TAX AUDIT AND COMPLIANCE IN SOUTH WESTERN NIGERIA

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ABSTRACT

The study examined the effect of tax audit on compliance in South Western Nigeria. Four hundred (400) questionnaires were delivered to taxable individuals in the states of Osun, Ogun, Ondo, and Ekiti, Oyo, and Lagos States, which together comprise the South-west zone. The data for the study were acquired through the administration of a questionnaire utilizing the cluster sampling approach. In each of the states, a total of one hundred (100 respondents) questionnaires were handed out. When putting the stated hypothesis to test, the ordinary least square (OLS) method was used. According to the findings of the research conducted in Nigeria, there is a correlation that is both positive and statistically significant between the independent variable (tax audit) and dependent variable (tax compliance). According to the findings of the research, a positive and statistically significant relationship exists between tax audit and tax compliance in Nigeria. This suggests that the independent variable contributes to an increase in tax compliance. According to the findings of the research, it is advised that persuasive tax measures, such as tax education and tax justice, be combined with deterrent tax measures, such as tax audits, in order to enforce tax compliance.

Keywords: Deterrent Tax Theory**,** Government Spending, Tax Audit, Tax Compliance
JEL CLASSIFICATION: H20, H50

1.0. INTRODUCTION

The primary objective of taxation is to raise income for the government, which allows it to cover the costs of its operations (Al Zakari, 2015). Auditing is an independent examination of the financial statements of an organization, as well as the expression of an auditor's opinion on those statements, and it is performed by an appointed auditor in accordance with the terms of his engagement, as well as compliance with statutory regulations and professional requirements (Daniel, 2019). It is essential to keep in mind that every person or business is required to make tax payments, regardless of whether or not they choose to do so willingly. The problems with the returns and the assessments developed over the course of this procedure. It is mandatory for each person or organization that is subject to income taxation for a given year of assessment to file tax returns detailing their income as well as any other pertinent information that may be requested by the tax authority that has the right to tax them. This, however, is contingent on the tax authority being satisfied with the returns submitted (Oyebanji, 2016). According to Slemrod (2010)'s point of view, one of the most successful measures to discourage individuals from engaging in tax evasion behavior is to conduct tax audits. There are two factors that may be used to establish the extent of a tax audit: the first is the percentage of tax filers that are chosen for an audit, and the second is the amount of detail that is examined during the audit. The first component is straightforward to quantify; all that is required is to divide the number of taxpayers who were subjected to an audit by the total number of taxpayers. On the other hand, the latter is notoriously difficult to quantify owing to the fact that information about the development of tax audits is not made public. In most cases, the first factor is used as a measurement to represent the degree of tax audit for the purpose of making realistic comparisons.

Studies by Jin Kwan (2014), Kircher (2018), Luigi (2009), Oyebanji (2006), Usman (2018), and Slemrod (2010), to name a few, give better insight into a deeper understanding of the relationship between tax audit and tax compliance. According to the findings of other studies, the level of taxpayer compliance can be predicted based on the taxpayer's willingness to pay their taxes, which is known as voluntary compliance. In addition, enforcement tax compliance can be predicted based on the extent to which taxpayers are forced to fulfill their civil responsibilities in order to avoid tax evasion or tax avoidance (Nwude, 2016).

The crucial role that tax compliance plays in the expansion of the economy as a whole, research into the factors that influence tax compliance, such as revenue generation and the accumulation of wealth for the purpose of meeting governmental obligations, must be conducted with great care in order to achieve the best possible outcome. When government conducts a tax audit, corporate policymakers are able to evaluate their level of tax compliance and compare it to that of their competitors, as well as to avoid government sanctions and increase the worth of their company. Identifying such attributes also enables them to compare their policies to those of their rivals. According to Al-Najjar and Kilincarslan (2017), a firm's distinctive features include things like its profitability, growth rate, business risk, debt policy, free cash flow, liquidity, asset tangibility, age, and size; nevertheless, none of these factors are important. In as much as they do not pay their taxes on a consistent basis, even though this is a very significant aspect that has to be investigated carefully in every business, they are considered to violate the law. This must be done since it is very difficult, if not impossible, for businesses to function when they are not in accordance with government directives. However, extensive empirical efforts have been done on tax behavior in an attempt to solve the mysteries of the tax audit, the topic has earned a prominent position among financial experts, academics, and company management. This is because of the puzzles that tax audits provide. Nevertheless, the results of the previous research on tax audits and their tax compliance in Nigeria have yielded contradictory conclusions (Andreoni, (2016), Beck, P. (2018), Bello, (2014), and Beron (2002)).

In addition, the majority of these studies in Nigeria primarily focused on tax compliance, neglecting the significance of tax audits in the Nigerian economy. Both tax audits and tax compliance need to be taken into consideration. This exclusion shows that there is still a lack of clear empirical data on the issue, prompting the need for more study into other sectors of the economy. As a result, the objective of this paper is to examine the effect of tax audit on compliance in South-Western States in Nigeria.

2.0. LITERATURE REVIEW

2.1. Conceptual Review

2.1.1. Tax Audit

Tax audit is an inquiry into the books and records of a taxpayer's firm as well as their financial dealings. This is conducted to ensure that the amount of tax that was reported and paid is in accordance with the various tax rules and regulations that are in effect. An additional audit on top of the statutory audit, this one is carried out by tax officials from a competent tax authority in the nation, and it is performed in addition to the statutory audit which is not the same as the statutory audit that is required under the Companies and Allied Matters Act (CAMA) of 2020.

Regarding the issue of tax inspections, a variety of perspectives on the topic of tax compliance have been presented. According to the results of a number of research, as Palil and Mustapha (2011) explain in their article, audits have been demonstrated to have a favorable influence on tax evasion. The following evidence lends credibility to the aforementioned assertion According to these data, it would seem that tax audits have the potential to play a considerable role in self-assessment systems, the primary purpose of which is to enhance voluntary compliance. According to Palil and Mustapha (2011), increasing the frequency of audits as well as the amount of scrutiny of those audits might encourage taxpayers to be more diligent when filing their tax forms, declare all income, and claim the necessary deductions in order for them to determine their tax liability. On the other hand, taxpayers who have never been subject to an audit may have a propensity to understate their real income and claim deductions that do not exist. This is because they have never been subjected to an audit.

In addition, Butler (2013), whose research was emphasized by Palil and Mustapha (2011), discovered that tax audits have the capacity to transform compliance behavior, turning it from a negative condition to a positive one. This finding was supported by the findings of Palil and Mustapha (2011). These results contribute to the body of information gathered from the research that was done by Witte and Woodbury (2015) as well as the study that was conducted by Beron, Tauchen, and Witte (2018). In the research that Witte and Woodbury did on the subject of small company owners, they came to the conclusion that tax audits are a crucial component in the process of ensuring that taxes are paid correctly. They did not carry out empirical testing on individual taxpayers, and as a direct result of this omission, there is a need that more study to be carried out in this field. In spite of the fact that Butler (2013) and Witte and Woodbury (2015) found major findings, Beron et al. (2018) came at a different result. They found that audits did not have a statistically positive connection with evasion for any of the areas that they looked into. This was the conclusion that they came to. After carrying out the research, they arrived at this understanding as the result of their efforts. It was discovered that audits are more successful in convincing taxpayers to exaggerate the deductions to which they are entitled than they are in motivating taxpayers to accurately report their actual income. This finding was made possible by the observation that audits are more successful in persuading taxpayers to exaggerate the deductions to which they are entitled. (Beron et al. 2018).

2.1.2. Tax Compliance

As Palil and Mustapha (2011) noted, there has not been a lot of research done on the relationship between the specifics of actual government spending and tax compliance, and notable studies on tax evasion. They are aware that taxpayers, especially those who pay considerable quantities of tax, will have a great interest in how the government spends the money that they have given to it. Even if there is a scarcity of real evidence to support this idea, it is fair to predict that individuals would tend to avoid paying taxes if they perceive that the government uses tax money improperly.
It is advised that perspectives be studied in order to establish the degree to which they are the consequence of myth and misunderstanding, as stated by Lewis (1982), which is cited in Halil and Mustapha (2011). He said that there would be a change in people's perspectives on taxes if myths and misunderstandings around taxes were dispelled by information. This would be the case even if the core mindset and values of taxpayers stayed the same, as well as even if the tax law remained the same. In addition to this, he said that the amount to which evaluations of fairness are impacted by misperception is probably important to a large degree.

According to the findings of Roberts, Hite, and Bradley (1994), which support the perspective expressed by Lewis, one's attitude toward one's tax evasion, also referred to as tax ethics, as well as one's attitude toward tax evasion of others are both essential. Lewis's viewpoint was supported by these findings (1982). If the government is spending the national money well, for example on vital amenities like education, health and safety, and public transportation, then there is a significant possibility that voluntary compliance will increase. On the other hand, if taxpayers perceive that the government is spending an excessive amount of money on something that they consider to be unnecessary or unbeneficial to them, then taxpayers will feel as if they have been deceived and will work to avoid their tax responsibilities. Therefore, it is incumbent upon all levels of government to spend the money supplied by taxpayers in a thrifty way in order to provide taxpayers with the maximum possible return on the money that they have contributed to the public purse.

Allingham and Sandmo (2017) showed that taxpayers would not falsify their income declarations if there is a considerable risk that they will be caught doing so. Due to the fact that taxpayers would submit everything if they believe they will be one of the auditees in that particular year, the possibility of discovery has a significant influence on the reporting behavior of individuals. (Riahi-Belkaoui, 2014; Richardson, 2018). Slemrod, Blumenthal, and Christian (2018) carried out research with the purpose of determining whether or not there was a link between the replies given by taxpayers and the likelihood that they would be submitted to an audit. The results of the experiment indicated that the actions of taxpayers varied depending on the amount of money they had, and the experiment also demonstrated that the chance of having one's taxes audited had a key part in deciding the degree to which taxpayers engaged in tax evasion activities. The experiment also showed that taxpayers' actions varied depending on the amount of income they had. Slemrod et al. (2018), on the other hand, did not make it especially obvious how the link should be taken.

The findings of Andreoni et al. (2018), who found that previous audit experience and constant contact (relationship) with the tax authorities influenced and enhanced taxpayer compliance, provided further support for their conclusion. These researchers observed that past audit experience and constant contact (relationship) with the tax authorities influenced and enhanced taxpayer compliance. On the other hand, Young (1994) and Slemrod et al (2019) discovered that compliance behavior had a negative connection with the risk of being audited once more. Both studies were conducted in the United States. (Palil & Mustapha, 2011).

According to Allingham and Sandmo, taxpayers will never misrepresent their income declarations if there is a considerable probability that they would be detected doing so (1972). Due to the fact that taxpayers would submit everything if they believe they will be one of the auditees in that particular year, the possibility of discovery has a significant influence on the reporting behavior of individuals. This is because taxpayers would submit everything if they feel they will be one of the auditees in that particular year (Riahi-Belkaoui, 2004; Richardson, 2008). Slemrod, Blumenthal, and Christian (1998) analyze whether or not there is a link between the replies given by taxpayers and the possibility that their tax returns would be submitted for inspection. Specifically, the authors look at the relationship between these two variables. The findings of the experiment showed that the actions of taxpayers varied depending on the amount of income they had, and the experiment also showed that the possibility of having one's taxes audited played a significant role in determining the degree to which taxpayers engaged in tax evasion activities. The experiment also showed that the actions of taxpayers varied depending on the amount of income they had. Slemrod and colleagues, on the other hand, did not make it very obvious whether the relationship was advantageous or negative (1988). According to the results of Andreoni et al. (1998), having previous audit experience as well as maintaining frequent contact (relation) with the tax authorities affected and increased the taxpayers' level of compliance. As a direct consequence of this finding, Slemrod and his other researchers were able to further support the conclusion that they had previously arrived at. Young (1994) and Slemrod et al. (2001) found, on the other hand, that compliance behavior had an inverse connection with the chance of being audited once more.

Bergman (1998) investigates the tax compliance behavior in Argentina using two methodologies: (1) the activities to improve corporate taxpayers, and (2) large campaigns and audits which will boost the likelihood of detection among individual taxpayers. Palil and Mustapha (2011) cite Bergman's work in their study because it investigates the tax compliance behavior in Argentina. When there is a higher frequency of audits and a larger chance that they would be identified, taxpayers are provided an incentive to comply with tax regulations and truthfully declare their income, as the findings indicated. The findings backed up this notion, which was expected. Due to this, one is led to conclude that inadvertent dodging may be taking place rather than an intentional approach. In addition to this, he said that for the whole decade of the 1980s, Argentine tax officials did not conduct any tax audits or investigations, which caused individuals to behave in a "reckless" manner. In addition, taxpayers were aware that they would not be caught as a consequence of the lack of investigations; thus, to pay less tax, they developed more intricate techniques of tax evasion and less traceable documentation. This was done to bring the total amount of money that they owed down to a more manageable level. Because of this, they were able to reduce the overall amount of money that was going to be required of them to make the repayments.

The results of Bergman are in agreement with the theoretical notion that the amount of compliance behavior is influenced by the fear of being discovered, and this agreement is supported by the findings of Bergman. The findings suggest that the level of compliance behavior is influenced by fear of detection, this suggests that evaders take precautionary measures when the perceived risk of detection is high. An Investigation at Tax Inspections from a Worldwide Standpoint Countries pass legislation to provide their tax authorities with the ability to collect tax revenues for the purpose of improving the general welfare of the population and encouraging domestic investment and enterprise. Cremer (1990) concluded that "International tax regulations have their domicile in their respective states' (countries') domestic tax laws." As a result of the explanation that was provided, it is clear that the system of international taxes has taken on a major role in a lot of different nations all over the globe. This is the case since the explanation was provided. As a direct consequence of the widespread agreement that the tax system is of the utmost significance, a great number of international organizations have been established to oversee its administration and collection as well as the prevention of tax avoidance, tax evasion, and double taxation among multinational corporations (MNCs). An international tax audit is an examination of the tax returns submitted by multinational corporations (MNCs) to determine whether or not these MNCs comply with all relevant local and international tax rules and regulations.

2.2. Theoretical Review

2.2.1. Economic Deterrence Theory of Tax Compliance

It is believed that the economic theory of tax compliance arose from the work of Allingham and Sandmo (1972), which was based on economic crime models. The models propose that tax compliance is a function of three deterrent variables: the tax rate, the chance of discovery, and the likelihood of an audit. The related costs and advantages of executing tax compliance are referred to as the economic elements of tax compliance (Adimassu & Jerene, 2016). They assumed that those who avoid taxes are rational economic evaders who would most likely consider the costs and/or rewards of evasion.

According to the economic deterrence theory, the attitude of tax payers is influenced by elements such as the probability of being caught, the degree of rewards associated with tax evasion, the tax audit process, the tax rate, and the level of tax benefits (Allingham &Sandmo, 1972). This suggests that a large number of individuals will not participate in tax evasion if there is a high chance of being caught and the penalties are severe. In contrast, if the likelihood of being audited is low as well as the fines, the anticipated return to tax evasion will be high, which will result in an increase in tax non-compliance.

In Nigeria, the economic deterrence theory is used to encourage personal income tax compliance. This is because a large number of individuals who are subject to personal income tax do comply with the payment of tax. These individuals are aware that if they fail to pay taxes correctly, there is a high probability that they will be discovered. This is because the vast majority of personal income taxpayers have official sources of income, except individuals who earn money via self-employment, whose sources of income are not formal and so make it difficult to include them in the tax net.

2.3. Empirical Review

Numerous studies on tax compliance have been conducted because of the significance of complying with one's tax obligations. These studies make an effort to examine the elements that are responsible for tax-compliant behavior.

Anyaduba et al. (2012) investigated to determine the influence of deterrent tax measures on tax compliance in Nigeria utilizing deterrent tax measures as the variable to explain the phenomenon. They concluded that the already in place tax disincentives in Nigeria are insufficient and have not been effective in increasing tax compliance in the nation. They also discovered that encouraging voluntary compliance and increasing taxpayers' morale would result in increased morale among taxpayers, which in turn will enhance tax compliance. Researchers

Allingham and Sandmo (2017) presented a model of tax evasion in which the taxpayer is provided with two strategies: (i) to pay the tax according to the actual income, or (ii) to report a lesser amount of income and, therefore, to pay less tax. Both of these options are available to the taxpayer. The decision between these two courses of action is determined by the likelihood of being investigated, found, and penalized for misconduct. If the taxpayer is not audited, discovered, and fined, then the second plan would create a bigger profit; but, if the taxpayer is audited, detected, and punished, then the first strategy is the one that the reasonable taxpayer would choose. As previously said, offenders are seldom convicted, which makes the situation even more precarious. It may be deduced from this that the employment of tax audits, fines, and penalties in Nigeria has not been successful in addressing the problem of tax compliance.

Previous research such as Appah and Eze (2013), Lateef et al. (2015), and Modugu and Anyaduba (2014) observed that tax audit has a significant positive relationship with tax compliance. On the other hand, Eiya et al. (2016) observed that tax deterrence such as tax audit does not have a significant positive relationship with tax compliance.

Tax audits were shown to have a favorable connection with voluntary tax compliance in Nigeria by Appah and Eze (2013), who investigated the influence of tax audit programs on tax compliance there. According to the findings of research that was conducted in Nigeria by Lateef et al. (2015), which explored the institutional variables and personal income tax compliance, a tax audit has the potential to alter compliant behavior from one that is negative to one that is positive. The authors of the aforementioned study, Modugu and Anyaduba (2014), evaluated the impact of tax audits on tax compliance in Nigeria. They concluded that tax audits have a propensity to have a largely beneficial influence on tax compliance.

Tax audit and the expansion of the SMEs industry in Nigeria was the subject of another study carried out by Machira and Irura (2009). The researchers concluded that there is a substantial association between taxation and the expansion of the SMEs industry in Nigeria. The questionnaire, the interview, and the observation were the three primary methods of data collection used for this research. The empirical model of binary logistic regression was used to conduct the analysis. However, the expansion of small and medium-sized businesses in Nigeria was the exclusive focus of this research.

In the course of their study, Edame and Okoi (2014) investigated the influence that Nigeria's tax system has on the country's levels of investment and economic growth. They used the ordinary least square (OLS) method to analyze the secondary data that was collected, and the results showed that taxation has a negative relationship with the amount of investment and the gross domestic product (GDP), while it has a positive relationship with the amount of money that the government spends. This was found to be the case in Nigeria.

Usman and Bilyaminu (2013) investigated the relationship between taxes and the growth of society in Nigeria. The research used secondary data and concluded that a higher level of tax compliance is substantially connected with an appropriate campaign and the prudent deployment of tax revenues.

Matthew (2014) investigated the influence that tax audits have on the state of the Nigerian economy. The Federal Board of Inland Revenue served as the research subject for this investigation. Using chi-square, he concluded that the execution of the federal government's budget is strongly impacted by tax income. Additionally, he concluded that tax policies had a major impact on the amount of money generated.

Additionally, Adereti, Adesina, and Sanni (2011) investigated the impact that the tax audit had on the expansion of the Nigerian economy from 1994 to 2008. The multiple regression method was used to analyze the secondary data that was obtained. The research showed that there is a connection between VAT and GDP in a favourable way. Research conducted in the United Kingdom by James and Moses (2012) used Nigeria as a case study to investigate the influence that tax administration has on the amount of revenue generated in emerging economies. The primary data were gathered via the use of questionnaires, and the analysis was carried out using percentages. According to what they discovered, some of the obstacles that stand in the way of efficient tax administration in Nigeria include poor training of people and a lack of current information and communication systems. In 2015, Zakariya and Muzainah used Gombe as a case study to investigate the challenges and opportunities associated with the tax administration system in Nigeria. The researchers used both secondary data and field surveys in their work. They concluded that the challenges confronting the Gombe state internal revenue agency included things like inadequate working conditions, insufficient public knowledge, and low compensation, among other things.

In the research that Abiola and Asiweh (2012) carried out, they placed their faith in the Nigerian Tax Administration and its ability to curb tax fraud and raise money to fulfill the population's aspirations for economic growth. The research made use of 121 online surveys comprising 25 pertinent items. In order to examine the 93 viable replies, descriptive statistics were used. The research revealed, among other things, that increasing tax income is dependent on an efficient enforcement strategy, which is wholly the responsibility of the tax administration. According to the findings of the research, Nigeria does not have the necessary enforcement machineries. These machineries include sufficient staff, computers, and an efficient postal and communication infrastructure.

Ogbonna and Ebimobowei (2012) investigated the influence that changes in tax policy had on the rate of economic expansion in Nigeria between the years 1994 and 2009. The Statistical Bulletin of the Central Bank of Nigeria (CBN), the Federal Inland Revenue Service (FIRS), the Office of the Accountant General of the Federalism, as well as data from other relevant government agencies, were used to compile the required secondary data for this study. Analyses employing pertinent descriptive statistics and econometric models, such as the White test, the Ramsey Resey test, the Breusch Godfrey test, the Jacque Berra test, the Augment Dickey Fully test, the Johanson test, and the Granger Causality test, were performed on the data that were obtained. The findings of many studies indicate that tax reductions and reforms have a constructive impact and a major bearing on economic expansion. It was proposed that achieving sustained economic development is impossible unless antiquated tax rules and rates are modified in accordance with the goals of macroeconomics.

Okafor (2012) investigated the influence of tax compliance on the expansion of the Nigerian economy, as measured by the Gross Domestic Product (GDP). During the study period of 1981-2007, the ordinary least squares regression technique was used to investigate the connection that existed between the Gross Domestic Product (the dependent variable) and a collection of federal income tax revenue heads. There is not a significant link between the amount of federal tax money received and the GDP in Nigeria, according to a straightforward hypothesis that was put in the form of a null hypothesis. The regression result pointed to a link that was both very positive and statistically significant. It was proposed that certain tactics should be used to enhance the existing structure of tax administration to boost the amount of money obtained from taxes.

3.0. METHODOLOGY

In order to retrieve data from the respondents who were chosen for the study, the survey research design was used. The descriptive character of the study and the high dependability of this approach's capacity to elicit more honest responses than other research methods led to its selection as the method of choice for this investigation.

Due to the large size of the population in Nigeria, it is not feasible to collect data from all of the personal income tax filers in Nigeria, who are included in the study population. However, it is possible to gather data from some of the personal income tax filers in Nigeria. Therefore, a method called cluster sampling was used to choose the South-West geo-political zone from among the six geo-political zones that are found in Nigeria. The South-West geopolitical zone of Nigeria was selected because it has a high level of education, a large number of people who are civil and public servants, and it is just more convenient. The six states that make up the South-West zone are as follows: Lagos State, Oyo State, Osun State, Ogun State, Ondo State, and Ekiti State.

Because of the vastness of the population that was being investigated, the approach of purposive sampling was chosen to be used to choose our sample. Out of the six states that make up the South-West zone, namely Lagos State, Oyo State, Osun State, Ogun State, Ondo State, and Ekiti State, a random selection was made to choose four states (Osun State, Ogun State, Ondo State, and Ekiti State). One hundred individuals were selected as responders from each of the four states that were chosen, making the total number of four hundred questionnaires that were distributed

It is anticipated that a high incidence of tax audits would increase tax compliance. Therefore, it is to be anticipated that the tax audit will evaluate tax compliance (Appah & Eze, 2013 and Lateef et al, 2015). As a result, one might anticipate the existence of a functional connection between tax audits and tax compliance, as shown by the equation tax compliance:

f(Tax audit) ………………………………………………………………………….. (i)
TC = f (TAD) ……………………………………………..……………………….. (ii)
To convert this equation into its econometric equivalent, we write it as
$(TC)_{it} = b0 + b_1 (TAD)\ it + \varepsilon_{it}$…………………………….………. ……………… (iii)
Tax Compliance = TC.
Tax Audit =TA

b_0 = Intercept for X variable of tax
b_1– b_9 = Coefficients for firms' explanatory variables, indicating the nature of their relationship with the dependent variable (or parameters),
e = Error term
i = cross sectional variable
t = Time series variable

The Spearman Rank correlation coefficient (R) was used to describe the strength of the association between the component in the hypothesis of this study and income tax compliance. The hypothesis states that there is a correlation between the two variables. In order to determine whether or not there is a significant link between the means of the variables and tax compliance, the Ordinary Least Square (OLS) method was used. These methods were largely used to explain the causal link that exists between tax audits and the choices that taxpayers make about their tax compliance. When compared to the independent variable of the tax audit, tax compliance was used as the dependent variable in this study. Nigeria's South-South zone served as the site of the research project.

Descriptive Statistics

Preliminary Analyses of Determinants of Tax Compliance

Table 1: Frequency distribution of responses on the variable of tax audit

Tax Audit	SA	A	N	D	SD	MEAN
	5	4	3	2	1	
Because the government agency only has a limited capacity to examine all of the revenue that is reported, I am given the option to not declare my actual income..	75	111	62	87	73	3.72
Since tax is withheld by the employer on a monthly basis in accordance with the PAYEE Deduction Scheme, it is acceptable for employees not to disclose any extra income that would be liable for further taxation.	72	127	57	55	42	.4.22
Tax evasion is made more appealing when the likelihood of being caught is low.	115	122	49	61	33	3.70
If the advantages obtained by not complying with tax payment are larger than the penalties that would be incurred if detected later, then it would be advantageous to not comply with tax payment, in my opinion..	87	121	55	78	88	3.53
The threat of being audited for taxes serves to promote tax compliance.	162	137	50	22	46	3.22
Relevant Tax Authority (RTA) employs tax audit to achieve target revenue	121	117	30	42	62	.4.22
In order to achieve target revenue, relevant tax authorities (RTAs) conduct tax audits	127	121	87	33	57	3.70
Taxpayers are able to submit returns that are considered acceptable since they are aware that they may be subject to tax audits	121	87	61	46	55	3.22
Taxpayers cooperate with auditors during the examination of their records	137	105	78	62	50	.4.22

Taxpayers cooperate with auditors during the examination of their records	117	77	22	57	30	3.70
						3.45

Source: Researcher's Computation (2022)

Note that SA is very much in agreement, A is agreeing, N is neutral, D is disagreeing, and SD is very much disagreeing. On a scale from one to five, the mean value is based on the standard deviation, SA(5), A(4), N(3), and D(2),SD (1). The average of the population, then, is 3. The materials were characterized by means of frequency distribution. The calculation for the sample mean was as follows: 1/256* 5(75) + 4(111) + 3(62) + 2(87) + 1(73) =3.72. The null hypothesis is Ho = μo = 3 while the alternate is $H_1 = \mu_1 \neq 3$. Where μis the sample mean.

The findings from the initial research, it can be seen that the population mean of 3.00 is exceeded by the average mean of the variable of Tax audit as a driver of tax compliance, which is 3.45. Therefore, the alternative hypothesis of ho 3 won out over the null hypothesis of o = 3, which was rejected. Accordingly, a preliminary conclusion can be drawn from the findings that a tax audit is seen as a factor of tax compliance among the respondents in Nigeria.

4.0. CONCLUSION AND RECOMMENDATIONS

The empirical analysis of the research demonstrated that there is a statistically favorable relationship between tax audits and tax compliance in Nigeria. This conclusion was drawn from the findings of the study. This demonstrates that there is a large linear link between tax audits and individuals' compliance with their tax obligations. The conclusion that can be drawn from this is that an increase in tax compliance may be attained by auditing tax returns. Based on the findings of the research, it was proposed that deterrent tax measures like tax audits should take into account the psychological component of taxpayers. To put it another way, those in charge of administering taxes should be aware of when and how to mix stringent measures designed to discourage behavior with measures designed to encourage behavior (tax fairness and tax education).

The following are some of the suggestions that may be made in light of the results that were listed earlier:
Tax authorities at all levels (Federal, State, and Local Governments) should be very effective and efficient in carrying out their tax audit exercise.
Tax audits should aim at reducing more problems of tax evasion, tax avoidance, and other tax irregularities for standardization.
The scope of tax audit should be widened in such a way that will ensure proper submission of accurate and current returns for proper computation.
Relevant tax authorities should provide a policy to the public on tax audits.

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