

THE ROLE OF TAX AUDIT IN REVENUE MOBILIZATION IN GHANA

REVENUE AUTHORITY

THE CASE OF ASHANTI REGION

By

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ABSTRACT

In most nations, taxation serves as the main source of revenue which governments use for their developmental projects. However, this is not the case in Ghana, the country relies on foreign sources of finance namely foreign loans and aids due to its poor performance in tax administration. To change this system, there is a serious need for revenue administration transformation. For this transformation to function well an efficient and effective tax audit unit may be needed to enable the government to keep up with the increasing complexity of business activities and tax evasion schemes. The main objective of the study is to know the role that tax audit practice plays in tax administration in the Ashanti Region and to provide concrete suggestions to its sustenance in Ghana based on the case study. The research approaches used were both qualitative and quantitative case study approaches. Sixty Auditing staff from all the offices of Ashanti Region of the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA) acted as a case in the study. The quantitative study involved primary data collection through a field survey and secondary data collection from the DTRD of the GRA. And the qualitative research method was considered as a means of gaining access to unquantifiable facts. The result of the study showed that all the respondents admitted Tax Audit is very essential in improving revenue generation and has a most important part to play in tax administration in Ghana. Even though the employees in the Tax Audit unit have the necessary skills which enable them to perform their duties and responsibilities, it is recommended that there must be adequate short term and refresher training to keep them abreast with current trends of auditing and investigations and also the numerous amendments to the tax laws. In conclusion, an improved and well-equipped Tax Audit unit can aid the nation in her pursuit to be self- sufficient in domestic revenue generation through taxation.

DEDICATION

This work is dedicated to my beloved wife, Mrs. Nanette Opoku Sarfo and all members of Opoku Sarfo family.

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ABBREVIATIONS AND ACRONYMS

AAA	American Accounting Association
CEPS	Customs Excise and Preventive Service
COBAC	Committee on Basic Accounting Concepts
DTRD	Domestic Tax Revenue Department
GCNet	Ghana Community Network Services Limited
GRA	Ghana Revenue Authority
ICT	Information communication Technology
IFAC	International Federation of Accountants
INTOSAI	International Organizations of Supreme Audit Institutions
IRS	Internal Revenue Service
MTO	Medium Tax Office
OECD	Organization for Economic Cooperation and Development
RPM	Research, Planning and Monitoring
SAI	Supreme Audit Institutions
STO	Small Tax Office
VATS	Value Added Tax Service

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Taxation remains the principal source of funds for administering a government: paying workers' wages, installing relevant infrastructure, stabilizing inflation and generally ensuring the well-being and security of its citizens. "Taxes are what we pay for civilized society" (Oliver Wendell Holmes, Jr., U.S. Supreme Court Justice). Governments of all countries from time immemorial have grappled with what the ideal level of taxation should be, to master the art of taxing without oppressing. The other end of the spectrum of revenue mobilization is ensuring that citizens comply with the law on what is due the government and to pay accordingly. This has proved to be a challenging task especially in Africa and more importantly Ghana. 'In many ways the raising of tax revenues is the most central activity of any state. Most fundamentally, revenue from taxation is what literally sustains the existence of the state, providing the funding for everything from social programs to infrastructure investment' (Prichard, 2009).

Taxation has evolved through many stages over the years, and has assumed many different forms. In ancient Egypt, scribes collected taxes. During one period the scribes imposed a tax on cooking oil. To ensure that citizens were not avoiding the cooking oil tax, the scribes would audit households to ensure that appropriate amounts of cooking oil were consumed and that citizens were not using leavings generated by other cooking processes as a substitute for the taxed oil. During the reign of Julius Caesar in the Roman Empire (49 BC- 44 BC), a one percent sales tax was imposed. Augustus Caesar increased it to four percent during his reign. In more modern times, colonialists in America paid taxes under the Molasses Act

which was modified in 1764 to include import duties on foreign molasses, sugar, wine and other commodities. According to (Danquah, 2007), the ‘bargain theory’ evolved from the concept in which tax was paid in exchange for the essential government services such as infrastructure and security. Apparently, people could not mind their daily occupations and still be able to afford time and the resources to obtain these important services. The government could not offer it for free, hence the need for the ‘bargain’.

Taxation in Ghana has always been a huge challenge for government. (Atuguba, 2006) identifies three fundamental reasons for this. Firstly, taxation is perceived as a sign of subordination. This is born from the pre-colonial system in which tribes conquered in wars were forced to pay taxes to the victors. Additionally, the colony paid taxes to the colonial masters to run the colonial apparatus. Thus, to the Ghanaian, subordinates pay taxes to their superiors. Secondly, taxation has been a convenient basis to mobilize the population against a government that is perceived as mean. Advocates for self-governance saw the imposition of the Poll Tax as fertile ground to mobilize the people against the colonialists. In 1995, the introduction of the Value Added Tax (VAT) won the opposition a lot of political points with which they fiercely attacked the government. Finally, holders of political positions have always displayed affluence that obviously suddenly follows their assumption of power. It invariably gives the population the impression that most public officials support flamboyant lifestyles on taxpayers’ monies. Thus taxation has negative connotation in the Ghanaian psyche.

Allingham and Sandmo, (1972), concluded that governments’ abilities to collect taxes depend on people’s willingness to comply with the laws and also their perception of the risk of detection and punishment for evasion and default. The evidence of this can be found in advanced economies like the United States of America, Great Britain and Japan, where in

spite of all their sophisticated tax network, high literacy rate and punitive measures, they continue to lose revenue through tax evasion, avoidance and default.

The government of Ghana therefore has to undertake the already difficult task of obtaining tax, in a system that is extremely porous, from a less educated population shackled with historical bias against taxation. This makes the situation in Ghana fragile, and accounts for why Ghana remains among the less developed countries in the world.

But the government has options to increase the tax revenue. One way is to widen the tax net to include sectors that are not currently taxed, most of which are found in the informal sector. Over the years the wide differences that have existed between the effective and statutory tax rates show that there is room for raising tax revenue without increasing tax rates by reinforcing tax administration, encouraging voluntary tax compliance, reducing and eliminating some tax exemptions. '80 percent of the Ghanaian workforce is employed in the informal sector' (Osei-Boateng & Ampratwum, 2011). Presumptive taxes, which involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts, could be used. However, care needs to be taken to minimize the possible regressive and distortionary effect on the sector, which is already economically fragile.

The second approach is to minimize tax evasion. This can be achieved through the improvement of fiscal control mechanisms; increasing and enforcing penalties for evasion; embarking on a massive education campaign to increase awareness and understanding of tax laws, to avoid erroneous interpretation and application, even abuse of tax laws. Tax administration professionals need to be trained regularly and equipped well to enable them carry out their duties more effectively.

The ability of developing nations to increase domestic revenue is a very reliable means of escaping the economic control that is tied to donor funds. Thus the improvement of revenue collection has always been high on national agenda. Income Tax Administration in Ghana started with the passing into law of the Income Tax Bill on 22nd September, 1943 as the Income Tax Ordinance No.27 of 1943. Initially, the Department collected tax from only a few limited liability companies and a very small number of individuals. Over the years other taxes and duties were added to the Income Tax. The first was the Minerals Duty in 1952. This was followed by the Betting Tax also in 1952. In 1955 the Casino Revenue Tax was also introduced. Additional taxes were introduced between 1961 and 1963. Among them were the Property Tax, Entertainment tax, Airport Tax, Standard Assessment and Excess Profits Tax. The Income Tax Department was renamed Central Revenue Department to reflect the broad scope of taxes to be collected in 1963. In 1985 the National Revenue Secretariat (NRS) was established with a ministerial status to supervise the Revenue Agencies. This was immediately followed by the Internal Revenue Service (IRS) law – 1986 (PNDCL.143) was passed in July 1986 as part of a decision on structural changes in the economy. Further restructuring led to the creation of the Revenue Agencies (Governing) Board Act, 1998 (Act.558) to establish a Central governing body in place of the existing governing boards of IRS, Customs Excise and Preventive Service (CEPS) and Value Added Tax Secretariat (VATS). Subsequently, the Revenue Agencies Governing Board was constituted in the year 2001 to ensure supervision and co-ordination of the activities of the three Revenue Agencies.

With the coming into force of the Ghana Revenue Authority Law in 2010, The Tax Audit unit of the Internal Revenue Service was relocated from the Research Planning and Monitoring (RPM) department however to the Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA). The core duty of the Tax Audit unit is to examine financial statements of tax payers with the view of establishing their reliability, accuracy and

completeness. It is also expected to detect and counter any tax evasion and avoidance schemes, optimize the declared tax liabilities, ensure compliance with the Tax Laws and advise the GRA on policy formulation.

A tax audit is an investigation conducted by the erstwhile Internal Revenue Service into a taxpayer's financial records and tax return(s). It covers also the disclosure of all significant accounting practices employed in the organization, a report on the financial position, profit and loss account and other related accounts and schedules which are part and parcel of a financial reports. Further information is required to compute the assessable income as well as to ensure compliance with all tax laws and provisions.

1.2 Problem statement

The principal source of a government's revenue should be taxation. This is not the case in Ghana. The country relies on foreign loans and aid for a significant fraction of revenue for governance. This is largely due to poor tax administration capacity and collection ability in the country. Revenue administration reform is needed in a country for various reasons. In the first place, while tax policy and tax laws create the potential for raising tax revenues, the actual amount of taxes flowing into the government coffers, to a large extent, depends on the efficiency and effectiveness of the revenue administration. Weaknesses in revenue administration lead to inadequate tax collections. Borrowing to finance the resulting budget deficit could cause an unsustainable increase in public debt and inflation.

Secondly, revenue shortfalls shrink the budgetary resource envelope, affecting the government's ability to implement its policies and programs and to provide public services. Unexpected drops in revenue collections also cause budget cuts that result in major inefficiencies in the management of public expenditure.

Additionally, the quality of revenue administration influences the investment climate and private sector development. Firms considering investments, in addition to concerns about the

formal tax system, are also concerned about how the system works. A revenue administration that is perceived to be arbitrary or predatory discourages investment. Furthermore, the display of inability by the revenue administration to enforce its regulations put discourages law-abiding firms in joining the formal private sector as they are at competitive disadvantage against less scrupulous firms.

Thirdly, there is a high incidence of corruption within the taxes and customs administrations. The government suffers major revenue leakages as dishonest revenue officials allow unjustified tax breaks to willing tax evaders. Also, honest taxpayers suffer as corruption in revenue administration leads to harassment, inflated assessment, high litigation cost and leniency towards non-compliant competitors. This high cost of corruption to the government and private sector respectively, is a major setback for the process of tax administration in a country. Any serious effort to reduce corruption in a country and improve governance, in all likelihood, has to involve reform of the revenue administration.

Reform of the revenue administration that include efficient and effective tax audit may be needed to enable it to keep up with the increasing sophistication of business activity and tax evasion schemes. With globalization, goods and services are produced by taxable entities in multiple countries. This presents vast opportunities for manipulating transactions to reduce the tax burden. Without a matching increase in the professional and technological capacity of the revenue administration, the existence of corruption, tax havens and increasing use electronic financial transactions will continue to pose major challenges in enforcing the tax laws. This will further reduce the chances of monitoring taxable activity and countering tax evasion. For this reason tax audit plays an important role to increase the capacity of revenue administration. Tax audit is one of the major tools of revenue administration. Therefore, this study focuses its significance and practice in Ghana taking the Domestic Tax Revenue Division of the Ghana Revenue Authority as a case.

1.3 Objectives of the Study

The main objective of the study is to know whether tax audit practice plays a significant role in tax administration. Specifically, the study attempts to:

1. Identify specific methods GRA uses to audit taxpayers.
2. Find out the contribution of tax audit in Tax Revenue mobilization.
3. Investigate the challenges confronting Tax Auditing in Ashanti region.

1.4 Significance of the Study

The study will analyze the tax administration framework, as well as the significance and application of the tax audit. This would enable the stakeholders of the tax administration, namely the GRA, taxpayers and the government to get a better understanding of the role of the tax audit and to contribute to its successful implementation. The study will also put forward relevant suggestions on improvements that could be made on the current practice of tax audit. The study will also make an assessment of the transparency in carrying out the tax audit in its current state. It will provide a clear picture of the level of efficiency and effectiveness of the existing tax audit practice in GRA in the Ashanti region. The findings may also serve as a good reference source for further research into the tax audit.

There has always been a process of continuous improvement in the tax administration procedure in the country. This project tries to provide relevant information to contribute to this process so that taxation and auditing of taxation can once again go through a process of refinement to reflect the experience and knowledge that has been gained up to this time in the history of Ghana's tax administration. This work also bears in mind the important role of taxation in drawing the development agenda and planning the economy of the country.

1.5 Scope of the Study

This study analyzes the tax audit practice in the Ashanti region in respect of the Ghana Revenue Authority (GRA). A cross section of tax payers were considered in the study. This study considers the practice and its application in the IRS/DTRD of the GRA, thus the scope may be somehow limited.

The Ashanti region is very representative of the population of Ghana. Its inhabitants represent a cross section of the economic, business and financial activities in the country. It is therefore supposed that this study illustrates the tax audit practice and its role improving revenue collection in the country.

1.6 Limitations of study

Firstly, even though the study is intended to capture all the tax administration procedures, available data on tax auditing exists only for the operations ran by the IRS, therefore information gathered for this study came mostly from the IRS, which is just one unit of the three-unit GRA. However, it is believed that the outcomes and conclusions are relevant to the work of the GRA.

Additionally, most tax payers were unwilling to provide information about the study since most believed that the result of a tax audit on their books and tax payment was confidential and therefore were not very willing to provide all or the relevant information needed for the project.

Finally, some respondents were not keeping proper records of their business activities and therefore could not give adequate and correct information on the effect of taxation on their business activities and the rippling effect of tax audit practices on the economy of Ghana.

1.7 Organization of the Study

The project work is categorized into five main chapters as follows. Chapter one focuses on the background to the study, problem statement, objectives, scope, significance of the study, as well as limitations. Chapter two is devoted to the review of existing literature. It provides information about the tax audit practice and its role in increasing revenue of the government. The third chapter discusses research methodology including population, sampling techniques, methods of data collection and the research instruments employed. Chapter four is made up of detailed analysis of data collected and presentation of information with the aid of quantitative and statistical models. The fifth chapter covers the summary, conclusion and recommendations.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

This chapter reviews scholarly literature on taxation and practices involved in tax audit. It gives very deep insights and serves as a guide for the research. It would also assist other researchers who intend to go further than this work has gone, to find out about tax audit practice.

2.2 Definition of Taxation

"Taxation is simply the process of taxing or imposing a tax" (Black's Law Dictionary).

"Taxation is a system that a government uses for collecting money from people in the form of taxes" (Macmillan English Dictionary for Advance Learners).

Taxation as a term applies to all types of taxes, from income to gift to estate taxes. It is usually referred to as an act. Any revenue collected is usually called taxes. Taxation can also refer to taxes as an abstract concept, an actual amount of tax that has been levied or the material funds that have been received as taxes. Although this definition is technically correct, it is more commonly defined as the levying of compulsory contributions by public authorities having tax jurisdiction, to defray the cost of their activities. Taxation is the major source of funding for services that are better provided by the State rather than by individuals e.g. maintenance of law and order or security, water, electricity, roads, etc.

2.2.1 Purpose of Taxation

The purpose of taxation derives from its definition, which is to serve as the principal source of revenue for carrying out services provided by the state. Taxes also serve to restrain the consumption of certain types of products and to encourage others. The state might, for

instance, impose high taxes on the importation of luxury cars as a way of controlling private expenditure of the citizens. Taxes protect domestic products and industries. This is done by imposing huge taxes on similar products imported from other countries while reducing taxes on imports necessary to produce such products in the local economy to control certain aspects of the country's economy e.g. balance of payment, employment saving, investment and productivity.

2.2.2 Basis for Taxation

The responsibilities of government are numerous and varied. They are embodied in the various ministries and state departments, which increase over time. The responsibilities include infrastructural development in the form of roads, hospitals, schools, enforcement of contracts among others. Less tangible forms of government responsibilities include the enforcement of law and public order; protection of property, public works, social engineering, welfare and public services such as education systems, health care systems, pension for the elderly and public transportation. Energy, water and waste management systems are also common public utilities as well as the running of the government machinery itself.

Among the several sources of fund for the state to carry out these activities successfully, taxes constitute the most prominent, prudent, easily accessible and feasible source of revenue for the government. Governments therefore tax the people in their country as they produce to earn income for themselves. Taxes form a high percentage of revenue to nations.

Funds provided by taxation have been used by states and their functional equivalents throughout history to carry out many of these functions outlined above. Governments use

different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as businesses, or to redistribute resources among individuals or classes of the population.

In the past, chiefs, royalty and other elements of nobility were supported by taxes on the less privileged and the poor; the concept of social security was introduced as a corrective measure to this historical arrangement. Moreover, taxes were used to finance foreign and military aid, to impact the macroeconomic performance of the economy (the government's strategy for doing this is called its fiscal policy), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less expensive.

2.3 Meaning of Tax Audit

Tax audit is the overall concept of tax inspection and treatment carried out by the tax department by law on the conditions of tax payment and withholding performance of the taxpayers and withholding agents. It includes daily audit and investigation, audit and investigation on special cases.

The fundamental tasks of tax audit are implementing the national tax laws, investigation and penalizing tax offences, ensuring the national revenue, safeguarding the tax order, promoting compliance and guaranteeing the implementation the tax laws. Therefore, the tax audit must be based on the facts and the tax laws, regulations and rules rely on the people and strengthen the cooperation with the judicial service and other relevant departments.

To the tax organization, tax audit means the examination of returns by concerned authorities basically as for checking as to convenient entry, consideration of every single obliged structure and connections, and arithmetical correctness. This may be referred to internal tax audit.

The process of tax audit is quite sensitive as it could be a source of tension between the tax payer and the tax audit team. Tax audit involves visits to the place of business or home of the taxpayer, a thorough investigation of business practices and all related matters with the view to obtaining information that is as accurate as possible. The auditor would have to go through the books of the taxpayer, ask several questions and seek clarification on seemingly petty matters. All these firstly cause a disruption of business activities as the taxpayer would have to be at the call of the audit team throughout the process. The audit process represents and burden on the taxpayer and his activities constitute an intrusion into the affairs of the taxpayer's business. That notwithstanding, tax audit is the most effective method of verifying additional information in order to get the best possible picture of the business.

The role of the tax audit function is critical to the implementation of tax laws in a country. Besides the fundamental role of detecting and preventing noncompliance, tax auditors also have to interpret complex provisions of the tax laws, carry out thorough examination of the records of the taxpayer, as well as engage in numerous interactions with them, since the auditors represent the tax revenue body. The importance and complexity of this function makes it very necessary for the revenue bodies to closely monitor the overall management of the tax audit function.

For a long time, whenever public accountants conduct the audit function, it is associated with attesting to the financial statements. Therefore tax audit can be considered an extension of the attest function of public accounting. For tax purpose, one assessee is required to file a return to the concerned assessing officer with supporting documents required by tax law for simultaneous submission with the return. The assessee is sometimes called upon by the assessing officer under the tax law for producing the same. Tax audit may arise in contexts such as this. Tax audit under such conditions implies an evaluation of the assessee's

documentary evidence to prepare the an accurate tax return and statements showing the details of means to audit an assessee's accounting and other documentary evidences to prepare the correct tax return as well as to prepare the statements showing the detailed computational working for different heads of income or items in tax return and other required evidential statements regarding allowances and disallowance for deductions and all these are to be followed by an audit report giving the auditor's opinion about the degree of correspondence between the information content in the tax return and the regulatory provisions of the existing tax laws (AAA, 2008).

Thus, tax audit comprises the following:

Accounts and other evidences are required to comply with the 'tax basis of accounting', i.e. as per requirement of tax laws;

- Preparation of tax return, statement of computational working for items in the return and statements containing particulars of allowances and disallowance for deduction;
- Giving audit report portraying the attest function whether the tax return and statements have been fairly prepared as per the regulatory requirement of tax laws (Mukul, 2005).

In the field of private financial statements audit, the audit must capture all the economic-financial operations, including the taxes-originated ones, and the auditors opinion must also include whether the taxpayer has correctly assessed tax liability or not. For instance, according to Kamal Gupta & Ashok Arora, in India, the Income Tax Act, provides for compulsory audit of the accounts of certain income tax assessee's (i.e. persons liable to pay income tax) whose turn over exceed the specified limits. It was also practiced for some years in India but left after the 1997 E.C. election. The goal of such audit is to help tax authorities in making the correct assessment of the income tax of the assessee involved. The tax auditor

has to specifically report on certain transactions which have an impact on the income tax liability of the assessee concerned and are, thus important to the tax authorities (Ahymed and Stern, 1991).

2.4 Audit of Government Revenues

The significance of a proficient revenue collection system for mobilizing the resources of the administration, the need to build up tax audit as a specific and autonomous space has been at the focal point of all thoughts by real audit institution for quite a while. The International Congress of International Organization of Supreme Audit Institutions (INTOSAI) held at Rio de Janeiro, Brazil in May, 1959 prescribed that: Supreme Audit Institutions (SAI) should exercise the broadest conceivable supervision of revenues.

Notwithstanding the checking of gathering of revenue in accordance with the records rendered by the authorities, checks ought to additionally be made to see regardless of whether tax payments were in accordance with enactment.

Supreme Audit Institutions should establish whether there has been negligence or overstatements in the collections or in the estimations. The SAIs ought to be equipped to carry out their duties, especially as regards supervision of revenues, with mechanized accounting and statistical services.

At the Third International Seminar of INTOSAI held at Bali, Indonesia in June 1988 the accompanying rules were prescribed in the zone of assessment review:

(a) Audit mandate: SAIs ought to look for clear and particular lawful power for undertaking exhaustive assessment reviews in congruity with the applicable procurements of the Lima Declarations on Auditing Precepts.

(b) Audit of individual tax assessments: It is essential that individual tax records are inspected to assess the sufficiency of the framework and systems of tax evaluation and gathering. As

the examination of all assessment records is neither achievable nor important, best results may be gotten while focusing on high esteem and danger regions. Particular evaluating of business pay cases as opposed to compensation appraisal, examinations of reported avoidances and utilization of suitable factual testing systems in the audit of documents are favored practices. Information and data on citizens gathered by the duty power may be confirmed against other autonomous sources accessible.

(c) Interpretation of tax laws: SAIs ought to investigate the guidelines, regulations and warnings issued by the official organizations under the tax statutes.

(d) Scrutiny of decisions of tax authorities: Where semi legal and optional forces are vested in the tax authorities, any choices taken in the activity of such powers ought to be examined in audit.

(e) Audit strategy: Audit ought to be mostly system based and the goal ought to be to find escape clauses, lacunae and insufficiencies in duty organization as well as in expense laws. Satisfactory strategies for recognizing and managing assessment shirking ascending from inadequacies in laws could be considered so that medicinal activity including changes to the laws could be taken speedily.

(f) Socio-Economic implication of taxation. The social and economic goals projected to be attained through tax concession and relief should be reviewed in audit.

(g) Reporting on the outcome of tax audit: Having regard to personal privacy considerations, it is essential that confidentiality be maintained in reporting individual assessments in the audit reports.

(h) Training of tax auditors: Tax audit is a specialty which entails thorough knowledge of the relevant laws and regulations. SAIs should make available intensive and frequent training for

tax auditors taking advantage of the training facilities available in their local tax department's training institutions as well as those in other SAIs.

2.5 The Taxpayer Audit Program and its Roles

The tax audit program of a revenue body carries out a number of roles that are important and when effectively carried out can make a significant contribution to improved administration of the tax system. Below are some of the roles:

- Promotion of voluntary compliance: The basic function of the audit program is to promote voluntary compliance by taxpayers being abide by the tax laws. It tries to achieve this by reminding taxpayers of the risks of non-compliance and also by instilling confidence in the entire population that serious abuses of the tax law will be detected and sanctioned.
- Detection of non-compliance at the individual taxpayer level: If major risk areas are being focused, audit may reveal major understatements of tax revenue which may be evaded by individual taxpayers
- Gathering intelligence: Audits may unveil information on evasion and avoidance schemes involving a number of taxpayers.
- Gathering information on the 'health' of the tax system: The results of normal audit activity may provide information on the general well-being of the tax system. Audits conducted on a random basis can assist overall revenue administration by gathering critical information required to form judgments on overall levels of tax compliance, that over time can be used to identify trends in overall organizational effectiveness and to gather more precise information that can be used to inform decision-making on future compliance improvement strategies, to refine automated risk-based case selection processes, and even support changes to tax legislation.

- Educating taxpayers: Audits can assist to clarify the application of the law by every taxpayer and to identify improvements required in book keeping and thus may contribute to improved compliance by taxpayers in the future. Identify areas of the law that require clarification: Audits may bring to light areas of the tax law that are causing confusion and problems to large numbers of taxpayers and thus require further efforts by the revenue body to clarify the laws' requirements and/or to better educate taxpayers on what they must do to comply into the future. Given the broad range of roles to be performed a revenue body's audit program typically entails the largest allocation of a revenue body's total staff resources. From this perspective alone, the audit program represents a sizeable strategic investment that dictates the need for sound management policies and practices

2.6 Government Revenues Scope and Extent

Government revenues are principally sourced from various tax and nontax receipts. The country papers bring out the dimensions of these two sources which in turn dictate the audit priority areas. These are tax and non-tax revenues. Government revenues are largely dependent on taxes legislated through various tax statutes. But the spread of the two sources, thus, tax and non-tax revenues, varies from across countries.

The scope of audit activities differ from one country to another, this may be as a result of the system of assessment practice by the country. In general, there are two main tax assessment system used globally, namely, administrative assessment and self-assessment. Almost half of OECD countries are practicing administrative assessment to varying degrees in administering personal income tax and corporate profits/income tax. In Ghana, some corporate and individuals under Large Tax Office (LTO) and Medium Tax Office (MTO) are

now being allowed to practice self assessment with respect to both the direct and the indirect tax system.

Assessment systems work on the principle that all returns ought to be subject to a level of specialized investigation before a formal evaluation is sent to the person. Nonetheless, practically speaking, this does not happen. A significant part of the examination already embraced by specialized staff has been supplanted in numerous nations by the utilization of computerized screening methods to distinguish returns obliging investigation before a formal appraisal is issued. The execution of this practices ranges from an extremely superficial examination of some tax returns to an intensive examination including exhaustive enquiries made with the persons before a formal evaluation is issued. Indeed, even nations that practice administrative assessment supplement these game plans with a formal system of post-appraisal reviews. Be that as it may, practically speaking such projects have a tendency to be led on a littler scale than is the situation in nations just putting forth a concentrated effort evaluation standards.

In nations where self-assessment standards are practiced, returns are typically received as filed in the first place (except for returns containing numerical lapses or unmistakably mistaken findings) and, for direct tax , a formal assessment/notification affirming/refusing the liability is sent to the taxpayer before any investigation. A specimen of assessment is chosen for post-evaluation review, for the most part applying computer based risk choice procedures and/or manual screening procedures. This practice can be extended all to those with high classes of income.

It is crucial for the systems to be upheld by a reliable mechanized review case determination system utilizing risk-based screening procedures since for all intents and purposes, all tax returns are acknowledged as documented without specialized examination when putting forth

a concentrated effort evaluation standards. Normally, such systems are created utilizing risk-based criteria derived from examinations of finished review cases and are frequently overhauled to make note of the aftereffects of review exercises and to reflect imperative changes in the behavioral examples of citizens. Samples of risk identification models and approaches are described in the companion note ‘Audit Case Selection’

Since frameworks of administrative assessment and self-assessment have advanced after some time in several nations there is something of a barely recognizable difference practically speaking between their components and relative viability.

An assessment is an initial review by tax official of the tax declarations and information provided by tax payer and a verification of the mathematical and technical accuracy of the declared tax liability shortly after the submission of the declaration. The initial review also includes the application of various risk criteria to determine possible tax underpayments and the subsequent selection for tax audit.

An audit on the other hand, is the conduct for appropriate verification of selected tax payers’ declared tax liabilities. This may include a review of tax payer’s systems, books of account and other related information. It may also include cross checks of taxpayers’ records with those of taxpayers’ suppliers or with other source of information such as the custom authorities or other government departments and agencies.

2.7 Main Characteristics of Audit

The level of a country's tax compliance will depend on the environment of legal, cultural and administrative background of that countries. Nonetheless, there are some requirements that need to be in place to ensure a significant level of success from audit activities and to support continuous improvement. These are:

- A complete legal framework, which is made up of a suitable system of sanctions for non-compliance.
- A definite organizational and management procedures, including a complete performance measurement structure.
- Well-defined audit methods and sufficient support arrangements; and.
- Adequate human resource administration and development plan.

2.8 Need for Tax Audit

Tax audit performance is necessitated by certain conditions. Four conditions have a tendency to make the interest for the free execution of the audit or verify capacity. They are as per the following:

- Conflict of interests between the individuals who present the financial reports and those who make use of them;
- Consequence of information to users while using them in decision-making;
- Complexity of the financial statements and audit process; and
- Remoteness of officers from the areas of concern and the one who presented it.

If audit function is expanded to tax, the conditions stated above are also necessary to be fulfilled. Here, the assessee, who submit the financial statement has a bias relationship in respect of financial liability which is different to that of assessor of the return. Because, altered information in the financial statement may reduce the tax liability.

Secondly, the use of the financial statement is assumed to be accurate and inclusive. This is not always true. It may have serious effect on Government fiscal budget and collection if tends out to be not true. This may cause the estimated expenditure not being achieved and may bring short comings in the economy.

Additionally, both financial accounting and tax accounting are accepted as a much complex discipline due to technicalities and their discrete characteristics of difficulties.

Finally, there exists a wall of remoteness between the person who presents of the financial statement and the information on one hand and the tax official on the other hand. It is however possible for the tax official to request for any extra documents from the preparer in order for him to understand the completeness and accuracy of the information provided. But this may not be so in some instances due to time and cost constraints.

Where it is not possible for the assessing officer to obtain this information when needed, the tax authority can apply his best judgment, which may not be the expression of the reality and thus both the parties, the Government and the assessee may be affected by under- or over-charging of tax. Therefore, all the conditions creating the demand for audit with respect to tax can be found to be satisfied.

The Committee on Basic Auditing Concepts (COBAC) prescribes that the topic of any augmentation of the review capacity must have the accompanying characteristics:

- The topic must be helpless to the conclusion of evidential affirmations. Such declarations must be both quantifiable and obvious.
- There must be a data framework to record the activities, occasion or results thereof, ideally satisfactory inner controls have additionally to be set up. At last,
- Consensus ought to exist on the built up criteria against which the data arranged from the topic can be assessed.

Each of the qualities expressed above is crucial. Two extra conditions are likewise required. They are the auditor's competence and rundown of discoveries in a report. The COBAC of AAA has perceived that augmentation of the validate capacity to the review of pay government form seems to fulfill every one of the qualities expressed previously. The topic permits the reasoning of evidential statements, which are certain and also quantifiable.

Fruitful execution of the assessment law requires the support of a 'data framework' sufficient for recording the activities and occasions, and the law additionally serves as a model for assessing the topic data.

The Code of Ethics for Professional Accountants according to the International Federation of Accountants (IFAC) Ethics Committee has defined "professional service" as "any examination which seek accountancy or related skills performed by a professional accountant including accounting, auditing, taxation, management consulting and financial management services". Hence, an auditor must be experienced in accounting, auditing, and also in taxation.

Tax audit by qualified expert accountants speaks to the regarded acknowledgment of their specific skill. At the point when lawfully upheld, the genuine advantage from tax audit is that the review will guarantee upkeep of proper books of records. The bookkeeping propensity created will empower creation of transparency and result in the elimination hazy area between accepted income and reported income. This would significantly curb the incidence of tax evasion through a proper checking of fraudulent practices regarding colluded accounts. Tax returns accompanied by tax audit reports and other supporting statements testifying to a thorough checks conducted increase its credibility and can be presented before authorities in charge of tax administration.

2.9 Types of Tax Audits

The classification of tax audits is taking into account their variety in degree and the level of power to which they are directed. Hence, different terminologies have developed to depict diverse sorts of audit activity (Mugume, 2006):

Full audits – This is a complete examination of all information related to the computation of a person's tax liability within a period. The scope of a full audit is all-encompassing.

. The purpose is to find out the accurate tax liability for a financial statement as a whole. Full audits are done as part of non-systematic audit programs that are performed to gather facts on the degree, nature and particular components of tax compliance risks. Full audits are normally costly to be performed due to their broad area they cover, this means that considerable program of full audits will need more resources and reduce the rate coverage of taxpayers that could have been achieved by a diverse mix of audit types.

Limited scope audits – These type of audit review key potential risk areas of non-conformity. Limited scope audits are restricted to particular issues on the tax return and/or a particular tax system arrangement engaged by the taxpayer. These type of audits entail quite minimal resources and allows for an increased coverage of the persons to be audited within a period.

Single issue audits – These audits are restricted to one item of potential non-conformity that may be apparent after the investigation of a taxpayer's return. Single issue audits in general take less time to carry out and can be used to review large numbers of taxpayers involved in similar systems to conceal non-compliance.

The degree and nature of any review action embraced for a specific taxpayer will rely upon the accessible confirmation of the possible risks of noncompliance and a taxpayer's former history. Broad review request may likewise be advocated essentially in light of the fact that a taxpayer's financial and/or business exercises are surprisingly mind boggling.

Concerning periods under examination, reviews can concentrate on one financial year or accounting period, or be reached out to cover a few monetary periods. A review can concentrate on particular parts of the taxpayer's dealings, (for example, sales, purchases, stock etc), particular occurrences or exchanges or exercises, (for example, those did in a branch or subsidiary), or particular assessment commitments. A review can change in its

level of point of interest. At times the citizen's issues are inspected in point of interest and in different circumstances, subject to the level of danger saw, simply externally (Bukonya, 1996).

2.10 Annual Audit Plan

This is a yearly review arrangement which sets out the general number of review case focuses for the year. It considers the aggregate number of registered taxpayers, set against the aggregate accessible resources, and the sorts of review considered vital by the audit division at head office. As the arrangement is created, the objectives will be simply numerical and will be utilized for case choice after the risk based choice program has been run.

At this stage of the exercise, head office will have decided on average times to be taken for the various types of audit they have chosen. If head office has set up special and separate measures for high turnover taxpayers, the resources for implementing these measures must be taken out of the main calculations for the annual audit plan.

The yearly review arrangement incorporates input from different sources. Head office gives the review goals to the year (e.g., number of review files, an estimate of evaluated income, and so forth.). Different sources may include:

The annual audit plan includes input from various sources. Head office provides the audit objectives for the year (e.g., number of audit files, a forecast of assessed revenue, etc.).

Other sources may include:

- Previous experience and particular knowledge from auditors (i.e., information of vast taxpayers or particular businesses);
- Audit sope showing a conformity need;

- Recommended general taxpayer categorization (size, industry sort, other);
- Type of business (industrial, commercial, professional, construction);
- Reasons for the suggestion (i.e., source of compliance concern, such as prior significant review findings, remarks from taxpayers and/or representatives, feedback from speaking engagements, etc.);
- Application of risk based choice as depicted beneath;
- Anticipated staff levels in the review capacity and the net accessible time for direct review work;
- Outcomes from the past year(s) review arrangement; and
- Estimates of potential income (per the net return or per hour).

The review division at head office must have ideal objectives for the different review sorts and measure of extra tax found when setting up the yearly review arrangement, however this will be balanced amid thought of the resources accessible and examinations with the region/field office directors. Coordinating assets to review targets is a talented task and necessitate collaboration from head office and a base up data stream from the locale/field workplaces in regards to their assessments of the year's accessible assets for culmination of the different sorts of review. At the point when this is done, both head office and the district/field workplaces will have their objectives for the year and be prepared to appoint review cases from the risk choice when it is run (Lethbridge, 2013) .

2.11 Tax Audit Function and Resources Allocation

Revenue bodies regularly have available to them a limited level of resources to lead the normal business of revenue administration. Given the numerous undertakings to be performed and the inescapable choices that must made on needs, a procedure is obliged to

decide how those resources are to be designated. In some countries, tax authorities have moderately constrained caution in the matter of how staff resources are to be spread over the different ranges of work, while in others wide discretion is given to senior management on how resources are to be allocated.

Irrespective of how the financial plan, if funds for audit work is produced, a vital worry for the audit job is how the funds would be distributed among the taxpayers in different sectors of the economy. This process of judicious allocation of resources is a principal element of the strategy of a revenue body to ensure the improvement of compliance.

The large proportion of resources devoted to the taxpayer audit function is a reflection of the significance of its role. A large proportion of staff resources, often exceeding 30% are usually dedicated to the audit process and other verification functions.

2.12 Location of Audits

Tax audits can be carried out in various places. Depending on prevailing conditions, tax audits may be carried out at the taxpayer's place of business. This is called 'field audit'. The books and other relevant records could also be collected from the taxpayer, sent to the authority's premises and the examination is done. This type of audit is known as the 'office or desk audit'.

2.13 Approaches & Standards of Tax Audit

It is advisable that the generally accepted practices of auditing should be applied when conducting a tax e.g. an audit of a company under the companies act (Kangave, 2004). The auditor has to get the financial statements, as well as the statement of particulars authenticated by the taxpayer before the auditor verifies them. The technique of selective

verification (statistical sampling/test-checking) can be applied by the auditor, depending on his evaluation of the internal control system used by the entity under audit and the materiality of the transactions.

Throughout the auditing process the auditor should keep in mind that the basic objective behind is to assist the authorities in assessing the income of the taxpayer. For conducting the tax audit effectively an auditor needs to develop an approach which is a combination of taxation laws and auditing principles. It is very necessary for an auditor to rely on various legal pronouncements in the field of taxation.

2.14 The Efficiency and Effectiveness Tax Audit

The effectiveness of an audit is determined by examining the amount of evidence selected for examination with respect to the total available evidence and an optimal level of evidence. Audit efficiency is defined as audit effectiveness per unit of time by taking the audit effectiveness measure divided by minutes spent on the task (Kangave, 2004). The key findings were that time pressure affected performance only at the extremes. The highest time pressure group performed more efficiently than the auditors in the lowest time pressure group. The time pressure is manipulated by four levels of a time budget for the task. The audit programme structure also affected the efficiency. High structure was associated with increased efficiency. High structure is associated with more detailed audit procedures listed. Apostolou *et al.* (1993) defined audit efficiency as the ability to meet the budget and operationalize it as the percentage deviation between actual and budgeted hours. This research examined the effect of the behavior of a leader on audit efficiency. Two leader behaviors were considered. Firstly, the one facilitating cooperation and teamwork and the one administering discipline on one hand resulted in increased audit efficiency. On the other hand, showing consideration contributed to reduced audit efficiency (Apostolou *et al.*, 1993).

The concept of efficiency, in an economic sense, as applied to auditing, is rooted in the ideas of minimization of inputs, absence of waste, and least cost production methods. Auditing practitioners tend to define efficiency as achieving the audit task in less time thereby increasing profitability (McGrath and Hollingshead, 1993). The proficient and viable behavior of review exercises obliges that an authority's audit and examination staff have fitting authority of access to information held by the taxpayer and different parties so that taxpayers liabilities reported in their financial statement can be appropriately checked or be precisely computed, without returns. Finally, specific and appropriate measures should be in place to punish and deter non-compliance (Moyi and Muriithi, 2003).

It is therefore necessary that tax authorities should have the mandate to and sanctions to be enshrined in the legal framework to enable them perform tax administration exercise that includes the provision of adequate powers for obtaining information and an suitable regime of sanctions covering the various offences that may occur (Cheeseman and Griffiths, 2005). This legal framework may be set out independently in the laws overseeing every assessment directed or, ideally for simplicity of legislative support, in a solitary comprehensive law on tax organization that gives a typical arrangement of procurements covering all taxes. In the US, an official structure titled 'Cost Benefit Analysis' (Review of Cost Effectiveness of Investigations) is utilized to gauge the cost benefit advantage of proceeding with a review. The structure is being readied at a foreordained ceasing point in the audit, (for example, when 60 hours have been exhausted by the evaluator) (Cheeseman and Griffiths, 2005). The structure computes cost benefit so as to save advantage dollar values for the auditor's hourly labour costs and reproducing the cost by the hours anticipated to finish the review. The inspector's aggregate work dollar expense is coordinated against the anticipated income foreseen (benefit of continuance). A negative money saving advantage analysis may bring about the early end of the review.

Collectibles is another area of concern. Some nations use collectability as a pre-contact consideration and others reported that it could become an issue during the course of the audit if insolvency were pending (Kangave, 2004). The collectability theory means that a taxpayer's incapability to settle a future anticipated tax assessment would be sufficient basis for not conducting the audit. Those authorities that do not use this theory report that collectability is a secondary objective and should not reduce the primary objective of a correct assessment of tax liability. Furthermore, the constraint of collectability contemplations to the present tax period may not give a complete financial picture for the taxpayer as it avoids thought of future payment potential (Kangave, 2004).

2.15 Fighting Corruption, the Significance of Tax Audit

Corruption is widely described as including gains accruing e.g. to an economic actor's close family members or friends, company, political party and in some cases to an independent organization or charitable institution in which the economic actor has a financial or other interest. Klitgaard (1996) has developed a simple model to explain the dynamics of corruption:

$$C (\text{Corruption}) = M (\text{Monopoly Power}) + D (\text{Discretion}) - A (\text{Accountability})$$

This implies that the extent of corruption depends on the amount of monopoly power and discretionary power that an official exercises. Monopoly power can be large in highly regulated economies; discretionary power is often large in developing countries and transition economies where administrative rules and regulations are often poorly defined. And finally, accountability may also be weak, either as a result of poorly defined ethical standards of public service, weak administrative and financial systems and ineffective watchdog agencies. Tax is one of the most exposed issues for corruption since it is carried out by the interaction of the tax payer and the tax auditor. There is a considerable amount of subjectivity in the transactions. The integrity of the tax auditor plays a crucial role in the whole transaction.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the detailed outline of the procedure followed in the study to ensure the best possible findings. The approaches used are the most appropriate in arriving at the answers to the research objectives. These approaches included the types of research design used, the measuring instrument, the sampling procedure, the data collection, data management and analysis.

3.2 Research Design

Both qualitative and quantitative case study approaches were used in this work. The IRS/DTRD of the GRA in the Ashanti region of Ghana served as a case in the study. The study employed the case study approach since it involved an in-depth probe into the services provided by a sub unit of a large organization. Additionally, case study provides more realistic responses than a purely statistical survey. The design of the study depends on the objectives that have been set. The main aim of the study is to identify the role of tax auditing in terms of extent, efficiency and effectiveness of tax auditing in maximizing the generation of revenue. To achieve these objectives the study focused on obtaining some qualitative and quantitative data to facilitate a conclusion about the practice of tax audit and its effect on the revenue generated in the Ashanti region.

3.3 Quantitative Research Methods

Data collection through a field survey and secondary data collection from the DTRD of the GRA were the primary sources of data for the study. Quantitative research was carried out to

provide some answers to issues raised to justify this study. The data readily available with respect to the contribution of tax audit was up to 2012. Due to the roll out of the integration of GRA which has led to the decentralization of the audit function in every MTO and STO, some offices are not having their data distinguished into tax position before audit and tax after tax.

3.3.1 Primary Sources of Data

Data was collected from primary sources to complement data from secondary sources. Data collection from primary sources involved a field survey since it has the capacity for generating data from a large number of people. The survey was limited to staff and management of the DTRD. The managers were chosen because they were in better position to give detailed information required for the study.

3.3.2 Secondary Data Collection

Information obtained from documents in various forms such as articles, newspaper and reports from different institutions were relied on for the study. Literature from libraries, Tax Audit Reports, Annual and Quarterly Reports of Ashanti Region, documents review, the constitution of Ghana, data bases and online resources were reviewed as part of the study. Most of these documents were obtained from DTRD of the GRA.

This research strategy was intentionally chosen to see how results from primary data compared with the results obtained from secondary data. Research on the basis of primary data provided a different way of examining the same research problem examined by the secondary data. It meant that primary data served as a complement to secondary data.

A written and self-administered questionnaire was used to generate data from the primary sources. This was relatively cheap, time-efficient and free from interviewer bias.

Questionnaire designed for tax audit surveys typically helps to extract information on the characteristics of the audit practice, the time spent on each tax audit case by tax auditors, issues of tax evasion, and tax related malpractices by tax payers, and any other related issues.

The questionnaire was designed to have the following characteristics:

- *Comprehensiveness*: A broad range of questions were asked in order to encompass all the activities of the tax audit function as practiced and also to obtain a large amount of qualitative and quantitative data. This notwithstanding, the number of questions was kept to a minimum to encourage responses.
- *User friendliness*: The questions were kept short and the language was as simple as possible to encourage legibility and maximize the response rate.
- *Attitudinal questions*: Tax auditors were asked to respond on their attitudes towards the existing tax system and the significance of tax audit for the government as well as for the tax payer.

Respondent had an opportunity to add any comments that they felt were not covered in the survey. There were two types of questionnaires, the first one was for the staff and the second one was to sought information from the head of audit to compliment, confirm or contradict the one given by the staff. For the first group, sixty-five questionnaires were distributed out of which a total of sixty were returned.

3.3.3 Sample size

The sample was drawn from a list of employees from the DTRD of the GRA offices in Ashanti Region. The total sample size for the study consisted of seventy-five staff using systematic random sampling. With this understanding, self-administered questionnaires, shown in Appendixes A and B, were personally administered to the sixty-five of them during

the first week of May 2015. The objectives of these questionnaires were to elicit information which was not available from secondary sources.

3.4 Qualitative Research

The qualitative research method provided a means of obtaining unquantifiable facts. This method uses ‘words as data’ and it allows the researcher ‘to share in the understanding and perceptions of others’. Qualitative methods reveal events over a time period. This provides additional information often untapped by the quantitative methods which are more static in nature. Since this study deals with a single organization, the qualitative research method was incorporated in the research design. The qualitative method was used together with the quantitative method as a multiple research strategy to increase the depth of understanding of the results of an investigation into the tax audit practice in the Ashanti region. The application of both research methods helped to discover the similarities across various findings to increase the validity and reliability of the conclusions drawn about the tax audit practice.

3.4.1 Interviews

Interviews were conducted by the researcher as part of the qualitative research method, with a number of policy makers regarding the tax audit practice and its significance. The aim of such interviews was to find out the perceptions of these officials about tax auditing. Prior to conducting interviews with the officials of DTRD of the GRA, attempts were made to gather information through unstructured interviews. The views of persons other than GRA staff were sought about policy-related variables on tax auditing. The method used to select officials from this category was the Purposive sampling method.

3.5 Data Analysis Procedure

Proper tools and techniques were applied for classification and analysis of data after it was all collected. The main tools that were applied for classification of data are tables, charts and graphs. The analysis of data involved computation of statistics such as ratios and percentage analysis methods. Using the various types of taxes applied throughout the region the analyses were based on the revenue collection performance of the IRS compared to yields from tax audit activities, budgeted revenues and tax audit practice in IRS/DTRD of the GRA.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This segment is dedicated for the presentation and analysis of data collected for the study. The analysis is based on the data collected from the field of study according to the response given by the respondents. The opinion of the regional head of the unit was also sought for to compliment, confirm or contradict the one given by the staff.

The first section presents the sample size of the study and the characteristics of the respondents. The second section deals with the prevailing tax audit practice in the Domestic Tax Revenue Division (DTRD) of Ghana Revenue Authority (GRA). The third section covers the challenges confronting the audit unit at DTRD of GRA, the professional opinion of the regional head of audit on relevant aspects of the audit work not captured by the questionnaire for staff was incorporated at various sections where necessary.

4.2 Sample Size

As indicated in chapter three, the breakdown of the sample size who actively participated in the study was as follows;

Table 1 Breakdown of Respondents

NAME OF OFFICE	NO. OF STAFF	PERCENTAGE
		%
Asokwa MTO	12	20
Suame MTO	8	13
Asokwa STO	7	12
Suame STO	4	7
Ashtown STO	6	10
Odum STO	7	12
Kwadaso STO	3	5
Obuasi STO	5	8
Konongo STO	3	5
Mampong STO	<u>5</u>	<u>8</u>
TOTAL	<u>60</u>	<u>100</u>

Source: Author's Field Study, 2015

The active participation of the entire sample size with a high response and questionnaire retrieval rate was achieved due to personal delivery and retrieval of questionnaire.

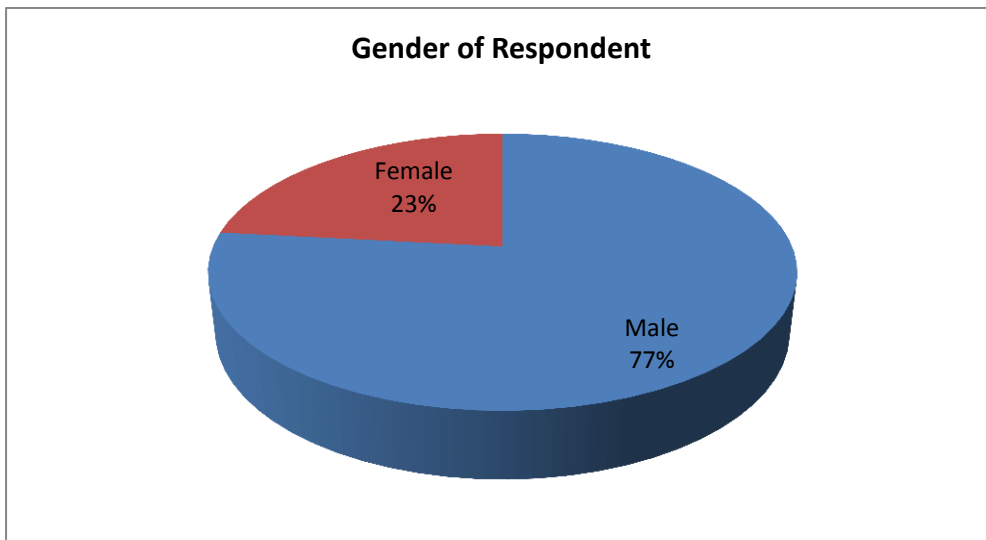
4.3 Characteristics of Respondents

This segment provides information on the backgrounds of the respondents in the study. The personal characteristics of the respondents considered are sex, age and the duration of service with the Ghana Revenue Authority.

The minimum qualification of all the respondents was first degree. In addition, 56% had masters' degree and 15% are qualified chartered professional accountants.

Figure 1 shows the gender distribution of the respondents. Of the 60 respondents, 76.7% were male and 23.3% were female. The reason for the male dominance may be as a result of the audit work being more risky when one goes out to audit at the taxpayers premises.

Figure 1 Gender Distribution of Respondents



Source: Author's Field Study, 2015

Regarding the age distribution of respondents, 70% of them fell within the active labour force group out of which 26.7% were between 36 to 40 years. The remaining respondents were within the aging group. Perhaps, this may be attributed to the fact that the audit work requires time and energy which involves sitting for long hours. This is shown in Table 2.

Table 2 Ages of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
below30 years	1	1.7	1.7	1.7
30 - 35 years	10	16.7	16.7	18.3
36 - 40 years	16	26.7	26.7	45.0
41 - 45 years	15	25.0	25.0	70.0
46 - 50 years	15	25.0	25.0	95.0
51 and above	3	5.0	5.0	100.0
Total	60	100.0	100.0	

Source: Author's Field Study, 2015

According to the data collected, the experiences of the respondents were diverse. 19 of the respondents, representing 31.7% had 6-10 years of experience. 24, representing 40% had worked between 11 and 15 years. 5 people representing 8.3% had worked between 16 and 20 years. 8 people, representing 13.3% had worked between 21 and 25 years and 4 people, representing 6.7% had worked for more than 25 years. The responses are detailed in Table 3.

Table 3 Number of years of experience in the tax profession

	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 6 years	6	10.0	10.0	10.0
6 - 10 years	13	21.7	21.7	31.7
11 - 15 years	24	40.0	40.0	71.7
Valid 16 - 20 years	5	8.3	8.3	80.0
21 - 25 years	8	13.3	13.3	93.3
above 25 years	4	6.7	6.7	100.0
Total	60	100.0	100.0	

Source: Author's Field Survey, 2015.

The above results may be due to the fact that, it would not be prudent engaging more staff with less experience (1-6years) as well as people at their terminal point of their career (25years and above), as they may be aged.

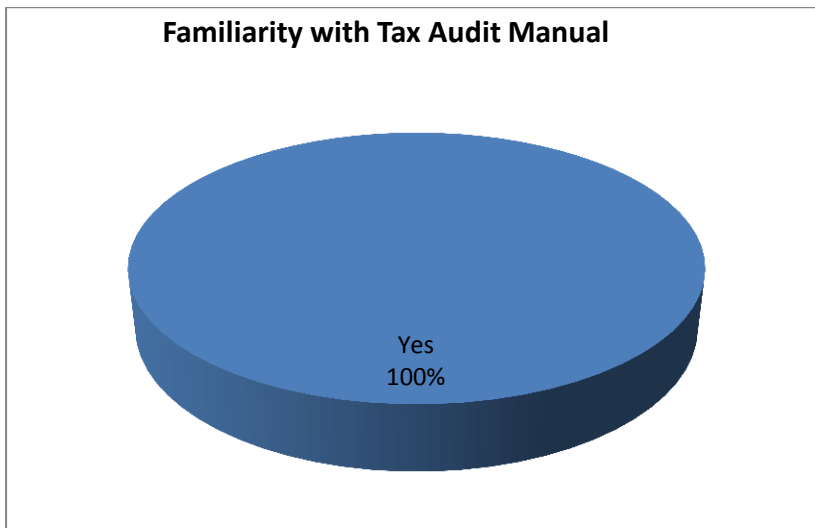
4.4 Methods and Procedures

The Audit work starts with the Audit Heads and also ends with him, the Audit Head provides managerial and technical oversight over the audit function through planning, directing, coordinating and controlling the audit activities for the office. He is responsible for the developing and designing of the annual audit plan in line with the divisional audit programme. He is also to ensure the implementation of the audit plan, he does all these with the help of his subordinates. Due to this he must get responsible staff who are well trained in

order to make his work successful. For this reason the following questions were asked to know how the staff are familiar with the methods and procedures of tax audit.

Questions were designed to measure the familiarity of the tax audit manual by field auditors since the head admitted that there is an audit manual. This was to enable the author establish the level of awareness of the tax audit manual. All respondents indicated that they are familiar with the tax audit manual.

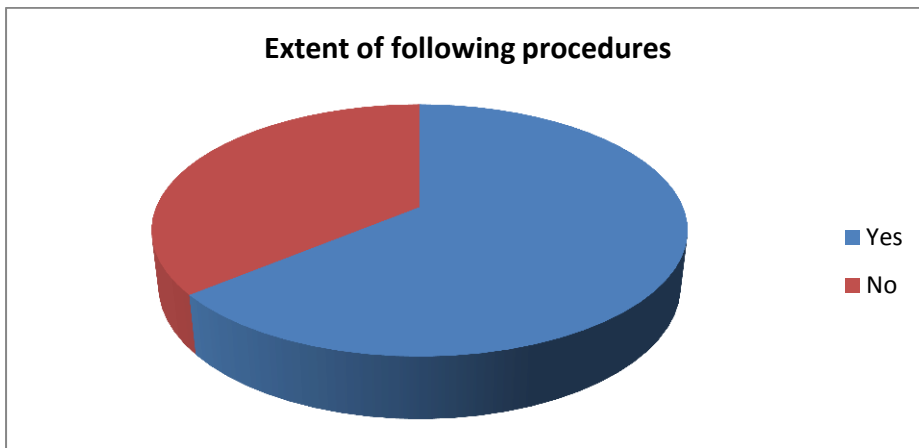
Figure 2 Familiarity with Tax Audit Manual



Source: Author's Field Survey, 2015

In response to the question on whether respondents follow the procedure in the manual, 64% indicated that they follow the procedure and 36% indicated that they do not follow the procedures of the manual; this is because most of the tax payers do not have information that would let them follow the procedures of the manual. This is shown in figure 3 below.

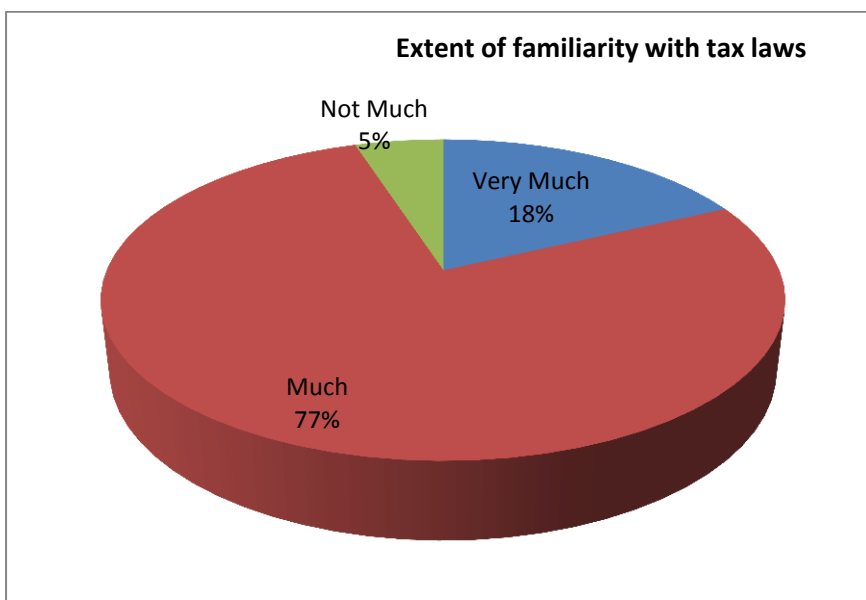
Figure 3 Usage of audit manual



Source: Author's Field Survey, 2015

Respondents also provided answers to indicate the extent to which they were conversant with the tax laws. 18% were very much conversant with the laws, 77% knew it much and only 5% were indicated that they were not much familiar with the tax laws.

Figure 4 Extent of familiarity with tax laws



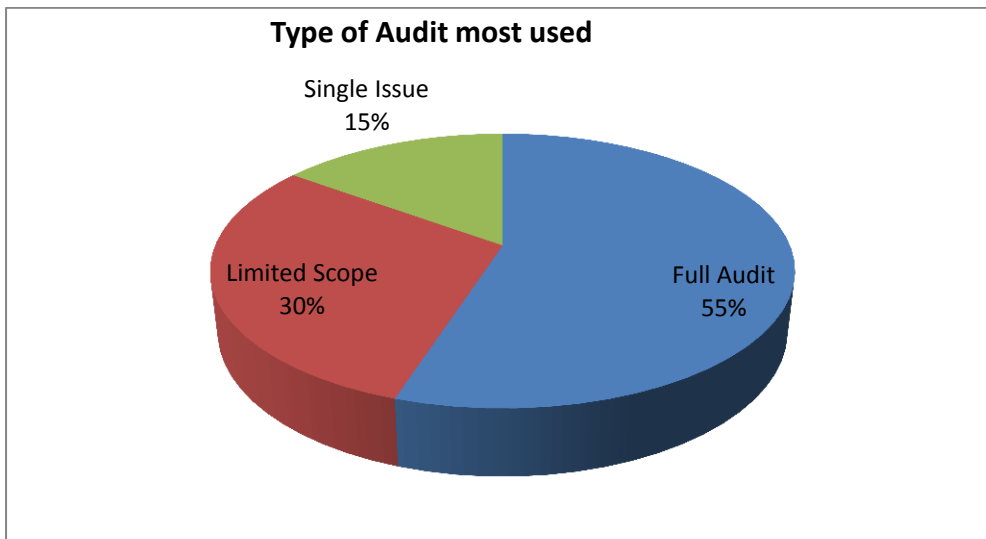
Source: Author's Field Survey, 2015

In response to a follow-up question on how they carry out their audit functions without familiarity with the tax laws 20% of the 5% indicated that they often make reference to tax laws. About 60% agreed that they work with someone with better knowledge and 20% also indicated they carry out their audit task by using their knowledge gained through education and training.

Most of respondents agreed that it is not advisable for a single auditor to carry out audit work as there is a high risk of corruption in that case. They however agreed unanimously that field audits have proven to be the best tool in tackling tax avoidance and evasion. This is because proper records are not kept by majority of the people and businesses in the tax net. Thus not only are valuable information concealed but in most instances a lot of the information made available to the tax office are not reliable. It is hereby submitted that, while, desk audits (examination of accounts) may help recover lost taxes, the work of the tax auditors, through field audits goes further to brings out the weaknesses in the system.

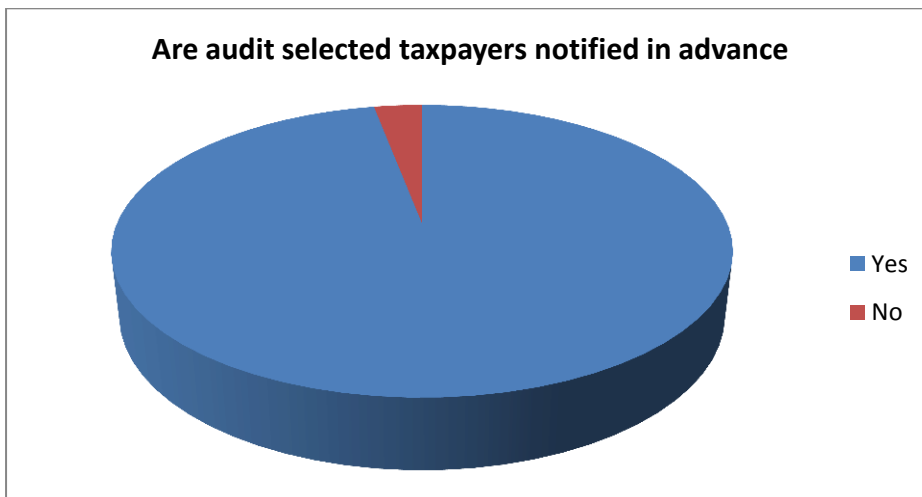
Though respondents admitted the deployment of all the types of audit mentioned depending on the situation, their response to a specific question as to which type of audit is mostly applied, 30% said they usually use full audit. 55% of them said they usually use limited scope audit in their dealings while 15% also admitted that they use single issue audit in their work.

Figure 5 Type of audit most used



Source: Author's Field Survey, 2015

Figure 6 Notice sent to selected tax payers for audits



Source: Author's Field Survey, 2015

When asked whether selected tax payers are notified in advance, 97% of the respondents indicated that the selected tax payers are given advance notice as shown in figure 4.

The remaining 3% who said advance notice is not given cited various reasons including the possible falsification of documents to support their position. That notwithstanding, the notification helps the organizations to prepare themselves properly, making all relevant documents available for the audit. The findings suggest that a notice is served depending on the organization and the circumstances.

As to whether audit is done alone by individual Auditors or a team of Auditors, all the respondents admitted that it is done most of the times by a team of auditors. A team is usually made up of two or three auditors just to minimize the work load and also the perception of corruption if it is done individually. The respondents believe that the monitoring role of audit supervisors and office managers helps to minimize the possible corruption by tax field auditors.

With respect to the number of days spent on a particular audit type, the respondent indicated the following:

Table 4 Number of days spent on a type of audit.

NO. OF DAYS	TYPE OF AUDIT					
	Full Audit		Limited Scope Audit		Single Issue Audit	
	No.	%	No.	%	No.	%
One to Ten	10	16.67	17	28.34	42	70.00
Eleven to Twenty	30	50.00	35	58.33	18	30.00
Twenty-one to Thirty	14	23.33	8	13.33		
More than Thirty	6	10.00				
TOTAL	<u>60</u>	<u>100.00</u>	<u>60</u>	<u>100.00</u>	<u>60</u>	<u>100.00</u>

Source: Author's Field Survey, 2015

Though it is not easy for one to say that I will spend this number of days on an audit, what the respondents gave in the table above indicate a range of days they spend on a particular type of audit. With the full audit, 16.67% of the them said they spend within a range of one to ten days; these are most of the times small corporate organizations. 50% said they spend between eleven to twenty days: these are also have to do with medium to large corporate organizations. Again, another 23.33% said that they use between twenty-one to thirty days and the last group of 10% said they spend more than thirty days on a full audit. The last groups has to do with large corporate organizations.

With the limited scope audit, 28.34% said that they spend between one to ten days whilst 58.33% said they spend eleven to twenty days on an audit. The remaining 13.33% claimed that they spend between twenty-one to thirty days on a limited scope audit.

When it comes to single issue audit, 70% of the respondents said they spend between one to ten days and 30% also said they spend between eleven to twenty days.

These clearly indicate that, more time is spent on a full audit and less time is spent on both limited scope and single issue audits.

With respect to the effectiveness of the tax audit operations, the head of audit agreed on all the question raised with the exception of the existence of audit plan which is strongly agreed.

4.5 Challenges Confronting Tax Auditing

The research was also designed to elicit the challenges confronting tax auditing in Ashanti region, some of the key areas in terms of challenges is been elaborated below.

Table 5 Challenges confronting tax auditing

STATEMENTS		RESPONSE									
		Strongly Agree		Agree		No Opinion		Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
1.	We possess appropriate authorities to have access to information held by the tax payers and other parties.	33	55.0	23	38.3	4	6.7				
2.	The powers are used up to the maximum limit.			15	25	5	8.3	23	38.3	17	28.3
3.	The respective government officials give/pay close attention to our audit findings.	6	10	22	36.7	10	16.7	14	23.3	8	13.3
4.	Appropriate & skilled persons are assigned to specific jobs or audit.	36	60.0	24	40.0						
5.	Sufficient resources are allocated to enable official do efficient job.			24	40.0			27	45.0	9	15.0
6.	The tax payers are very willing to give essential information.							34	56.7	26	43.3
7.	Taxpayers keep proper books of accounts.	9	15.0	12	20.0			21	35.0	18	30.0
8.	Most taxpayers' records are reliable.	8	13.3	12	20.0			22	36.7	18	30.0
9.	Mostly, taxpayers cooperate with tax auditors during audit.	10	16.7	15	25.0			20	33.3	15	25.0
10.	Assessments are mainly based on best judgment of auditors	23	38.3	15	25.0			12	20	10	16.7
11.	It is very easy locating taxpayers selected for audit.			17	28.3			18	30.0	25	41.7

Source: Author's Field Survey, 2015

The respondents were further asked whether the investigation staff and auditors possess appropriate authorities to have access to information held by the tax payers and other parties. In all, 93.3% agreed that they had the mandate out of which 55% strongly agreed to this statement. The remaining 6.7% said they did not know whether they had powers or not. Their position could be strongly linked to the fact that some of them were not too familiar with the tax laws, as indicated earlier.

As to maximum utilization of these powers, 25% of respondents simply agreed to this statement, 8% had no opinion about that, 38% disagreed and 28% strongly disagreed to this statement.

This results shows that the powers of tax auditors are not used up to the maximum limit. There are several reasons to this, firstly, officers themselves as part of the community in which the taxpayers are living and enforcing the law to the latter may let them be seen as bad people to the members of the community. The second reason is the fear of victimization and subsequent punishment by superiors; this is because sometimes taxpayers have links with some big men in the system who may defend them at all cost. This same point goes to support the immediate following statement.

The statement of respective government officials give attention to their audit report, 10% of the respondents strongly agreed, 37% just agreed, 17% said they have no opinion on that and 36% disagreed of which 13% strongly disagreeing.

From the analyzed data , it was agreed by all the respondents that appropriate & skilled persons are assigned to specific jobs or audit. This was confirmed by the head of audit.

Respondents were again asked whether sufficient resources are allocated to them to enable them do efficient jobs, 40% simply agreed to this and explained that they are being given

working materials like working sheets, pens and calculators. 45% also disagreed to this fact whilst 15% strongly disagreed and also explained that most of the working materials are being provided by themselves pointing to the fact that the major working material that they need is laptop which of course were provided by themselves.

On the issue that tax payers are very willing to give essential information, 57% of the respondents disagreed, and the remaining 43% strongly disagreed to this statement. This obviously shows that taxpayers are totally unwilling in releasing essential information for tax audit purpose. Therefore the unit must be adequately resourced to enable it function effectively in order to raise more revenue for the nation. Also the auditors must be very tactful in eliciting information from the taxpayers.

In terms of proper book keeping 35% of the respondents agreed out of which 15% strongly agreed to this statement. The remaining 65% disagreed to this statement out of which 30% strongly disagreed to the same statement. It was realized that those who keep proper books of accounts are mostly the organized corporate organization and those who are not good at that are the self-employed and small corporate organizations. Therefore the laws governing records keeping must be fully enforced to ensure compliance.

In a follow-up question as to the reliability of the records kept by taxpayers, 33.3% of the respondents agreed that they are reliable while a whopping 66.7% of them disagreed to this fact, this was confirmed by the head of audit.

The results also indicated that most of the taxpayers do not cooperate with the auditors during audit.

On how additional assessments are arrived at during audit, 63.3% stated that they based their assessment on officers' professional judgment while 36.7% said their assessments are based on records provided by taxpayers.

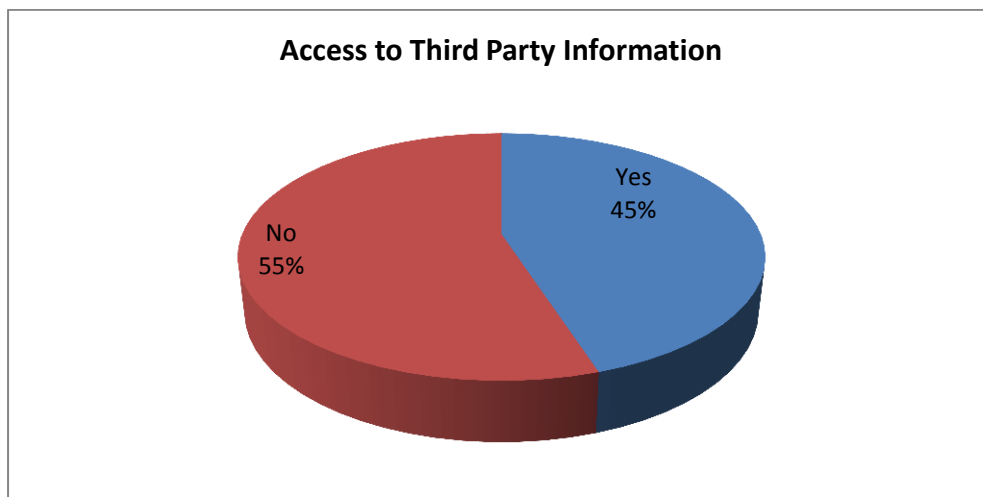
70% of the respondents stated that it was difficult for them to locate registered taxpayers while 30% stated that locating taxpayers is not difficult.

Under normal circumstances, locating a taxpayer should not be a problem, but the current situation where there is an integration, most officers who knew the locations of their taxpayer have been transferred to other offices and this has been compounded by the improper street naming system even though there is location addresses at the back of the taxpayers' file.

As to whether auditors have access to third party information sources, 45% said they have whilst 55% said they don't have access to these information. The respondents

indicated that it is not easy to get information from third parties like suppliers and customers, they are just not ready to give information of their client and at times claim they don't have the required information. Even those who said yes indicated that the third parties reluctantly give the information.

Figure 7 Access to third party information



Source: Author's Field Survey, 2015

Respondents were also asked if they have access to obtain information from other national revenue bodies, 68% said they have access to obtain information from other revenue bodies like GC Net and Custom Division, but 32% said they don't have access to obtain information from these bodies.

As a result of the inconvenience of the audit process to the tax payer, the researcher sought the opinion of the respondents with respect to the type of taxpayers who are more difficult to audit. From the data analyzed, about 88% of respondents indicated that the most difficult group to work with are the self-employed, while 12% mentioned small corporate, as shown in Table 4.6. The self-employed hardly keep any books of accounts. Auditing their work

involves going over the entire year's activity with them. This is sometimes frustrating for the auditors who are already poorly motivated as mentioned.

Table 6 Categories of tax payers most difficult to work with

	Frequency	Percent	Valid Percent	Cumulative Percent
small corporate	7	11.7	11.7	11.7
self employed	53	88.3	88.3	100.0
Total	60	100.0	100.0	

Source: Author's Field Survey, 2015.

Efficiency and effectiveness of tax audit is affected by the motivation of the employees carrying out the activity as well as the information available from the records of the taxpayers.

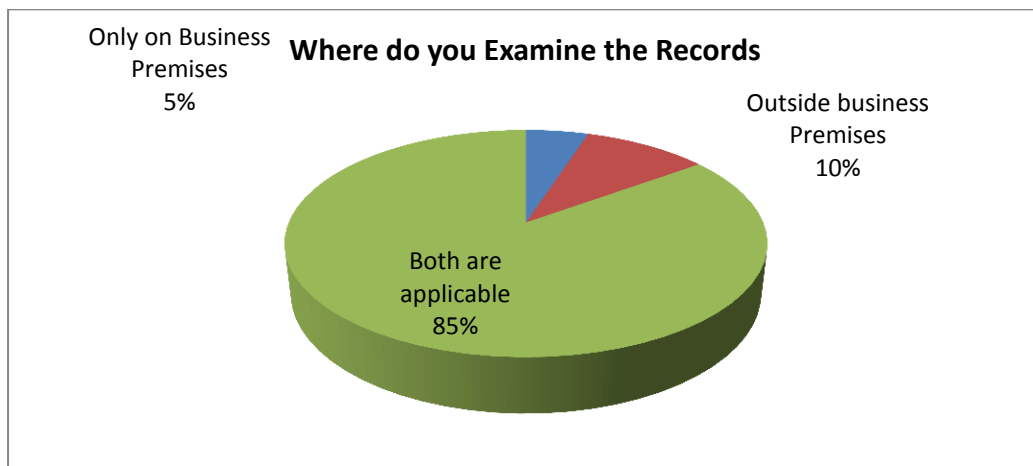
It was revealed that there are mechanisms to evaluate the audit activities, evaluation starts from the supervisor and ends at the head of audit. The work of the tax auditor is monitored by other individuals and they usually work in groups of two. According to the responses, each file is usually audited by more than one individual auditor. Tax audit does not necessarily eliminate the possibility of corruption; however, it helps to expose new trends of tax evasion and checks the work of desk officers, because tax audit is performed usually after the work of the desk officers.

The effectiveness of tax audit could be measured using various criteria such as Quantity of audit cases, Revenue generated from audit, Quality of audit Report and Compliance Level of audited taxpayers after being audited. It was realized that, two or more criteria are used

because, the quantity of audit cases is as important as the revenue that would be generated out of the audit. Same applies to the other two criteria. However, per the questionnaire administered to the head of audit, the most influential evaluation factor is the quality of audit report which has potential of enhancing compliance level and avoiding appeals and litigations.

The cases are selected at random. Moreover, the cases are selected by a group of audit supervisors. Most respondents replied that audit cases are selected based on the gross sales/turnover or revenue and the risk of exposure to evasion after reviewing the financial reports prepared by the taxpayers. However, some cases are embarked upon based on information provided by members of the general public and requests from authority for closer scrutiny of a particular sector of the economy or a certain business.

Figure 8 Location of Inspection of Records of Tax Payers



Source: Author's Field Survey, 2015.

When asked about the location of inspection of the records, 85% indicated that it is done in the business premise or outside if necessary. 10% said it is done on the premises of the taxpayers business and 5% said it is taken outside the premises.

As to whether tax auditors have access to third party sources of information, all the respondents indicated that tax auditors are mandated to access any information that would assist their work. They were also aware of the fact that they could obtain information from other agencies when necessary.

The presence of a tax auditor in a taxpayer's business premises; the exploration of business practices and the gathering of information from taxpayers' books and often the disruption of workflow usually upset the taxpayer. However, tax audit remains the only means of verifying information provided by the taxpayer. The nature of the tax audit process makes it essential to provide integrity in the form of legal framework. The legal framework also protects the rights of taxpayers.

4.6 Tax Assessment and Audit Performance

Income tax is one of the main components of direct tax. Even if the share of business profit tax is high, personal income tax increases at a constant rate whereas business profit tax does not. This is because personal tax is mainly collected from employment and involves very little effort. It does not require critical assessment beyond verifying whether the amount withheld by the employer is forwarded to the appropriate tax authority or not. But business profit tax is collected from the profit of the business, traders and corporate bodies. Due to the high risk of understatement and evasion, much more effort is required to collect the correct amount as tax. This means that tax auditors have a greater responsibility to investigate in detail all the information provided by the tax payer to determine the appropriate tax liability.

Table 7 Total Direct Tax Collection by Tax Type in the IRS/ DTRD-Ashanti Region

Year	Tax Type	Total Collected(GHC)	Tax Budget(GHC)
2009	(a) PAYE	16,243,530.00	N/A
	(b) Self-Employed	9,038,866.00	N/A
	(c) Corporate	10,528,209.00	N/A
	Total	36,851,099.00	36,674,249.00
2010	(a) PAYE	19,108,989.00	N/A
	(b) Self-Employed	12,151,849.00	N/A
	(c) Corporate	12,648,646.00	N/A
	Total	45,131,289.00	42,728,428.00
2011	(a) PAYE	24,225,189.00	N/A
	(b) Self-Employed	16,053,365.00	N/A
	(c) Corporate	15,859,880.00	N/A
	Total	58,105,534.00	57,233,235.00
2012	(a) PAYE	30,103,515.00	N/A
	(b) Self-Employed	19,802,788.00	N/A
	(c) Corporate	21,694,110.00	N/A
	Total	75,669,581.00	74,729,160.00

Source: IRS/DTRD Head office records.

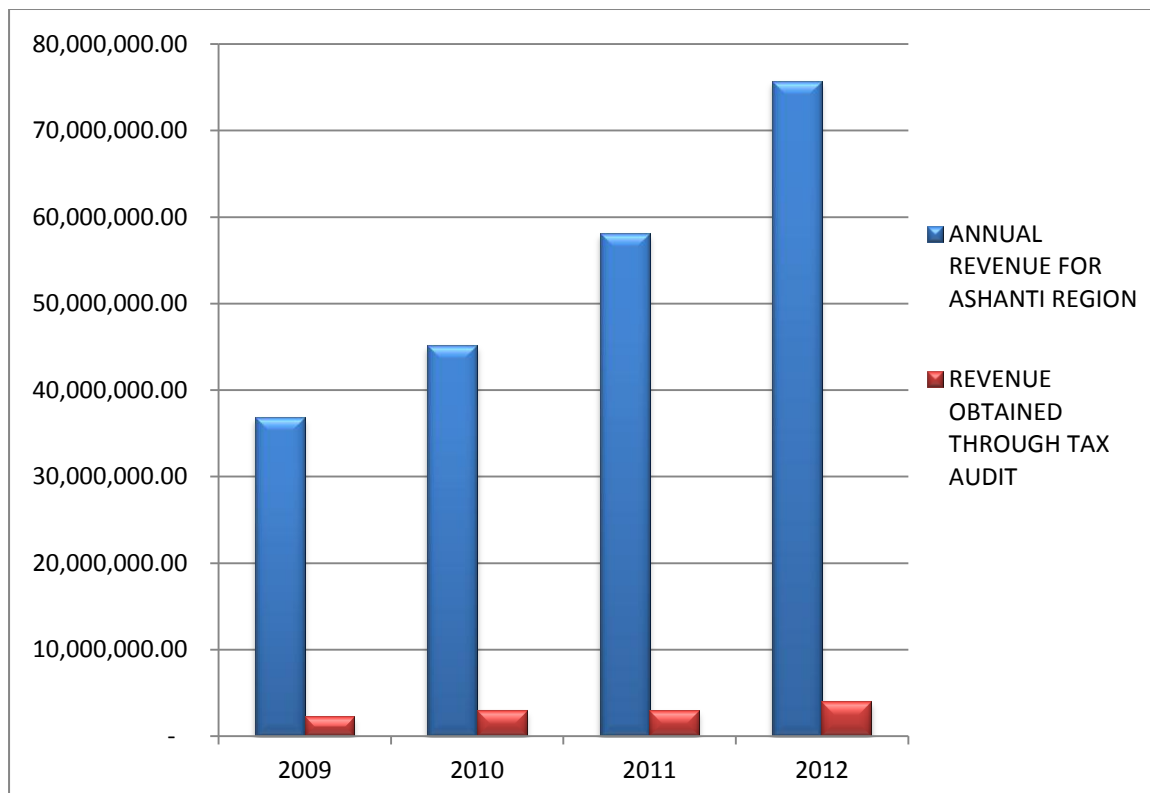
The trend of revenue performance is shown in Table 4.8. It can be seen from the table that tax audit is able to generate as much as 6.0% of revenue generated in 2009; 6.5% of revenue generated in 2010; 5.0% of revenue generated in 2011 and 5.2% of revenue generated in 2012. This implies that the GRA would have lost such amounts of revenue without the performance of tax audit.

Table 8 Tax Assessment and audit performance of Domestic Audit Unit

Year	Revenue Obtained through audit(GHC)	Total tax Revenue(GHC)	Annual Performance in Percentage %
2009	2,205,602.74	36,851,099.00	6.0
2010	2,947,577.09	45,131,289.00	6.5
2011	2,924,069.01	58,105,534.00	5.0
2012	3,968,274.34	75,669,581.00	5.2

Source: IRS/DTRD Head office records.

Figure 9 Comparison of Additional Revenue Obtained through Tax Audit and Total Revenue Generated by Ashanti Region



It should be noted that the above statistical information relates to the period prior to the establishment of audit units in every GRA office, during that period the staff who achieved

this target were only thirteen and they were also in charge of the northern sector of Ghana comprising Ashanti, Brong Ahafo, Northern, Upper East and Upper West Regions. Currently, with the establishment of audit unit in every office, it is expected that, the contribution of revenue generated through audit in Ashanti Region is expected to be raised to between 10 to 15 percent or more.

Tax Auditors depend on books of accounts of taxpayers and other relevant documents from other parties to carry out their duties. However, due to constraints such as lack of clarity in these records or absurdity of the records as well as obvious attempts to evasion, auditors have to depend on their own judgment to estimate taxes for some taxpayers.

The respondents also indicated that it is difficult to target small scale and informal enterprises, for taxation. However, with the inception of integration of the revenue agencies, almost all the offices of GRA is now having audit unit. If the tax audit staff are trained well, GRA would be able to collect more revenue from the informal sector, which is quite large. They also noted the capacity of the DTRD as a major problem. The size of the organization makes it difficult to extend operations to all tax payers in the country. Adequate staffing of the Tax Audit Unit, as a minimum, would help increase the revenue generated from taxpayers.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, the conclusions and finally, recommendations and suggestions based on the findings aimed to improve the performance of the revenue mobilization efforts of the GRA.

5.2 Summary

Taxation is the main source of revenue for any government. It is the means by which government procures civilization and dignity for its people. That notwithstanding, as a result of weak tax collection ability and management, Ghana still relies on foreign loans and grants to carry out most of its projects. It is necessary to change the administration of tax in the country to turn the situation around. A principal component of this change should be the revamping and strengthening of the existing tax audit unit within the Ghana Revenue Authority to make it an effective and efficient unit in the system.

Firstly, this would enable government to keep up with the increasing sophistication in business and spot potential tax evasion strategies adopted by taxpayers. Secondly, it would aid in identifying potential taxpayers and enlightening those who already pay taxes about their rights and responsibilities.

The study was aimed at finding the role that the tax audit practice plays in tax administration and to investigate its significance in improving the capacity of tax administration in the country. Due to the specialized nature of the tax audit practice, data gathering was based on both qualitative and quantitative case study approaches in order to obtain responses that fully capture the practice and its role in tax administration. The focus of the study was the

Domestic Tax Revenue Division (DTRD) of the Ghana Revenue Authority (GRA), Ashanti Region.

It was found from the study that tax audit is a key component in any effort to improve revenue generation and plays a major role in tax administration in Ghana. This is more so as tax administration in the country is gradually shifting towards self-assessment. The self-assessment regime requires an efficient and effective tax audit to maximize tax collection and eliminate tax avoidance and evasion. Though in percentage wise, the contribution of the unit was decreasing i.e. from 6.0% to 5.2% in 2009 and 2012 respectively, it was realized that the unit was in charge of the five northern regions, and for that matter their concentration was not only in Ashanti region.

It was found out that the tax audit unit practically performs all tasks manually. This hinders accountability and transparency in the tax system. This again hinders the effectiveness and efficiency of the audit practice as well as tax collection. It also impairs supervision and access to many sources of information.

It was also found out that about 71% of the respondents admitted it is not easy locating a taxpayer due to our system of street naming while 67% of them admitted that taxpayers do not keep proper books of accounts and these hinders their work.

5.3 Conclusions

The tax administrators used to apply a system of administrative or provisional assessment when dealing with individual tax payers. Now the current orientation of the DTRD of GRA is directed towards the promotion of more self-assessment. For this reason, the audit

practice which is currently in place needs to be improved. If this is done properly, the unit would be well positioned to take on the challenges posed by globalization and the rapid expansion and improvement in Information Communication Technology (ICT) and to tactically incorporate it in its operations.

It was found out that the tax audit unit practically performs all tasks manually. This hinders accountability and transparency in the tax system. This again hinders the effectiveness and efficiency of the audit practice as well as tax collection. It also impairs supervision and access to many sources of information.

It was also found out that about 71% of the respondents admitted it is not easy locating a taxpayer due to our system of street naming while 67% of them admitted that taxpayers do not keep proper books of accounts and these hinders their work.

The employees in the unit possess all the basic knowledge and necessary skills to enable them carry out their duties. However, there is the need to provide adequate short term trainings and refresher courses to keep them abreast with current trends of auditing and investigating irregularities in the process of taxation. It would also help keep them abreast with the numerous amendments to the tax laws. Additionally, it should be noted that the prevailing audit practice relies largely on documents produced by the tax payers. These documents cannot be wholly reliable sources of information for tax purposes. The unit should therefore be equipped to be able to access third party information for verification and authentication of the records of taxpayers being audited.

With the current expansion of the tax audit unit to cover every GRA office, if tax auditors are helped to be up to date with tax laws and requisite skills, and also giving them a certain level of freehand to operate without interference from higher authorities, it would go a long way to improve tax administration in the country. There is, finally, the need to increase the

number of field auditors and equip them in order to improve the efficiency and effectiveness of the audit operations.

5.4 Recommendations

Based on the findings obtained in the study, the following recommendations are made:

Tax Education

Taxpayers should continuously be educated by the Ghana Revenue Authority to create awareness about their rights and responsibilities and to develop a better partnership with them. It would also create a citizenry with better understanding of the virtues of taxation.

The Audit Unit must adequately be resourced in terms of training, both local and international, and short refresher courses to enable it function effectively in order to raise more revenue for the nation. Also the auditors must be very tactful in eliciting information from the taxpayers.

Compliance and Enforcement

The tax collection system should be designed to make tax evasion and avoidance expensive and compliance very rewarding.

It was realized that those who do not keep proper books of accounts are the self-employed and small corporate organizations. Therefore the laws governing records keeping must be fully enforced to ensure compliance.

Also officers should be given free hand to enforce laws concerning fines, interests and penalties to the later to serve as deterrent to taxpayers.

The Adoption of Modern Technology and Simplification of the Tax System

The National Identification system could be relied upon for easy identification and tracking of all potential taxpayers and the taxable activities they engage in line with this, the GRA may need to undertake a special survey to establish the revenue that is not currently being tapped.

Also government should continue to entreat Ghanaians to use the E-switch system so that most of the transactions entered into by tax payers can be retrieved by the click of a button. This would help the GRA to determine the actual income of a taxpayer to be assessed.

For better tax compliance, a system (Software) that automatically extracts taxes instead of leaving the payment to the volition and choice of the taxpayer should be implemented. This would strengthen the tax audit function and minimize tax avoidance and evasion in any form.

The Total Revenue Integrated Processing System (TRIPS) which is being piloted in some offices in Accra should be rolled out in the entire nation. This will help auditors obtain advance information of taxpayers with particular reference to importers prior to the actual audit as it provide direct information from the GC-Net

Accountability and Transparency

The Ghana Revenue Authority should increase the accountability within its outfit and create an honest relationship with taxpayers in order to maintain public trust and confidence in the performance of tax administration. Tax payers should be able to expect a high degree of certainty in their dealings with revenue agencies. Making tax laws public and easily accessible is one way of doing this.

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APPENDICES

Appendix 'A'

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

GRADUATE SCHOOL OF BUSINESS, KUMASI

QUESTIONNAIRE TO STAFF

SURVEY QUESTIONNAIRE IN ASSESSING THE PERFORMANCE OF TAX

AUDITING IN REVENUE MOBILIZATION IN THE ASHANTI REGION.

Dear Respondent,

My name is Joseph Opoku Sarfo. I am a final year student of Masters in Business Administration at the Kwame Nkrumah University of Science and Technology in Kumasi. I am researching on the topic "Assessing the Performance of Tax Auditing in Revenue Mobilization in Ghana Revenue Authority: The Case of Ashanti Region". The purpose of the study is to analyze the prevailing tax audit practice and its significance in tax revenue generation.

I would be grateful if you could take time of your busy schedule to provide answers to the questions raised to enable me complete the study

Any information provided would only be used for academic purpose. As a result it would be kept confidential and utmost secrecy would be maintained.

Instruction: Please tick (✓) or mark your thought and where appropriate give your opinion for the open ended questions.

Thank you.

Yours faithfully

.....

Joseph Opoku Sarfo

SECTION A: PERSONAL DATA

1. Position of respondent_____
2. Qualification_____
3. Number of years of experience in the tax job_____
4. Sex _____

5. Age
 - Below 30 years
 - 30 – 35 years
 - 36 – 40 years
 - 41 – 45 years
 - 46 – 50 years
 - Above 51

SECTION B – METHODS AND PROCEDURES

6. Do you follow the procedures in the tax audit manual in doing your work?
 - Yes
 - No
7. How familiar/conversant are you with the tax laws?
 - Very much
 - Much
 - Not much
8. If the answer for No. 7 is not much, how do you carry out your audit function?
 - Referring tax laws
 - Working with someone who has better knowledge
 - As per the knowledge gained through education and training

9. What are the types of audit most usually applied?

Full audit

Limited scope audit

Single issue audit

10. Are audit selected taxpayers notified in advance?

Yes

No

11. Does advance notification have any impact on the audit?

Yes

No

12. If 'yes' negative or positive or both?

13. Could you state the advantages and disadvantage of notification?

14. Do you do the audit individually or as a group?

Individually

As a group

15. If it is done as a group, how many people are in a group?

Two

Three

More than Three

16. How long do you spend on an Audit on each of the following type of audit?

A. Full audit

One to Ten Days

Eleven to Twenty Days

Twenty-one to Thirty Days

More than Thirty Days

B. Limited scope audit

One to Ten Days

Eleven to Twenty Days

Twenty-one to Thirty Days

More than Thirty Days

C. Single issue audit

One to Ten Days

Eleven to Twenty Days

Twenty-one to Thirty Days

More than Thirty Days

SECTION C. INVESTIGATING THE CHALLENGES CONFRONTING TAX AUDITING

17. We have appropriate powers of access to information held by the tax payers and other parties.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

18. The powers are used up to the maximum limit.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

19. The respective government officials give/pay close attention to our audit findings.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

20. Appropriate & skilled person are assigned to specific jobs or audit.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

21. Sufficient resources are allocated to enable official do efficient job.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

22. The tax payers are very willing to give essential information.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

23. Taxpayers keep proper books of accounts.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

24. Do tax auditors have access to third party information sources?

Yes

No

25. Is there any access to obtain information from other national revenue bodies?

Yes

No

26. Give reason for your answer.

27. Which category of tax payers are more difficult to audit?

Large corporate

Medium corporate

Small corporate

Self employed

28. What would be the possible measures (solutions) to solve the problem?

29. Any additional information or comments.

Appendix 'B'

KWAME NKURUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

GRADUATE SCHOOL OF BUSINESS, KUMASI

QUESTIONNAIRE TO AUDIT HEAD

SURVEY QUESTIONNAIRE TO STUDY REVENUE COLLECTION THROUGH TAX

AUDIT PRACTICE IN THE ASHANTI REGION.

My name is Joseph OpokuSarfo. I am a final year student of Masters in Business Administration at the Kwame Nkrumah University of Science and Technology in Kumasi. I am researching on the topic “Assessing the Performance of Tax Auditing in Revenue Mobilization in Ghana Revenue Authority: The Case of Ashanti Region”. The purpose of the study is to analyze the prevailing tax audit practice and its significance in tax revenue generation.

I would be grateful if you could take time of your busy schedule to provide answers to the questions raised to enable me complete the study

Any information provided would only be used for academic purpose. As a result it would be kept confidential and utmost secrecy would be maintained.

Instruction: Please tick (✓) or mark your thought and where appropriate give your opinion for the open ended questions.

Thank you.

.....

Yours faithfully

A. EVALUATION OF AUDIT ACTIVITIES

1. Does GRA have any tax audit manual?

Yes

No

2. Who is responsible for the audit evaluation?

District Manager

Audit Head

Evaluation Team

Audit Supervisor

3. Which of the following audit evaluation criteria is mostly used by your office?

Quality of audit cases

Revenue generated

Quality of Audit Report

Compliance Level of audited taxpayers after being audit

4. What informs your choice of the above measurement criteria?

Contribution of the assessment raised in meeting the office target

Collectability of the assessment raised

Avoidance of appeal and litigation

B	EFFECTIVENESS OF AUDIT MANUAL	STRONGLY AGREE	AGREE	NO OPINION	DISA GREE	STRONGLY AGREE
1)	Confidentiality of tax audit is provided for the audit manual					
2)	The Legal Framework empowers auditors to have access to taxpayers, records and third party information					
3)	The audit manual protects the rights of both the tax authority and the taxpayer					
4)	The audit manual provides adequate assurance for quality					

	standards					
5)	The tax audit manual is widely used by tax auditors of GRA					
C	EFFECTIVENESS OF TAX AUDIT OPERATIONS	STRONGLY AGREE	AGREE	NO OPINION	DISAGREE	STRONGLY AGREE
1)	My office has an annual audit plan					
2)	The function of selection cases for audit is separated from the performance of the audit					
3)	The selection of taxpayers for audit is largely based on random sampling					
4)	Audit selected cases are identified using various Risk assessment techniques					
5)	Audits are usually preceded by preliminary risk audit					
6)	There is a review process in place to ensure consistency of standards and procedures					
D	CHALLENGES OF TAX AUDITING					
1)	Majority of audited taxpayers do maintain adequate records.					
2)	Most taxpayers' records are reliable.					
3)	It is very easy locating taxpayers selected for audit.					
4)	Most taxpayers cooperate with auditors during audit.					
5)	Audit assessments are mainly based on best judgement of auditors					
6)	Despite the existence of legal framework on access to records, taxpayers are mostly					

	unwilling to release vital records.					
7)	Appeals by audited taxpayers are very common.					
E	CONTRIBUTION OF TAX AUDIT					
1)	Tax audit has contributed significantly to the revenue mobilization of GRA					
2)	Tax audit has contributed in voluntary tax compliance					
3)	Tax audit has contributed in adequate records keeping.					

F. RECOMMENDATIONS

1. What would be the possible measures (solutions) to the challenges?

2. Any additional information or comments.
