

Effects of Tax Audit on Tax Compliance and Remittance of Tax Revenue in Ekiti State

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Abstract

Low tax compliance and remittance limit the capacity of government to raise revenue for developmental purposes because the higher the revenue, the more likely government will put in place developmental plans for the enhancement of the living standard of the people. Based on this, the study examined the effects of tax audit on tax compliance and remittance of tax revenue in Ekiti State. It specifically investigated the effect of desk audit, field audit, back duty audit and registration audit on tax compliance and remittance of tax revenue in Ekiti State. A close-ended questionnaire was used to gather the needed data and an analysis was carried out through correlation matrix and multiple regression. It was discovered that desk audit, field audit, back duty audit and registration audit had a positive significant effect on tax compliance and remittance in Ekiti State with the p-value of 0.001, 0.000, 0.000 and 0.000 respectively. Worthy of note was that field audit was the most significant predictor out of all the predictor variables. It was concluded that tax audit could engender tax compliance and remittance in Ekiti State. It was therefore recommended that Ekiti State government should intensify tax audit through the employment of more competent staffs and intermittent training in order to cause increase in tax compliance level in the State. Also, Audited files that reveal criminal act should not be taken slightly. Tax evaders and avoiders should be seriously dealt with so as to deter others from plodding the same criminal path.

Keywords

Tax, Tax Audit, Tax Compliance and Remittance

1. Introduction

All over the world, governments embark on huge public expenditure to provide basic amenities and other social services for their citizens that constitute the

major tasks of an elected public officer. To achieve these tasks, governments require huge funds to fulfill its obligations. Among the various sources that government generates revenue, taxes are the most important and most reliable means, contributing much more than any other sources [1]. From this perspective, tax is therefore, a compulsory levy imposed by the government on the income, profit or wealth of an individual, family, community, corporate or unincorporated bodies etc., for the purposes of financing public expenditures which centered on providing social amenities for her citizens. It is a tool used by the government to generate revenue needed to provide basic amenities or infrastructures in the State.

Ekiti State has several options to finance its public expenditures and pursue its fiscal policy. These options include imposing of taxes on persons and businesses, and non-tax revenues such as service fees, loans (both domestic and foreign institutions), property and investment income and domestic and foreign grants [2]. However, tax is an important source of revenue for every government and is a heart to a State's well-being [3] unavoidably; taxes underwrite the ability of State Government to realize their aims; they form one of the grounds for the conduct of state-society relations, and they shape the balance between accumulation and redistribution that gives states their social character. Similarly, [4] notes that taxes build capacity in terms of security, basic needs and economic development.

However, in Ekiti State where tax revenue is the major source of internally generated revenue, tax compliance and remittance have been relatively low [5]. Tax compliance and remittance mean the willingness of taxpayers to remit accurate, satisfactory and complete returns in conformity with tax laws and regulations peculiar to a particular tax jurisdiction [6]. This implies that tax compliance and remittance revolve the readiness of taxpayers to agree with tax laws and regulations without being forced or coerced to remit returns. Upholding tax laws and regulations means adequate remittance of returns as and when due. In other words, failure to comply with tax laws and regulations breed low remittance or outright evaders.

Tax compliance and remittance is the process whereby taxpayers comply with the stipulated laws and regulation by remitting the expected tax return accurately and truthfully. However, remittance level in Ekiti State is relatively low, which is always reflected in the total internally generated revenue every year. Corroborating this fact, [1] observed that low tax revenue in Ekiti State underpinned excessive evaders and avoiders that engulfed the State. Since it is the paramount desire of every patriotic citizen to uplift his society, one expects that tax compliance ordinarily should not demand any form of coercion. But the volume of literature that has solely been dedicated to this subject for ages suggests that willful default in tax compliance remain a major issue in every human society, especially in Ekiti state [1] [7].

Low tax compliance and remittance limit the capacity of government to raise revenue for developmental purposes because the higher the revenue, the more

likely government will put in place developmental plans for the enhancement of the living standard of the people [7]. Hence, tax audit is therefore considered instrumental in the quest of the government to generate tax revenue. [8] noted that the role of an audit program in a modern tax administration must extend beyond merely verifying 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 [8].

[9] posited that for any nation to experience development, there must be substantial amount of revenue generation that must be properly applied on public infrastructures for the benefits of members of the society. However, the revenue and expenditure gap in Ekiti State is worrisome. The reduction in revenue generation and the continuous increase in the cost of running government have left various States to formulate strategies at improving their revenue base hence, the need for tax compliance drive. [10] argued that non-compliance with tax payment is a betrayal of the tax administration and revenue system. Therefore, a well implemented tax compliance strategy that can safeguard tax administration, sustain the confidence of taxpayers and tax audit programmes need to be embraced in order to monitor and detect the non-compliance traits of taxpayers in Ekiti State.

Although, studies like [1] [9] [10] [11] and [12] have been conducted on the influence of tax audit on tax compliance level in both developed, developing and Nigeria. The paucity of study in this area in Nigeria and none in Ekiti State constitutes a vacuum in academics, which must be filled to enhance tax audit policy formulation strategy that will enhance compliance and remittance level. In the light of this, the study basically examined the effects of tax audit on tax compliance and remittance of tax revenue in Ekiti State

2. Literature Review

2.1. Conceptual Issues

2.1.1. Tax Revenue

[13] opined that revenue is an income collected by public authorities (Federal, State and Local Government) from persons or body to finance expenditure. It is an income required by government to finance its growing expenditure. According to [6], tax revenue is a levy imposed by the government on the income and profit of individuals and companies respectively. According to [14] cited in [13], taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income. This reflects that tax revenue is a compulsory levy imposed by the government through its agencies on the income, consumption and capital of its subjects. These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied against company's profits petroleum profits, capital gains and capital transfer [6]. Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security.

2.1.2. Tax Audit

Literature affirmed that tax audit is always triggered by suspicion of fraud, evasion and related offences. According to [15], tax audit is a level of enquiry aimed at determining what level of fraud or willful default or neglect a tax payer perpetrated and to obtain evidence for possible prosecution of the culprit. This implies that tax audit centers on determining some unrevealed sources of revenue, pointing to gross non-compliance, or it may be about proof of underpayment and fraud. Supporting this view, [6] defined tax audit and investigation as an inspection of taxpayers' business records so as to ensure that law and regulation were maintained in the amount of tax reported. This reflects that the so aim of tax audit is to ensure that laws and regulations regarding tax revenue are maintained by taxpayers with the aim of increasing the revenue pool of the government.

[16] observed that tax audit is an essential compliance tool in most tax jurisdiction all over the world as it maximizes the expected tax revenue to the government both in developed and in developing countries. Expanding this notion, [17] cited in [6] revealed that tax audit revolves 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. Tax audit is necessary because it help the government to collect taxes paramount in financing budget and maintaining economic and financial order and stability. Similarly, [18] submitted that ax audit 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. [19] and [20] revealed that the following types of tax audit are relevant in ensuring tax compliance. **Figure 1** below show the types of tax audit and their interrelatedness.

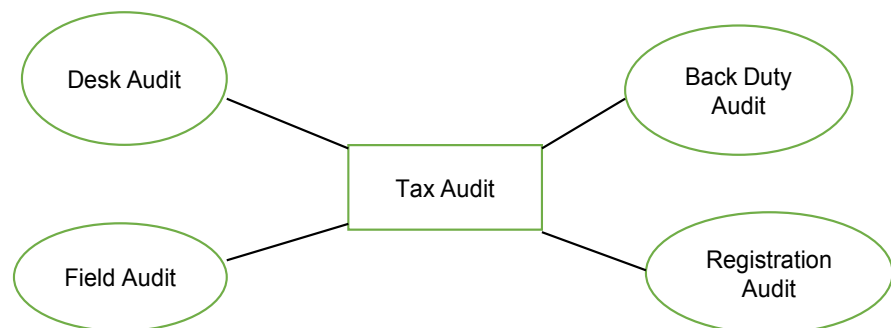


Figure 1. Types of tax audit. Source: Authors' design.

Desk or Office Audit: This type of audit takes place within the premises of the tax officials. Requests of relevant documents are made by the tax authority and the auditor does all the review in the confines of his own office. [19] noted that no prior notice is given to the tax payer and that he only gets know when letters

are written to him requesting for certain documents or explanations. Literature affirmed that office audit is cost effective affords auditors to independently determine the accurate tax liability of the tax payers [16] [21].

Field Audit: [5] opined that desk audit often times lead to field audit when additional documents are needed to complete the inspection of a tax payer. This implies that field audit is more elaborate and broader than office audit because it transcends the office of the auditor. Explaining further, [19] noted that field audit requires the taxpayers are well-informed before the commencement of the audit. This type of audit allows physical verification of tax payers claims so as to confirm the facts and figure of the returns. Literature affirmed that field audit would improve the level of compliance by the tax payers [5] [19].

Back Duty Audit: Literature asserted that back duty audit is introduced when there is doubtful claim of capital allowance related to previous or current year, a situation where lesser tax is charged as a result of falsification of document submitted by the tax payers, a reduction of profit in the returns files in tax office and failure to disclose or include in full any income or earning in the return made available to the tax office [19] [20]. It is an exercise by the relevant tax authority to ensure that the amount due to the government is duly collected. This goes to confirm the relevant tax authority as key player in ensuring that government revenues are completely and accurately collected.

Registration Audit: This type of audit is used to cage individuals and companies in the tax net. It entails documentation of the tax payers' identities and other business information obtained from the Corporate Affairs Commission (CAC) and the Nigeria Custom Service (NCS). This exercise will enable the tax authority to ascertain organizations and other chargeable persons outside the tax laws so as to get them registered and charged them accordingly [20].

2.1.3. Tax Compliance and Remittance

The non-compliance of tax laws and regulations by taxpayers is a major concern for tax administration in developing countries and obviously beacons an urgent solution because of the indispensability of tax revenue to states' development. [22] Reported that the willingness of individuals to comply with tax laws and regulations without force is known to be tax compliance. Confirming this, [12] cited in [6] defined tax remittance and compliance as the willingness of taxpayers to submit accurate, satisfactory and complete returns in conformity with tax laws and regulations peculiar to a particular tax jurisdiction. This implies that tax compliance revolves the readiness of taxpayers to cooperate with tax laws and regulations without being forced or coerced.

Tax compliance is the degree to which a taxpayer obliges to tax rules and regulations willingly without any use of force [23]. Corroborating this, [24] described tax remittance and compliance as taxpayers' willingness to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes on time. Similarly, tax compliance and remittance mean the ability and willingness of taxpayers to comply with tax laws, declare the cor-

rect income in each year and pays the right amount of taxes on time [25]. This implies that tax compliance and remittance is the taxpayers' ability and willingness to comply with tax laws that are determined by ethics, legal environment and other situational factors at a particular time and place.

2.1.4. Relationship between Tax Revenue, Tax Audit, Tax Compliance and Tax Remittance

Undoubtedly, tax revenue constitutes the major source of Internally Generated Revenue in Ekiti State. Like many other south-west States of the federation, tax revenue generated in Ekiti State is used to defray expenses and push forward the frontiers of infrastructural development. However, [23] affirmed that tax revenue in Ekiti State is plagued by many challenges. This underlines the low tax compliance and remittance in the State. As earlier explained, tax compliance and remittance is the process whereby taxpayers comply with the stipulated laws and regulation by remitting the expected tax return accurately and truthfully. [6] revealed that on the Internally Generated Revenue (IGR) log, Ekiti State is ranked 34 out of the 36 States of the federation and this reflects that the operational and strategic basis on which tax administration is built is either weak or managed by unpatriotic workers.

This challenging situation denying the State government of the tax revenue needed to improve the living standard of the populace underpins the significance of tax audit. As earlier pointed out, tax audit ensures that satisfactory returns are submitted by the tax payers to reduce the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers and to ensure that the amount due is collected and remitted to government [18]. This implies that the compliance level of tax payers in Ekiti State and the whole nation at large is contingent on the structure and activities of tax audit office. Through desk audit, field audit, back duty audit and registration audit, it is expected that tax compliance level will increase and consequently increase the remittance level. Put differently, tax audit is a compliance tool capable of improving tax revenue accruing to the State Government and the federation at large.

2.1.5. Penalties for Defaulting on Tax

There are various penalties for not paying tax; every single tax evaded carries its own punishment. Generally, under Section 66 of the Federal Inland Revenue Service's Companies Income Tax Act tax collectors the power to seize/auction off the goods and even premises of defaulting taxpayers to recover monies owed. So, it is perfectly legal for the authorities to seize assets of default on taxes; it is the law. Section 40 of the 2006 Federal Inland Revenue Service Act deals with 'Failure to deduct or remit tax' and states that.

Any person who being obliged to deduct any tax under this Act or the laws listed in the First Schedule to this Act, but fails to deduct, or having deducted fails to pay to the Service within 30 days from the date the amount was deducted or the time the duty to deduct arose, commits an offence, and upon conviction be liable to pay the tax withheld or not remitted in addition to a penalty if 10

percent of the tax withheld or not remitted per annum at the prevailing Central Bank of Nigeria minimum re-discount rate and imprisonment for a period of more than 3 years.

2.2. Theoretical Review

This study is underpinned by the theory of reasoned action (TRA) developed by Fishbein and Ajzen in 1975 [26] and the theory of planned behaviour developed by Ajzen in 1988 [27]. The theory of reasoned action predicts behavioural intentions where behavioural intentions are a function of an attitude toward the behavior and subjective norms surrounding the performance of the behavior. Attitude toward the behavior is defined as the individual's positive or negative feeling about performing a behavior. It is determined by assessing one's belief regarding the consequences of performing the behavior. Subjective norm is defined as an individual's perception of whether people important to the individual think the behavior should be performed. These people may include supervisors, co-workers, community leaders, family members, friends, and other significant persons. While the TRA has been applied in many areas, it has limitation of assuming when people form an intention to act then they will be free to act. In practice, environmental constraints will limit the freedom to act. To overcome the limitation of TRA, the theory of planned behavior (TPB) was proposed. As an extension of TRA, TPB posits that a given behavior is directly influenced by behavioral intentions, which are in turn can be predicted by attitude toward the behaviour, subjective norm regarding the behaviour and perceived behavioural control. This theory is relevant to this study in explaining the relationship between the tax payers and the tax authority. The compliance level of the tax payers is always contingent on the activities of the tax authority. This theory underpins that awareness of tax audit goes a long way to predict the compliance level of tax payers.

2.3. Conceptual Classification

Figure 2 envelopes the outcome variable and explanatory variables. It also shows the relationship between the variables of concern in the study.

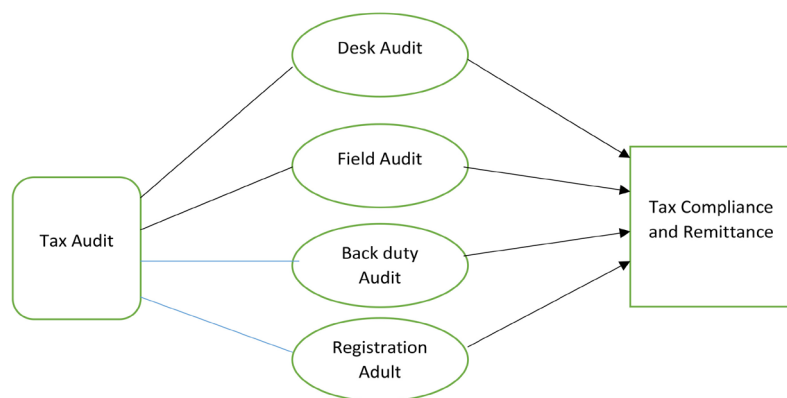


Figure 2. Conceptual framework. Source: Author's design.

The components of tax audit as depicted above are desk audit, field audit, back duty audit and registration audit. The purpose of this study is to ascertain how these variables predict taxpayers' compliance and remittance. As noted earlier, no single researcher has used these variables to examine the level at which tax payers comply with tax revenue rules, regulations and remittance. This is the gap this present study intends to fill. It is expected that all the forms of tax audit would positively influence tax compliance and remittance level in Ekiti State.

2.4. Empirical Review

Many studies have been conducted on tax administration in developed and developing countries with various conclusions. [19] undertook a study to examine the effects of tax audit on revenue generation: Federal Inland Revenue Service, Abuja experience. It was a survey study and questionnaire was used to generate the data. The hypotheses were tested using Analysis of Variance (ANOVA). Finding revealed that: tax audit has significant effects on revenue generation in Federal Inland Revenue Service and tax audit has a positive relationship with the revenue generation in Federal Inland Revenue Service.

Similarly, [20] examined tax audit and investigation as imperatives for the achievement of an efficient tax administration in Nigeria. The study adopted an expository approach using content analysis of existing literatures. The doubt and sociological theories were used to firm up the conceptualization of the topic. The study revealed that tax audit and investigation are inevitable to improve on the collection of tax revenues in Nigeria. The study also confirmed that there is a high prevalence of non-compliance currently among individuals and companies in the country. The paper, therefore, called on the government to provide an enabling legislation to make non-compliance with tax laws a more serious offence with stiffer penalties.

[21] with focus on the impact of tax audit and investigation on revenue generation in Nigeria using Pearson correlation coefficient indicated that tax audit and investigations could increase the revenue base of the government and can also stamp out the incidents of tax evasion in the country. Similarly, [28] investigates the application of experimental methods to examine the individual compliance responses to a "certain" probability of audit and conclude that the compliance rate rises if an individual knows he will be audited and the rate falls if he knows he will not be audited.

[29] investigated the impacts of tax payers' knowledge and penalties on tax compliance amongst small and medium enterprises in Nigeria using a survey research design. The data obtained from questionnaire were analyzed using the Ordinary Least Square regression method. The results showed that tax knowledge had a positive significant impact on tax compliance while tax penalty had insignificant positive impact on tax compliance. Thus, the study shows that tax knowledge has a higher tendency to promote tax compliance than tax penalty.

[13] undertook a study to examine the impact of tax audit on improving taxpayers' compliance in Ethiopia by using secondary macro data. Assessment of

relevant documents of ERCA was used as a secondary data source. The data collected for the key variables of the studies were analyzed using bivariate regression and partial coefficient regression analysis. The regression result also reveals that there is a strong association between the number of audited files and the level of tax compliance. Pearson Correlation and partial regression coefficient result shows that there is a strong association between probability of audit detection and the number of audited files with the level of tax compliance. The partial coefficient regression result shows that the joint effect of probability of audit detection and number of audited files highly improves the level of tax payer's compliance over the individual effect.

[10] analyzed the determinants of tax compliance and their influence on the level of tax compliance in the real estate sector, Eldoret town-Kenya. Using ex-post facto research design, the study targeted a population of 605. A sample size of 68 respondents comprising of real estate investors, tax audit and tax compliance officers were drawn from the target population using snowball sampling and purposive sampling methods. Data was collected using a structured questionnaire and analyzed using chi-square. This study found that tax compliance cost, tax knowledge, tax penalties and tax audit had significant effect on level of tax compliance.

A similar study was conducted in Nigeria by [1] on the impact of tax audit and other qualitative attributes on the tax compliance level of companies in Nigeria. It was a descriptive research of a survey design and the needed was elicited through a close-ended questionnaire administered on the 500 staff of the State Board of Internal Revenue of the selected States. The data generated was analysed using the ordered Logistic Regression technique to determine the significance of the independent variables has on tax compliance and it was discovered that that the probability of being audited, perception on government spending, penalties and enforcement, the joint effect of tax audit and penalties have a tendency to significantly influence tax compliance in Nigeria.

In a bid to examine the level of tax compliance in Bauchi State, Nigeria, [12] examined the effect of tax audit on tax compliance in Nigeria (a study of Bauchi state board of internal revenue). It was a survey study and the data generation was through primary source, which involved the use of questionnaire administered to the staff of Bauchi State Board of Internal Revenue. The data generated for the study were interpreted using simple percentage. The findings revealed that the Relevant Tax Authority (RTA) should employ tax audit towards achieving target revenue.

2.5. Gap in the Literature

Obviously, there is a general agreement on the need to improve tax compliance through tax audit, thus helping the government to maximize the expected tax revenue needed to defray expenditures. However, there is paucity of study on the possible impact of tax audit on tax compliance in Nigeria and none in Ekiti State. In the same vein, no single study has been able to predict the compliance

and remittance level with predictors' variables like desk audit, field audit, back duty audit and registration audit; thereby creating a gap this study intends to fill. With Ekiti State regarded as a State with low internally Generated Revenue (IGR), it is hoped that when the importance of tax audit is revealed and fully carried out on taxpayers in the State, it would increase tax revenue and thereby expand the internally generated Revenue base of the State.

3. Methodology

This study adopted a descriptive survey research design as it allows questionnaire to be used in collecting data on all the variables under investigation. A close ended questionnaire was used and divided into two major parts, part A and B. while part A covered the bio-data of the respondents, part B covered items on predictor variables and the outcome variable. All the staff of Ekiti State Board of Internal Revenue constituted the population of the study, out of which 60 staff were randomly selected as the sample size. The items on the questionnaire were subjected to face and content validity and the items were considered appropriate. Similarly, Cronbach Alpha was used to ascertain the reliability co-efficient. The reliability coefficient which was 0.89 and considered high was given in **Appendix 1A**. The data gathered was analyzed through correlation matrix and multiple regression. The model employed in this study is built based on the modification of the model of Mohd *et al.* (2013). The model was specified as follows:

$$TC = f(\text{PROBAUDIT GOVSPEND RATE ROLE}) \quad (3.1)$$

where:

f = functional relationship;

TC = tax compliance;

$TAEVAC$ = probability of being audited;

$DEKAUD$ = perception on government spending;

$FIAUD$ = tax rates;

$BAKAUD$ = role of tax authority.

The model is therefore modified by replacing tax compliance with tax compliance and remittance. Similarly, predictor variables were change to desk audit, field audit, back duty audit and registration audit. The rationale behind this is that no single study has been able to predict the compliance and remittance level of taxpayers with predictor variables like desk audit, field audit, back duty audit and registration audit; thereby creating a gap this study intends to fill. The modified model is specified as follows:

$$TACR = f(\text{DEKAUD FIAUD BAKAUD REGAUD}) \quad (3.2)$$

where:

f = functional relationship;

$TACM$ = tax compliance and remittance;

$DEKAUD$ = desk audit;

$FIAUD$ = field audit;

$BAKAUD$ = back duty audit;

REGAUD = registration audit.

The regression equation of the model is stated as follows:

$$TACM = \beta_0 + \beta_1 DEKAUD + \beta_2 FIAUD + \beta_3 BAKAUD + \beta_4 REGAUD + \mu_t \quad (3.3)$$

where:

β_0 = intercept;

β_1 and β_4 = coefficient of the Independent variables;

μ_t is referred to as error term, residual or stochastic term.

The a-prior expectation of the model stated below indicated that all the explanatory variables are expected to have positive signs with respect to the tax compliance and remittance.

$$\frac{\Delta TACM}{\Delta DESKAUD} = \frac{\Delta TACM}{\Delta FIAUD} = \frac{\Delta TACM}{\Delta BAKAUD} = \frac{\Delta TACM}{\Delta REGAUD} > 0$$

4. Empirical Results

4.1. Correlation Matrix (Table 1)

The outcome above revealed that there is a positive significant correlation between tax compliance and remittance and desk audit, field audit, back duty audit and registration audit with correlation coefficient and p-values of 0.675** and 0.000; 0.755** and 0.000; 0.748** and 0.000 and 0.745** and 0.000 respectively. This connotes that tax compliance and remittance move in the same direction with desk audit, field audit, back duty audit and registration audit. In the same vein, it could be deduced from the outcome that there is a positive significant relationship between desk audit and field audit, back duty audit and registration audit with correlation coefficients and p-values of 0.521** and 0.000; 0.699** and 0.000 and 0.474** and 0.000 respectively. Also, it was gathered that field audit has a significantly positive relationship with back duty audit and registration audit with correlation coefficients and p-values of 0.586** and 0.000 and 0.699** and 0.000 respectively. Furthermore, it was revealed that back duty audit has a positive significant relationship with registration audit with correlation coefficient of 0.599** and p-value of 0.000. The major discovery made in the analysis is that all the variables move in the same direction. This means that when desk audit, field audit, back duty audit and registration audit are increasing, the compliance level of taxpayers is also increasing.

4.2. Multiple Regression (Table 2)

Estimation result presented in the table above reported coefficient estimate of 0.792, 1.311, 1.116 and 1.049 alongside the p-value of 0.001, 0.000, 0.000 and 0.000 for desk audit, field audit, back duty audit and registration audit. The result showed that desk audit, field audit, back audit and registration audit exert significant positive effect on tax compliance and remittance; reflecting that tax compliance and remittance would increase through desk audit, field audit, back duty audit and registration audit. R-square reported stood at 77%. This implies

Table 1. Correlation matrix.

		TACR	DEKAUD	FIAUD	BAKAUD	REGAUD
TACR	Pearson Correlation	1	0.675**	0.755**	0.748**	0.745**
	Sig. (2-Tailed)		0.000	0.000	0.000	0.000
	N	60	60	60	60	60
DEKAUD	Pearson Correlation	0.675**	1	0.521**	0.699**	0.474**
	Sig. (2-Tailed)	0.000		0.000	0.000	0.000
	N	60	60	60	60	60
FIAUD	Pearson Correlation	0.755**	0.521**	1	0.586**	0.699**
	Sig. (2-Tailed)	0.000	0.000		0.000	0.000
	N	60	60	60	60	60
BAKAUD	Pearson Correlation	0.748**	0.699**	0.586**	1	0.599**
	Sig. (2-Tailed)	0.000	0.000	0.000		0.000
	N	60	60	60	60	60
REGAUD	Pearson Correlation	0.745**	0.474**	0.699**	0.599**	1
	Sig. (2-Tailed)	0.000	0.000	0.000	0.000	
	N	60	60	60	60	60

Source: Authors' compilation.

Table 2. Multiple regression analysis.

Model	Unstandardized Coefficients		t-Statistics	p-Value
	B	Std. Error		
(Constant)	2.131	0.690	3.089	0.002
DEKAUD	0.792	0.242	3.275	0.001
1 FIAUD	1.311	0.281	4.662	0.000
BAKAUD	1.116	0.285	3.921	0.000
REGAUD	1.049	0.235	4.471	0.000

Dependent Variable: TACR. Source: Authors' Compilation. R-square = 0.769. Adjusted R-Square = 0.762. F-statistics = 103.985. Prob (F-Stat) = 0.000.

that about 77% of the systematic variation in the tax compliance and remittance could be explained by desk audit, field audit, back audit and registration audit. The F-statistics of 103.985 revealed that the regression model was significant.

4.3. Discussion

Major in the discoveries made in the study is that tax audit has significant posi-

tive effect on tax compliance and remittance in Ekiti State. This discovery attributed rapid increase in tax compliance and remittance to the effect of desk audit, field audit, back duty audit and registration audit. The argument that ensues from this discovery is that tax audit can engender increase in the compliance and remittance level of tax payers in Ekiti State. This outcome corroborated the findings of Onoja and Iwarere (2015). They concluded that tax audit has significant effects on revenue generation. Similarly, this discovery gives credence to the conclusion of Onuoha and Dada (2016). They submitted that tax audit and investigation are inevitable to improve on the collection of tax revenues in Nigeria. Even, Adediran, Alade & Oshode (2013) concluded that tax audit and investigations could increase the revenue base of the government and can also stamp out the incidents of tax evasion in the country. The corollary of these findings is that tax compliance and remittance level in Ekiti State could be improved upon through desk audit, field audit, back duty audit and registration audit.

5. Conclusion and Recommendations

The study centered on the effects of tax audit on tax compliance and remittance of tax revenue in Ekiti State. Based on the discoveries made in this study it can be established that tax audit will engender tax compliance and remittance in Ekiti State. Through desk audit, field audit, back duty audit and registration audit, tax compliance and remittance will increase, thereby increasing the revenue pool of the State. It was therefore recommended that Ekiti State government should intensify tax audit through the employment of more competent staffs and intermittent training in order to cause increase in tax compliance level in the State. Also, audited files that reveals criminal act should not be taken slightly. Tax evaders and avoiders should be seriously dealt with so as to deter others from plodding the same criminal path.

6. Limitations of the Research

The major limitations encountered in the course of this study were the tight schedule of the sampled respondents and the voluntary withdrawal of some respondents not to participate in the study. All these were however well managed in the long run with the inclusion of other respondents. Similarly, it was gathered in the field that tax audit was not the only means through which tax compliance level could be improved. Proper sanitization on the need for tax payment and eradication of multiple taxation could also improve taxpayer's compliance in the State.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendix 1A

Case Processing Summary			
		N	%
Cases	Valid	60	100.0
	Excluded ^a	0	0.0
	Total	60	100.0

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

Reliability Statistics	
Cronbach's Alpha	N of Items
0.890	16

Appendix 1B

RESEARCH QUESTIONNAIRE EFFECTS OF TAX AUDIT ON TAX COMPLIANCE AND REMITTANCE OF TAX REVENUE IN EKITI STATE

Dear Respondents,

This questionnaire is designed to collect relevant information on the above-named topic. This exercise is purely for research purpose. You are kindly requested to respond to these questions accurately and truthfully. Your answer shall be treated with confidentiality.

Thanks for your cooperation.

Yours Faithfully,
Researcher

Section A (Personal Data)

Please supply the information as requested and tick (✓) as applicable in the spaces provided.

- 1) Sex: Male () Female ()
- 2) Qualification: First Degree () Second Degree () Third Degree ()
- 3) Chartered Accountant: Yes () No ()
- 4) Years of Experience: 1 - 5 years () 6 - 10 () 11 - 15 years ()
16 - 20 years () 20 and above ()

Section B: There are five options: Strongly Agreed (SA), Agreed (D), Undecided (U) Strongly Disagreed (SD) and Disagreed (D). Please, kindly tick as appropriate to you.

Desk Audit

S/N	Items	SA	A	U	D	SD
1	Tax audit takes within the premises of tax officials					
2	Desk audit is cost effective					
3	It affords auditors to independently determine the accurate tax liability of the tax payers					

Field Audit

S/N	Items	SA	A	U	D	SD
4	Desk audit often times lead to field audit when additional documents are needed					
5	It requires the taxpayers are well-informed before the commencement of the audit					
6	It allows physical verification of tax payers claims so as to confirm the facts and figure of the returns					

Back Duty Audit

S/N	Items	SA	A	U	D	SD
7	It is used to reveal doubtful claim of capital allowance related to previous or current year					
8	It corrects the mistake of lesser tax as a result of falsification of document submitted by the tax payers					
9	It reveals the reduction of profit in the returns files in tax office					

Registration Audit

S/N	Items	SA	A	U	D	SD
10	Registration audit documents tax payers' identities and other business information obtained from Corporate Affairs Commission (CAC) and the Nigeria Custom Service (NCS)					
11	It ascertains organizations and other chargeable persons evading tax					
12	It is used to cage individuals and companies in the tax net					

Tax Compliance and Remittance

S/N	Items	SA	A	U	D	SD
13	Desk audit induces taxpayers to fully comply with tax laws and regulations					
14	Field audit promotes reporting compliance of taxpayers					
15	Back duty audit ensures full compliance of tax laws and remittance of tax					
16	Registration audit influences taxpayers' compliance level and remittance of tax					