no official notice is given to the taxpayer of the impending desk audit exercise. He only gets to know when letters are written to him requesting for certain documents or explanations. The essence is to ensure some level of compliance with tax laws, rules and regulations as well as performing the administrative checks on returns submitted.

Tax Revenue

According to Brautigam (2002), tax revenue is "the income that is gained by governments through taxation". Taxation is the primary source of income for a state. Revenue may be extracted from sources such as individuals, public enterprises, trade, royalties on natural resources and/or foreign aid. An inefficient collection of taxes is greater in countries characterized by poverty, a large agricultural sector and large amounts of foreign aid. Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes. Money earned by the State thanks to taxation. It is the main income for the state, funding public expenditure and other items, tangibly expressing the common efforts of the community (Mutarindwa & Rutikanga, 2014).

According to Slemond (2000), taxes are good ways for financing the costs of public goods, a special group of goods whose consumption by one person does not decrease the consumption by others and, at the same time, for which it is costly or impossible to prevent consumption (e.g. street lightening). A normal pricing for these goods would arrive to a zero-level price; thus, it would provide no incentives to supply. Similarly, it is common to finance by taxes the costs of goods and services having large positive externalities if they are not supplied enough by the private sector.

Taxes are mandatory payments, ruled by laws. Tax revenue is collected from the whole society with differentiated intensity, inspired by considerations of justice, efficiency and effectiveness. In particular, the tax system can have the broad goal of reducing income inequality. Taxes can be considered as ex-ante payments for services obtained later on (allowing for de-coupling of the payment structure from consumption structure but not necessarily). The can also be seen as "premium payments for insurance schemes" (Jinkwan, 2014).

Many fiscal system, however, are highly irrational, exceedingly complex and the taxpayer risks to need a professional advice for computing the tax amount and for figuring out ways to decrease the tax burden. They can pay for wasteful expenditure, especially of the political and economic élite. Reaction to taxation can shape electoral behaviour.

Taxes contribute to the repayment of cumulated public debt (principal) and the related interest paid on it. However they quickly become untolerated by the electorate if the share devoted to such goals becomes too large, compressing public expenditure amount, coverage and quality, since most voter will feel to receive less than they pay in taxes.

The tax revenue is the sum of the revenues of different kind of taxes, depending on what is taxed:

i. The revenue of physical and juridical persons ("direct taxes");
ii. Wealth and assets as real estates and houses;
iii. The domestic economic transactions, especially for consumption purposes ("indirect taxes" - e.g. VAT), including "bad habits" (sin taxes);
iv. International trade, typically through import duties;
v. Financial transactions, both in domestic and in international terms.
(Jinkwan, 2004; Yongzhi, 2005).

Tax revenue is the result of the application of a tax rate to a tax base. Increases in tax base result in more socially acceptable increase in revenue than an increase in the rate, which in turn, in certain macroeconomic conditions, could even backfire.

Slemond (2000) claimed that taxes are ranked according to the tax rate:

1. Progressive taxes, with a tax percentage rate growing with the amount taxed;
2. Proportional taxes, with a tax rate constant whatever the tax base;
3. Regressive taxes, with falling tax rate whilst increasing base;
4. Lump sum taxes, with a fixed absolute value of the tax, irrespective of the tax base.

Thus, the income distribution and tax base dynamics are key determinants for the revenue from progressive, proportional and regressive taxes, whereas it becomes irrelevant for lump sum taxes.

Fiscal systems differ a lot throughout the world but usually the personal revenue tax is progressive, the firm revenue tax is proportional as well as the taxation of domestic and international economic activity. Also wealth taxation is usually proportional, with some use of lump sums. Lump sums are particularly common for taxes of a small absolute value.

Progressive taxes have the advantages of producing a large revenue from a small number of taxpayers, which are in political minority. Their political acceptance in selfish voters can thus be high. Taxes on what is considered as "bad" (e.g. pollution, smoking, drinking alcohol) are also more justifiable from a moral point of view (and offer to the "good-habit" people the possibility of escaping the tax), so usually they are politically sustainable. However, depending on the political climate and parties' position an increase in taxation may be electorally toxic (Jinkwan, 2000).

In macroeconomic terms, GDP dynamics is a major determinant of tax revenue. The higher the GDP, the larger the tax base, the higher the tax revenue. The credible capability of raising tax revenues up to fully meet debt principal due and interests to creditors is the key indicator for the sustainability of public debt. The credibility of extracting enough tax revenue to this aim is directly linked to the overall GDP amount (as too high tax rates are considered unlikely and having a depressing effect on GDP itself) as well as the political acceptability of taxes. This, in turn, depends on how fair the tax system is considered by voters and whether a majority estimates to be receiving from public expenditure more than it gives in taxes.

The more progressive the tax system, the larger this majority is (since only a few rich bear the burden of giving much more than they receive). Politicians that state that tax avoidance is acceptable undermine the credibility of the tax power, so they can bring a country on the brink of bankruptcy, somehow irrespective of how high is debt with respect to GDP. International competition across fiscal systems can hinder the possibility for a state to tax mobile items, whereas providing a strong incentive to international coordination (e.g. against tax havens). Fiscal systems differs in terms of transparency, simplicity, use of threshold for exemptions, ways to deduct bills, etc. to the effect that, in certain countries, the work of tax accountants is very important for final effective taxation.

Empirical Studies

A study conducted in Nigeria by Samuel & Tyokoso (2014) on an empirical investigation of tax audit and tax revenue generation in Nigeria; found that it has a significant effect on tax revenue generation in Nigeria. Regression analysis was used to analyses both primary and secondary data generated. The scope of this study was from 2001 to 2010, and as such, current issues left out in their study.

Similarly, Stanley (2014) conducted a study titled effective tax administration and institutionalization of accounting systems in small and medium scale enterprises; evidence from Nigeria". One of the variables he used for operationalizing tax administration is tax audit. He used the econometric e-view to analyse the data obtained and he found that lack of effective tax audit undermines the collection of profit tax from the operators of those sector. His study also revealed that several variables militate against the establishment of an effective tax administration in Nigeria. The study concentrated more on the SMS's than the Nigerian economy as a whole. Theoretical and empirical gaps were also evident. In another study conducted by Machira & Irura (2009) on "taxation and SMS's sector growth in Nigeria". Data used for this study were collected using the questionnaire, interview and observation. It was analyzed using binary logistic regression empirical model. The study found that there is a significant correlation between taxation and SMS's sector growth.

Frank (2010) concludes that the designed "tax authorities audit policy can have important effects on production decision by firms. The nature of such effects depends on whether firms compete or collude". Accordingly, an appropriate designed audit policy may not only achieve greater compliance and higher net revenue for given output and resources spend on audit but may also have other effects that would be normally considered desirable in a wider economic context. By a smart design of audit policy, the authorities can create information externalities that partially offset the informational advantages of industry insider. Since decision in the product market is in the light of the eventual outcome of net after tax expected profits, the audit policy can create a linkage to output decisions. Specifically, it may be possible to nudge firms in the direction of greater efficiency.

Yongzhi (2005) found a positive relationship between the audit and the voluntary competence. 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. Luigi (1999) concluded that better integration of the research on tax evasion the "law and economics" analysis of legal rule, is definitely desirable. As theoretical analysis proceeds, additional empirical work will be needed together with more extensive study of comparative tax enforcement law and procedure.

Edame & Okoi (2014) in their research effort examined the impact of taxation on investment and economic development in Nigeria. They used the Ordinary Least Square (OLS) method to analyse the secondary data collected and it was revealed that taxation is negatively related to the level of investment and the output of goods and services (GDP) and it is positively related to government expenditure in Nigeria. Meanwhile Usman and Bilyaminu (2013) examined "taxation and societal development in Nigeria". Secondary data was used and the study found that more tax compliance is significantly associated with adequate campaign and judicious utilization of tax funds in 2014. They used econometrics model such as Augmented Dickey-Fuller and Johnsen Co-integration to analyzed their data and they found out that taxation is a very important tool for fiscal policy which can stimulate economic growth of any country.

Adereti, Adesina & Sanni (2011) also studied the effect of value added tax on Nigerian economic growth from 1994 to 2008. Secondary data were collected and analysed using multiple regression. The study revealed a positive correlation between VAT and GDP. James & Moses (2012) in the United Kingdom examined the impact of tax administration on revenue generation in a developing economy with Nigeria as a case study. Primary data were collected via questionnaires and analyzed using simple percentages. They found that inadequate training of personnel, lack of modern information communication tools are some of the challenges facing effective administration of tax in Nigeria. Zakariya & Muzainah in 2015 looked into the problems and prospects of tax administration in Nigeria using Gombe as a case study. Secondary data and field survey were used by the researchers. They found poor working conditions, insufficient public awareness and poor remuneration among other things as problems facing Gombe state internal revenue service.

Akintoye & Tashie (2013) examined the "effect of Tax Compliance on economic growth and development in Nigeria". Tax compliance is proxied on willingness to pay tax. A comparative analysis of willingness to pay taxes in two (2) large states of Nigeria, Lagos and Oyo was presented. Primary data was collected through the administration of questionnaires to self-employed in each senatorial district in Oyo and Lagos states. Frequencies and percentages were used to measure the demographic variables of respondents while chi-square technique was used to measure the difference between the willingness of citizens to pay tax and that of the willingness of citizen to pay tax in Lagos state. It was discovered that many Nigerians are complying with tax payment and the willingness to pay tax in Lagos is significantly higher than that of Oyo. It was suggested that government should pay attention to the factors that influence willingness to pay tax and improve on them.

The trust of the study conducted by Abiola & Asiweh (2012) was the Nigerian Tax Administration and its capacity to reduce tax evasion and generate revenue for development desire of the populace. The study made use of 121 online questionnaires containing 25 relevant questions. Descriptive statistics were used to analyze 93 usable responses. The study found among other things that increase tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. The study found out that Nigeria lack enforcement machineries which include adequate manpower, computers and effective postal and communication system.

Ogbonna & Ebimobowei (2012) examined the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. Relevant secondary data were collected from the central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS), Office of Accountant General of the Federalism and other relevant government agencies. The data collected were analyzed using relevant descriptive statistics and Econometric Models as White test, Ramsey Resey test, Breusch Godfrey test, Jacque Berra test, Augment Dickey Fully test, Johanson test, and Granger Causality test. The results from the various tests show that tax reforms are positively and significantly related to economic growth. It was recommended that sustainable economic growth cannot be attained except obsolete tax laws and rates are reviewed in line with macroeconomic objectives.

Finally, Okafor (2012) explored the impact of income tax revenue on the economic growth of Nigeria as provided by the Gross Domestic Product (GDP). The ordinary least squares regression analysis was

adopted to explore the relationship between the GDP (the dependent variable) and a set of federal income tax revenue heads over the period 1981-2007. A simple hypothesis was formulated in the null form which states that there is no significant relationship between federally collected tax revenue and GDP in Nigeria. The regression result indicated a very positive and significant relationship. Suggestions were made as to strategies to be adopted to improve the system of tax administration to increase tax revenue generation.
Matthew (2014) analyzed the impact of tax revenue on the Nigerian economy using the Federal Board of Inland Revenue as a case study. He used chi-square and found that tax revenue significantly impacts on Federal government budget implementation. He also concluded that tax policies significantly affect revenue generation. Chigbu, Akujuobi & Ebimobowei (2011) conducted an empirical study on the casualty between economic growth and taxation in Nigeria

Hypothesis Development
The figure below shows the relationship between tax audit and tax revenue in Nigeria. While tax audit is the explanatory (predictor) variable operationalised as desk tax audit, the measure for tax revenue as personal income tax. With due considerations to the objectives of the study and research questions, the following hypothesis stated in the null form are raised:

H_{01}: Desk tax audit has no significant influence on personal income tax revenue of down south in Nigeria.

RESEARCH METHODS
This aspect of the study is therefore concerned primarily with the various processes to the involved in obtaining and generating necessary data for this study. Since the case study is directed at a comprehensive understanding of a single idiosyncratic case, the results may not be generalizable; hence the case study would therefore be inappropriate for this study. But the survey method involves a systematic gathering of information from respondents for the purpose of understanding and /or predicting some aspect of the behaviour of the population of interest. It is particularly useful for the study of non-observable events, such as opinions, attitudes and preferences or dispositions and also offers the researcher the opportunity to study a wider range of the study subjects for a valid generalization. In view of the above, the survey research design will be adopted in this analysis.
The population of this study shall consist of the Federal Inland Revenue Service (FIRS). However, we shall restrict our study to the Federal Inland Revenue Service (FIRS) office in Port Harcourt. The Federal Inland Revenue Service (FIRS) offices in Port Harcourt have staff strength of six hundred and thirteen (613). On the whole, the population of the study shall consist of a total of six hundred and thirteen (613) respondents.
According to Sekaran (2003), sampling is the process of selecting sufficient number of elements from the population so that a study of the sample and understanding of its properties or characteristics would make it possible for us to generalize such properties to the population elements. Sekaran (2003) further observed that the reasons for sampling, rather than collecting data from the entire population, are self-evident. He held that in research investigation involving several hundreds and even thousands of elements, it would be practically impossible to collect data from, or test, or examine every element.
In order to determine the sample size, the Taro Yemen sample size determination function was applied thus:

$$n = \frac{N}{1+n(e)^2} = \frac{613}{1+613(0.05)^2} = 242$$

Where: n = sample size, study population (613), e = level of significance (0.05)
In selecting members of the sample frame, a simple random sampling technique will be adopted whereby every member of the sample will have equal chance of being selected.

There are two major variables in this study – Tax Audit and Tax Revenue. While tax audit practice is the explanatory (predictor) variable operationalized as desk tax audit, the measures for tax revenue are the personal income tax. The choice of measurement of the variables in this study was made through a thorough and critical review of extant literature after which the items to be used in operationalizing the variables were established. The variables are:

(i) **Desk Tax Audit:** Desk or office audit is said to be the tax audit or examination which takes place in the tax office where books and financial records of the taxpayers are examined.

(ii) **Tax Revenue: Tax revenue** is the income generated by governments through taxation. It is measured as the companies' income tax and personal income tax revenues collected by the FIRS for the period, 2000 – 2015.

Sources of Data

In every study, the researcher may have the choice of collecting the relevant data himself or by relying entirely on existing data either in published or unpublished form. Hence, there are basically two sources of data collection, these are the primary source and secondary source.

The instrument for collection of data in this study is a combination of tax authorities' records and the questionnaire. The questionnaire will be structured and designed in five point Likert scale; strongly agree (5), agree (4), indifferent (3), disagree (2), and strongly disagree (1). It was designed in two parts. Part A will be used to generate background information of the respondents and the organization of the study. Part B shall be used to gather information on the variable of the study, such as desk tax audit.

The questionnaire shall be administered on two hundred and forty two (242) respondents of the FIRS in Rivers State.

Data Analysis Method

There are two types of data analysis; these are descriptive data analysis and inferential data analysis.

Descriptive Analysis: This involves a univariate analysis which is used in analyzing the personal data and research questions in describing the dependent and independent variables. Descriptive data for the dependent and independent variables generated in this study will be analysed using the mean scores.

Inferential Analysis: This entails bivariate and multivariate analyses, which are used in hypotheses testing. The null hypotheses stated in this study will be tested at 5% level of significance using both the linear regression analysis and the multiple regression analysis. The linear regression analysis will be used in testing the individual hypothesis while the multiple regression analysis will be used in testing the holistic effect of the independent variables (tax audit practice) on the dependent variable (tax revenue). These statistical techniques seem appropriate considering the parametric nature of the data to be generated and the nature of the research hypotheses, which are intended to measure the effect of one variable on the other.

These analyses will be conducted with the aid of the Statistical Package for Social Sciences (SPSS) version 22.

Model Specification and Estimation

In this study tax audit is the explanatory (predictor) variable operationalized as desk tax audit, while the measures of tax revenue (criterion) variable are Personal Income Tax (PIT) collected during the period of 2000 to 2015. This is as captured in the model shown below:

Model specification:

Functional forms; the empirical study model became thus:

$PIT = \int(DETA)$ - - - - - - - - (i)

Extending the functional form to mathematical form, the empirical study model became thus:

$PIT = \alpha o + \beta_1 DETA$ - - - - (ii)

In econometric form, the study model became thus:

$PIT = \alpha o + \beta_1 DETA + \mu$ - - - (iii)

Where
PIT = Personal Income Tax
DETA = Desktop Audit
αo = Constant
B_1- β_2 = Regression constant.
μ = Error term

EMPIRICAL RESULTS AND DISCUSSION

This section our attention is focused on the analysis of data. It involves the statistical presentation and empirical analysis of data collected for the study using tables, frequencies, percentages, mean index, and other statistical tool deemed necessary and appropriate for the study. Examining the extent to which tax audit is being practiced by tax authorities in Nigeria. This was achieved by analyzing the component of tax audit practice on personal income tax. These were measured by responses obtained through the administration of questionnaire designed in five-point likert scale on tax officials of the federal Inland Revenue Services (FIRS) in Port-Harcourt, Rivers State. Out of the 242 questionnaire administered, 219 copies were collected and found usable for the analysis. This respondents about 90.5% respondent rate.

Desk Tax Audit

To measure the extent to which tax authorities in Nigeria practice desk tax audit, five (5) test items were raised in the questionnaire, which were rated by the respondents. The result obtained is presented in Table 1 below.

Table 1. Extent to which tax authorities in Nigeria practice desk tax audit

S/N	Dimensions of Desk Tax Audit	SA(5)	A(4)	I(3)	D(2)	SD(1)	Total	Mean	Remarks
1	Desk tax audit is employed by Relevant Tax Authority (RTA) to achieved target revenue.	88 (440)	118 (472)	7 (21)	6 (12)	0 (0)	219 (945)	4.32	Accept
2	Suspicious about returns is what brings about desk tax audit	107 (535)	95 (380)	0 (9)	7 (26)	10 (10)	219 (960)	4.38	Accept
3	In desk tax audit tax payers provide additional documents for clarification	126 (630)	72 (288)	0 (0)	18 (36)	3 (3)	219 (957)	4.37	Accept
4	Desk tax audit solves the problems of tax evasion, avoidance and other irregularities.	177 (885)	31 (124)	2 (6)	7 (14)	2 (2)	219 (1031)	4.71	Accept
5	Desk tax audit ensures the submission of accurate and current returns	124 (620)	81 (324)	9 (27)	9 (18)	6 (6)	219 (995)	4.54	Accept
	Average Summary							4.46	

As shown in Table 1 above, the mean score on the extent to which tax authorities in Nigeria practice desk tax audit in Nigeria is 4.46 which is above average of 3.0 on a five-point Likert scale. This implies that the practice of desk tax audit by tax authorities in Nigeria is high.

H_{01}: Desk Tax Audit has no significant influence on personal income tax revenue in Nigeria

In testing this hypothesis, data generated on desk tax audit for the period under review were regressed with data generated on personal income tax and the result obtained is presented in Table 2 below.

Table 2: Relationship between desk tax audit and personal income tax in Nigeria

Variable	Beta	R Squared	t	Sig.
DETA	0.711	0.5001	6.418	0.000

The result presented in Table 2 revealed a correlation coefficient (R) of 0.711, which is positive and high. This suggests that there is a positive relationship between desk tax audit and personal income tax in Nigeria. The coefficient of determination (R^2) of 0.5001 suggests that about 50.1% of the variance in personal income tax is associated with variations in desk tax audit. In other words, about 49.9% variation in personal income tax is due to other variables other than the desk tax audit. The p-value (0.000) and t-statistic (6.418) indicate a significant relationship. This implies that there is a significant relationship between desk tax audit and personal income tax in Nigeria at the 5% level of statistical significance. This finding agrees with prior economic studies such as Olusola (1998), Yongzhi (2005) Frank (2010), Mutarindwa & Rutikanga (2014), Samuel & Tyokaru (2014) and Stanley (2014), Nwaiwu & Ironkwe (2017) who found a positive effect of desk tax audit on personal income tax in developed and less developing countries.

CONCLUDING REMARK AND RECOMMENDATIONS

Ineffective tax administration by tax authorities in Nigeria is a core factor responsible for the low level of government tax revenue. The Nigeria tax system has failed on the area of it 'administration. Personal and company income tax administration in Nigeria today do not measure to the appropriate standard. The self-employed persons earn more than those in paid employment. The self-employed earn four times than those in paid employment but the bulk of personal income yield comes from those paid employment whereas those who are self-employed earn most of the money. As a result of inadequacy in monitoring taxes paid, lots of those who are self-employed evade tax. But tax audit provides a window for increasing government tax revenue.

It is no records that no taxpayer is ready to open his/her books for examination by tax officers. Not minding the concept of quid pro quo (something for something), it is still the duty of taxpayers to declare their tax affairs in line with the available tax laws. Audit is said to be an evaluation of a person, organization, system, process, enterprise, project or product. Audits are performed to ascertain the validity and reliability of information; also to provide an assessment of a system's internal control. Tax audit is a systematic approach that follows a structured, documented plan called audit plan. In this case, tax records are examined by the auditors who use a variety of generally accepted techniques. Tax audit is one of the most effective policies to prevent tax evasion behaviour. The level of tax audit can be determined by two elements: one is how many tax payers are selected for audit and the other is how much intensive the audit is.

This study however demonstrated that the practice of tax audit in Nigeria is low and this accounts for the poor contribution of personal income tax and company income tax in Nigeria. We have established that if tax audit practice in Nigeria is effective, tax revenue in the form of personal income tax and company income tax would contribute meaningfully to government revenue. A very significant challenge around tax audits by relevant tax authority has been how to ensure timely completion. In fact, very few tax audit exercises in Nigeria commence and get concluded within twelve months as most span for years before closure. No doubt, tax authority has a duty to be thorough in its review but this duty need to be balanced with the duty to ensure timely completion of audits. Protracted tax audit exercise is not in the interest of the country or in the interest of the taxpayer.

In all, effective tax audit practice by tax authorities in Nigeria could serve as a veritable instrument for increasing government revenue, particularly in present day economy where volume of oil, which is the main stay of the Nigerian economy is no longer predictable.

Based on the findings of this study and the conclusion drawn thereof, we specifically made the following recommendations.

(i) In order to increase government tax revenue, there should be regular tax audit practice by tax authorities in Nigeria.

(ii) Tax administrators should not concentrate only on desk tax audit but also on field tax audit so as to be able to block all leakages and increase the level of tax payers' compliance.

(iii) Cost benefit analysis between the cost of carrying out tax audit and the expected tax revenue should be conducted by the tax authorities before embarking on tax audit. This is to ensure that tax collections are more than cost of enhancing compliance.

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