IMPACT OF TAX AUDIT AND INVESTIGATION ON REVENUE GENERATION IN SOUTH-WEST NIGERIA

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Abstract: **This study examined the impact of tax audit and investigation on revenue generation in South-West Nigeria. To achieve this objective a descriptive research design was adopted to gather primary source of data for the study through the administration of questionnaire to respondents. Three hundred and seventy-three (373) respondents were selected for the study among officials of the state's internal revenue Board, in the Five States making up the South-West Region of Nigeria using Simple Random Technique. Moreover, from the 373 copies of questionnaire distributed to the respondents only 360 were validly returned and used for the study. Both descriptive and inferential statistics of logit regression were used to investigate the study. The result of the regression analysis revealed that there was a significant positive relationship between tax audit and revenue generation in South-West Nigeria. It was particularly observed that desk, field and external audits were directly related to revenue generation. The study concluded that effective tax audit enhanced revenue generation. The paper recommended that tax audit should be encouraged in South-West Nigeria to enhance revenue generation.**

Keywords: **Tax Audit, Desk Audit, Field Audit, External Audit, Revenue Generation.**

1. INTRODUCTION

The relevance of tax audit and investigation on tax revenue generation in Nigeria cannot be underestimated. This according to Ashiru (2015) is because effective tax audit and investigation helps to block tax revenue leakage and reveal possible tax element that can further expand the revenue base of the government. Oguntude (2017) argued that tax audit could expose adequately the incidence of tax evasion and avoidance that are peculiar with the Nigerian tax system and reveal the activities of tax officials that continue to deprive the government adequate tax revenue. Oguntade, Olutayo and Folorunsho (2020) further explain that tax audit and investigation can enhance the level of tax revenue generation in Nigeria if adequate cognizance is paid to it by the government. The lack of effective tax audit according to Omonijo (2017) has been the bane of the Nigeria tax system. This has resulted in inefficiency and effectiveness in tax revenue administration in Nigeria. High level of unscrupulous activities of tax agents and officials of tax authority (IFRS) have continued to deprive government at all levels substantial amount of tax revenue that should be used to lift the economy of Nigeria up. These activities have been sustained over the years due to lack of proper tax audit and investigation.

Tax audit and investigation such as desk audit and field audit may enhance the level of tax revenue generated to the coffer of the government. For instance, desk audit which is usually carried out in the office of the tax authority may show incidence of tax revenue manipulation during collection processes. It may indicate the fact that the tax agents have not be faithful in remitting adequately the total tax revenue collected during a period. This the desk auditor carried out by comparing the expected tax revenue with the actual revenue collected. Thus, any short may be traced to the activities of tax agents. Adigun (2018) argued that the use of desk audit in South –Africa has reduced the activities of unscrupulous tax agents to a bare minimum and enhance tax revenue that go to the coffer of the government. The implication of this is that effective desk audit may nip in the bug the activities of tax agents. Furthermore, through field audit tax revenue generated

may be enhanced. Oguntade (2018) explained that in the case of field audit, auditors are sent to the field (point of collection) to observe and report any possible incidence that may reduce the tax revenue generation. The focus here according to the author is to report any activity of the tax collector that may reduce the tax revenue generation. This according to Omonijo, Akintunde and Emmanuel (2016) has been useful effectively in many advanced countries to improve their tax revenue collection but in the case of Nigeria and substantial numbers of the South-west States the implementation of tax audit and investigation as mean of improving tax revenue have not been really implemented.

In most of the South-west states of Nigeria, the idea of tax audit and investigation have not been really birthed into. This is because tax revenue collection in these states is still in the hand of tax agents appoint by the government. These agents usually removed their commission before remit same to the government. This arrangement a lot of tax revenue that should have accrued to the government are loss. Hence, leaving the government only peanut to manage with (Ogunsakin&Akensiro, 2017)). More so, the lack of effective tax audit that can reveal possible tax revenue leakage has deprived the government of South-west States a combined amount of 56.78 billion naira in the period starting December 2018 to January 2019 according to Prince Water corporation limited report of 2020. This according to the corporation has resulted in serious revenue gap in many of the south-west state. a lot of these states except Lagos have little or low internal revenue coffer to fallback to whenever the Federal allocation was not forth coming. Also, States like Ekiti, Ondo, and Oyo have found it difficult many times topay their civil servants salaries without resolve to borrowing to meet this commitment. This according to Aliyu (2017) is a serious signal to the inadequacy internal revenue generated by these states. Moreover, Oguntade and Ojo (2018) further explain that lack of effective tax audit may be the major bottleneck face by Nigeria States in their drive to improve revenue generation. Adigun and Omonijo (2019) suggest the use of external tax audit as a penance for improving tax revenue generated in Nigeria particular among the South-westerner States.

The works of Omonijo, Akintayo and Emmanuel (2016) focus on the implementation of desk audit to improve internal revenue generation in River State. Aliyu (2017), Ogunsakin and Akinsiro (2017), Oguntade and Ojo (2018) and Akinlo (2018) considered the introduction of field and desk audit as instrument for increasing tax revenue generation in Ondo and Kwara States respectively. These past studied only focus on the introduction of desk and field audit to enhance tax revenue generation without recourse to the use of external audit (a situation where all tax receipts are given to external audit firm to investigate), hence, form the gap the present study intends to address. To address this gap, the main objective of the study is to examine the impact of tax audit and investigation on revenue generation in South-westerner States in Nigeria. to achieve the objective, the paper is divided into five parts, namely, introduction, literature review, methodology, presentation and discussion of results and conclusion and recommendation.

2. LITERATURE REVIEW

This study review current literature on tax audit and investigation and its effect on revenue generation. In doing this, the literature review is divided into three sub-sections, which are; conceptual, theoretical and empirical review of literature.

Conceptual Review

Tax Audit Taxes are viewed as a source of revenue for economic development and growth. The current economic growth program places a premium on tax collections and other sources of income (Amah &Nwaiwu, 2018). They provide a steady stream of money to fund development goals like physical infrastructure upgrades, and they're intertwined with a variety of other policies, from good governance to formalizing the economy to boosting growth (Pfister, 2009). The administration of the Nigerian tax system has failed. In today's Nigeria, personal and corporate income tax administration do not meet the required standards. Self-employed people make more money than those who work for a living Self-employed people earn four times as much as those in paid jobs, although paid jobs account for the majority of personal income, but self-employed people make the majority of the money. Many self-employed people avoid paying taxes as a result of insufficient tax surveillance. As a result, a thorough and routine tax audit is required.

"An inspection of a person or organization's tax report by relevant tax authorities in order to verify compliance with applicable state tax laws and regulations," according to the definition. He went on to say that a tax audit is a procedure in which the Internal Revenue Service verifies the information you provided on your tax return (Kircher 2008). To put it another way, a tax audit is an examination of a taxpayer's financial records and business records to ensure that the amount of tax declared and paid is in compliance with tax laws and regulations. In Nigeria, the phrases "tax audit" and "audit" cover a wide range of topics. It simply refers to the advanced element of auditing practice that entails the study of books

of account in order to determine whether the tax payer's assessable profit is correct. Tax auditing, like financial auditing, is acquiring and processing data in order to determine an organization's level of conformity with local tax rules. The auditor must plan his work in such a way that the assignment is completed completely and efficiently in order for the audit to be successful.

Desk Audit

Bassey (2013), on the other hand, divided tax audit into two categories: desk audit and field audit. The tax audit or inspection that takes place in the tax office when the taxpayers' books and financial records are scrutinized is referred to as a desk or office audit. This is one in which the entire audit activity takes place within the walls of the tax officials' office. In this case, the tax official may simply request that the taxpayers send more documentation to his office in order for him to resolve any concerns with the returns that have been submitted. The taxpayer receives no official notification of the forthcoming desk audit in this type of audit. He only learns about it when he receives letters asking specific papers or answers. The goal is to ensure that tax laws, rules, and regulations are followed, as well as to perform administrative checks on returns that have been submitted.

Field Audit

Regular assessing officers can only conduct limited desk audits through examination of accounts and returns due to the nature and scope of their duties. Tax authorities conduct field audits on taxpayers in order to verify this handicap and increase tax compliance by physically conducting the audit in the taxpayer's office. The taxpayers are, however, formally told of the auditor's arrival prior to the start of the audit, and the auditor's needs in terms of audited documents are also asked in advance. Field auditing entails physically verifying documentation evidence and materials at a taxpayer's location in order to check the facts and numbers of corporate taxpayers' tax filings. The breadth or depth of verification is determined by the results of the tax auditor's desk audit work, as well as the audit's risk considerations. Special attention will usually be made to things that have a strong potential for tax yield. Back duty audits are commonly used to conduct tax audits.

External Audit

This involves the use of independent audit firm to audit the account of revenue agencies in a State. This is to ensure that the prepared revenue statement of the revenue collectible agencies are freed of any materials mis-statement. The main purpose of external audit according to Aliyu (2017) is to be able to show to the public that the revenue agencies have been truthful in dealing with the populace and that every kobo collects from the citizens are remitted to the government coffer. Oguntade (2018) revealed that external auditor adds value to the prepared statement by the revenue agencies and helps in enhancing the credibility of the agencies as regard revenue collection.

Revenue Generation

Various authors have defined the term revenue in various ways. Revenue, according to Adam (2006), is the fund that the government needs to fund its operations. These monies come from a variety of sources, including taxes, loans, fines, and fees. It is also defined as the entire amount of income received by a governmental or private entity during a given period of time (Hamid, 2008). States' revenue is made up of tax revenue as well as money that isn't derived from taxes but rather from the sale of government properties or other interests and returns on loans and investment earnings. According to Brautigam (2002), tax revenue is the money earned by governments through taxes. A state's principal source of revenue is taxation. Individuals, public enterprises, commerce, royalties on natural resources, and/or foreign aid are all potential sources of revenue. In countries with high levels of poverty, a big agricultural economy, and considerable amounts of foreign help, ineffective tax collection is more common. Revenues received from income and profit taxes, social security payments, taxes on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes are referred to as tax revenue. Tax revenue is money earned by the government. It is the state's primary source of revenue, financing governmental expenditures and other items while also physically expressing the community's collective efforts (Mutarindwa&Rutikanga, 2014). Taxes, according to Slemond (2000), are a useful approach to fund the costs of public goods, which are a special set of items for which one person's consumption does not reduce the consumption of others and for which it is costly or impossible to restrict consumption (e.g. street lightening). Normal pricing for these items would result in a price of zero, therefore providing no incentives to provide. Similarly, if the private sector does not supply enough goods and services with high positive externalities, it is typical to fund them with taxes.

Relationship between Tax Audit and Revenue Generation

Adeogun and Ashiru (2018) argued that effective tax audit enhanced revenue generation. With the desired of the South-West Nigeria to introduce tax audit the capacity of this region to be able to generate more tax revenues may increase. Tax audit exposes any short coming in tax revenue and other revenue generation of the government. It reveals any unscrupulous activity that has continued to deprive the government an enhance revenue generation. Ogundele (2016) stated further that tax audit improves tax revenue net by discovery other elements from which government may realize adequate revenue through effective tax administration. Omonijo (2016) argued that through tax audit, revenue generation has been enhanced in many States in South-Africa. Government desires to improve revenue generation in South- West Nigeria may come into fruition through adequate tax audit that aims at curtailing the activities of unscrupulous tax officials, revenue collection agencies and others in order to increase revenue generation by the government.

Conceptual Framework

The main variables in this study are tax audit which is the independent variable and revenue generation which is the dependent variable. Therefore, this study rest squarely in the framework illustrates in the figure 1 below.
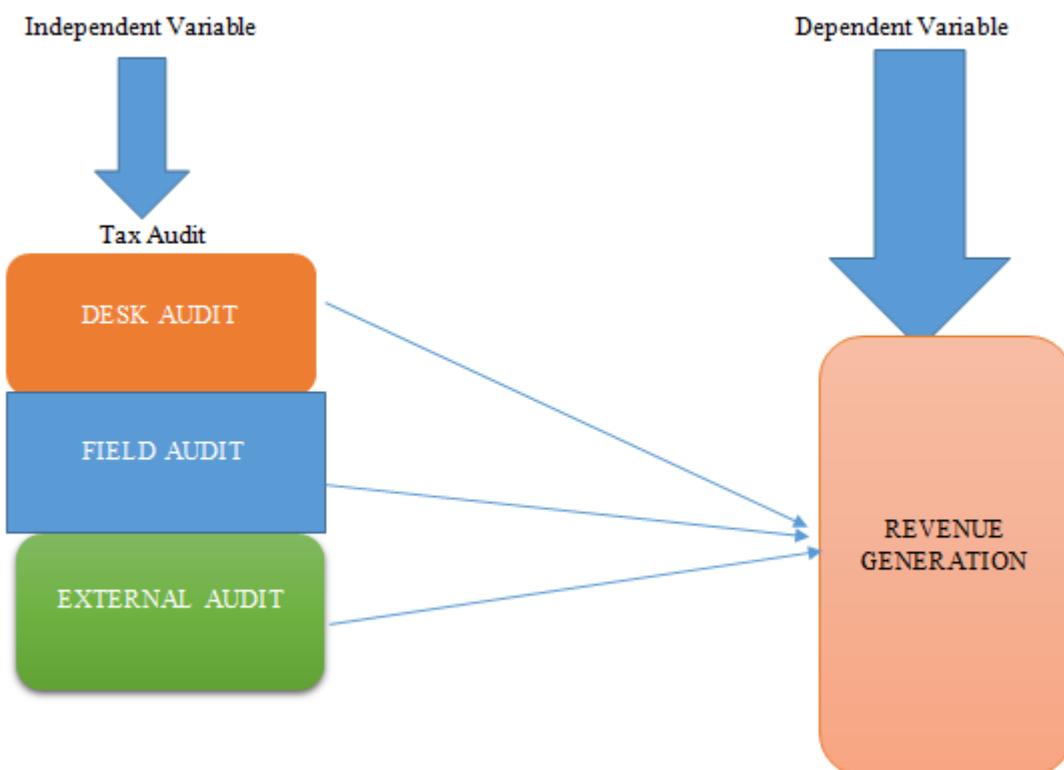
Source: Researcher's Adapted, 2022

Figure 1

Theoretical Framework

Classical Theory of Tax Compliance The foundation of this research is the Classical Theory of Tax Compliance. The A-S models based on the deterrence theory are another name for this tax compliance theory. The taxpayer is believed to maximize the expected utilities of the tax evasion bet, weighing the benefits of successful tax evasion against the danger of being found and penalized by tax authorities, according to the theory (Sandmo, 2005). According to Alabede, Zainol-Affirm, and Idris (2011), the deterrence hypothesis is heavily reliant on tax audit and penalty. They went on to say that this tax compliance theory causes taxpayers to pay taxes out of fear and punishment. According to Trivedi and Shehata (2005), deterrence theories imply that taxpayers "play the audit lottery," that is, they calculate the economic consequences of various complying options. The essence of the deterrence model of tax compliance, according to Verboon and Dijke (2007), is to investigate the relationship between the probability of detection and the severity of the consequence that should effect non-compliance. According to Brook (2001), traditional theory is centered solely on economic research, although social and psychological aspects are equally significant in explaining tax disobedience.

Empirical Review

A study conducted in Nigeria by Nwaiwu and Macgregor (2018) on the webometric indices of tax audit and tax revenue generation research in Nigeria. The core objective of this investigation is to empirically analyze the effect of webometric indices of tax audit and tax revenue generation in Nigeria. Primary and time series data of different variables of tax audit and tax revenue were collected from Federal Inland Review Services, auditor general office, Chartered Institute of Taxation of Nigeria and questionnaire. The study conclude that tax audit has the potency to make significant contribution to tax revenue generation and recommends that in order to increase government tax revenue; there should be regular tax audit practices by tax authorities in Nigeria.

Another study by Amah and Nwaiwu (2018) examined empirically, the effect of tax audit practice on down south tax revenue generation in Nigeria. Both primary and secondary source of data was adopted and the data collected was analyzed using linear regression analysis and multiple regression analysis with the aid of special package for social sciences (SPSS) version 21.0 with 0.71%, the empirical results indicate that the predictor variable of tax audit practice has positive effect on criteria variable of tax revenue in Nigeria. The study include that there exist a significant positive effect of desk audit on personal income tax.

Modugu and Anyaduba (2014), in their study, the impact of tax audit and other qualitative attributes on the tax compliance level of companies in Nigeria. The study found that there exists a positive relationship between tax audit and tax compliance. The study then recommended that the relevant authorities should seek more rational and active means of enhancing the impact of tax audits on corporate tax compliance in Nigeria.

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

Yongzhi (2005) found a positive relationship between the audit and the voluntary competence. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the voluntary compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state.

3. METHODOLOGY

This study dealt with the impact of tax audit and investigation on revenue generation in South-Westerner in Nigeria. thus, this study was conducted at the head office of the State Internal Board of Revenue Generation in South-Westerner States consist of Ogun, Lagos, Ondo, Ekiti and Oyo States. In order to critically investigate the objective of the study, the study employed a descriptive research design to gather primary source of data for the study through the administration of questionnaire to the employee/staffs of the Internal Board of Revenue generation in the Five States in South-west Nigeria. The study used a simple random sampling technique to select the needed respondents from the study. The distribution of population of staffs in the five States was presented in table 1.

Table 1: Distribution of population of staffs in the States Internal Revenue Board

S/N	State	No of staffs
1	Lagos	3 000
2	Oyo	600
3	Ogun	1550
4	Ekiti	150
5	Ondo	300
	Total	5600

Source: States Board of Internal Revenue Services (2022)

** Note: The value consists of both permanent and temporary staffs in the SBIR

** SBIR = States of Internal Revenue Service

Thus, from the total population of 5,600 staffs of the Internal Board of Revenue Generation in the Five States only 373 respondents were selected for the study through the use of Taro Yamane's formula of 1967. The selection of these 373 respondents was obtained from Taro Yamane's formula defined as;

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

Where,

n= Required Sample Size

N= Population size

e= level of significance

Thus, substitute, N =5600, e= 0.05

$$n = \frac{5600}{1 + 5600(0.05)^2}$$

$$n = \frac{5600}{1 + 14}$$

Therefore, n= 5600/ 15

n is approximately = 373

Moreover, in order to be sure that each State in the south-west was represented in the survey. Modified Neyman allocation formula (1980) cited in Ojo (2018) was used to determine the sample size that might come from each State. The formula is expressed as;

$$nh = \frac{NH \times n}{N}$$

Where,

nh= Sample size from each State

NH= Population size from each State

n= Actual Sample Size

N= Total population Size

Table 2 presented the sample size that may come from each state in South-west, Nigeria

Table 2: Distribution of Sample Size from Each State

S/N	State	Population (NH)	Sample Size (nh)
1	Lagos	3000	200
2	Oyo	600	40
3	Ogun	1550	103
4	Ekiti	150	10
5	Ondo	300	20
	Total	5600	373

Source: Researcher's computation, 2022

Thus, looking at the table, 200 respondents were selected for the study in Lagos State Board of Internal Revenue service, 40, 103, 10 and 20 were taken from Oyo, Ogun, Ekiti and Ondo States Board of Internal Revenue Service Respectively. The instrument of data collection for the study was subjected to validity and reliability tests before the researcher go for

the actual field work. The internal validity was achieved by given the questionnaire to ne lecturer in the faculty of Education, Department of test and Measurement, OAU, Ile-Ife. All his corrections were incorporated in the final draft of the questionnaire while the reliability of the questionnaire was tested by given the instrument to Mr. Adegoke a tax consultant expert for Ondo and Oyo State having his office in Ibadan in Oyo State Capital. His final opinion also formed part of the final draft of the questionnaire. Both descriptive and inferential statistics of logit regression were used to investigate the objective of the study. Also, from the 373 copies of questionnaire distributed to the respondents only 360 copies of questionnaire were validly returned and used for the study.

4.   PRESENTATION AND DISCUSSION OF RESULT

Table 3: Mean and Standard Deviation computed for the variable of Tax Audit

S/N	Variable	N	Mean	STD	Remark
A	**Desk Audit**				
1	Your office has a dedicated desk auditor.	360	3.78	0.56	Sign
2	All tax receipts are thoroughly investigated in the office by the officer in charge.	360	4.23	0.43	Sign
3	Unscrupulous activities of revenue agents are brought to the notice of management for adequate action.	360	4.67	0.12	Sign
B	**Field Audit**				
4	Your office has a monitoring unit that find out the activities of the revenue officer on the field.	360	2.56	1.34	Not Sign
5	The activities of the field officials have discouraged tax agents from perpetrating fraud with the revenue collected.	360	2.06	1.67	Not Sign
6	Increasing revenue generation has been recorded in your state due to effective field audit.	360	3.67	1.02	Sign
C	External Audit				
7	External auditor is engaged by the government to audit the revenue collected over the years.	360	4.56	0.13	Sign
8	The fear of external audit has increased revenue generation in your state.	360	4.34	0.21	Sign
9	The impartial final report of the external audit firm has exposed some revenues loopholes that have been blocked by the Government in your State.	360	4.76	0.05	Sign

Source: Researcher's Field work, 2022

** Acceptable Mean =3.00 on a 5 point likert scale

** A test item is significant if mean calculated > or equal to 3.00 or otherwise it is not significant

** SIGN= Significant

**Not Sign = Not Significant

Table 3 presented the result of the mean and standard deviation computed for the variable of tax audit. Looking at the result in the table, it might be asserted that majority of the States in the South-west Nigeria made use of desk audit and external audit than field audit. This assertion was premised on the fact that the mean value computed for substantial numbers of the test items under desk and external audit were greater than the acceptable mean of 3.00 while only one test statement produced acceptable mean that was better than or equal to 3.00 under the field audit. The inadequacy of the field audit might be due to insufficient manpower and lack of fund to engage external firm that might help in carry out the audit work on the field. Therefore, desk and external audit were carried out in many of the States in South-West Nigeria to audit their taxes in order to enhance government revenue generation.

Table 4: Mean and Standard Deviation Computed for the variable of Revenue Generation

S/N	Variable	N	Mean	STD	Remark
1	The various tax revenue generate in your State have improved due to tax audit.	360	3.87	0.67	Improved Rev. Gen.
2	Revenue from licenses fee and other royalties collect by your State have been enhanced.	360	4.23	0.54	Improved Revenue Generation
3	Revenue from Personal Income tax and other Direct taxesadminister in your State have improved.	360	4.33	0.67	Improved Revenue Generation
4	The unscrupulous activities of tax agent in your State have reduced, thus, enhancing tax revenue generates.	360	2.78	1.32	Not Improved
5	Increasing return to government coffer from parks fee and charges have been recorded due to the introduction of tax audit.	360	4.34	0.58	Improved Revenue Generation

Source: Researcher's Field work, 2022

The result in table 4 presented the mean and standard deviation computed for the variable of revenue generation. Looking at the result in the table, it was observed that the introduction of tax audit had improved revenue generation from tax, licenses, charges and others in the South-west State in Nigeria. This inferred was premised on the fact that the mean value computed for the test items were much better than the acceptable mean of 3.00 on a five point liker scale. On this basis, it was saved to state that revenue generation in the five States of South0West Nigeria had improved due to tax audit and investigation.

Table 5: Logit Regression Result

Dependent variable = Revenue Generation (RGEN)

Variable	Coefficient	Standard Error	Z-calculated	P-value
C	1.813333	2.544325	0.712697	0.2310
DAUD	5.990097	0.804882	7.442205	0.0000
FAUD	0.025698	0.009461	2.716203	0.0341
EAUD	0.182121	0.037157	4.901391	0.0012
	OTHER	**TEST**	**STATISTICS**	
McFadden R-squared	0.928165		Mean dependent var	0.821561
S.D. dependent var	0.013595		S.E. of regression	0.382408
Akaike info criterion	11.948790		Sum squared resid	38.60626
Schwarz criterion	12.015606		Log likelihood	-122.6123
Hannan-Quinn criter.	10.975624		Deviance	245.2245
Restr. Deviance	34.43315		Restr. log likelihood	-126.1658
LR statistic	77.106979		Avg. log likelihood	-0.455808
Prob(LR statistic)	0.00000			

Source: Researcher's computation, 2022

Table 5 presented the result of the logit regression computed to achieve the set objectives of the study. Looking at the result in the table, it was found that the p-value of the z-statistics computed for the variable of desk audit of 0.0000 was less than the critical value of 5%. This indicated that the null hypothesis which stated that desk audit was not significant on revenue generation in South-westerner States in Nigeria was rejected. It was saved to infer that desk audit was significant on revenue generation in South-west States. Adequate desk audit might reveal possible leakage in tax revenue collection and administration. This was because the auditing of tax revenue collection from the field in the office through effective comparability test might show possible discrepancy between expected tax revenue and actual revenue collected. This difference could indicate the extent revenue collectors and agents had compromised the system. With this audit the activities of unscrupulous tax officials and agents that have continued to deprive the government of these States substantial amount of tax revenues might be revealed and appropriate machinery put in place in order to check this

unwholesome practices. The regression coefficient obtained for the variable of desk audit of 5.99 was positive with significant Z-statistics value of 7.44. This indicated that there was a significant positive relationship between desk audit and revenue generation in South-westerner States in Nigeria. The implication of this was that a 1% increase in the utilization of desk audit in these States might lead to 5.99% improvement in revenue generation. The sign of the variable of Desk audit was in tandem with a priori expectation and hence, desk audit, might be a determinant of revenue generation in South-west states of Nigeria.

Moreover, the result revealed that field audit was significant on revenue generation in the selected States. This inferred was based on the fact that the p-value of the Z-statistics computed for the variable of field audit of 0.0341 was less than the critical value of 5%. The deployment of field auditors to audit the activities of revenue agents and officials of the State Board of Inland Revenue Service might restrain the tax officials and other revenue collectors from perpetrate activities that might negate the oath of office the officials swear to upheld. Adeogun and Oguntade (2017) argued that the use of field audit had been found to improve the level of revenue generation in many advanced countries. This was because through this method special task force officials were sent out to monitor, observe and take note of the activities of revenue officials on the field. in order to effectively reported on the activities of revenue collectors the field auditor might visited each point of revenue collection just to be sure of how much that have been collected in order to verify this with the actual revenue the officials reported. This system of revenue audit had been found by Omonijo (2015) to be effective in South-Africa but the lack of political will on the part of many States government in Nigeria to implement it had been the bane of revenue generation in Nigeria and some of these States in particular. Increasing revenue generation might be realized by the selected States through effective field audit. The regression coefficient computed for the test item was 0.03 and positive with significant Z-statistics value of 2.72. This implied that there was a significant positive relationship between field audit and revenue generation in South-westerner States of Nigeria. This further showed that a 1% increase in the use of field audit to audit revenue generation in these States might lead to 0.03% improvement in revenue generation. The sign of the variable of field audit was in conformity with a priori expectation and hence, field audit might be one of the determinants of revenue generation in South-west States in Nigeria.

Furthermore, it was observed that external audit (which involved the use of external audit firm to audit the account of revenue receipts in these states) was found to be significant on revenue generation. This inferred was based on the fact that the p-value of the z-statistics calculated for the variable of external audit of 0.0012 was less than the critical value of 5%. The implication of this was that the use of external auditor to audit the accounts of revenue agencies in these States might help in blocking possible loopholes that had continued to drain government revenue. With external auditor, government knowledge on the amount of revenue coming from various sources and how much was actually remitted by the revenue agencies might increase. External auditor added credibility to the work of revenue agencies by ensuring that any possible activities of these agencies that affect government revenue generation was exposed. This could create fear in the heart of the officials not to perpetrate unwholesome behaviours because these might be eventually revealed through external revenue audit by independent audit firm. Effectively, external audit could be used by the government as the basis on which revenue administration in these States rested upon in order to enhance revenue generation. The goal of bringing in an external audit firm was to expose any manipulation that had continued to hamper enhanced revenue generation from taxes and other levies in these States. The regression coefficient computed for the test item was 0.18 and positive with significant Z-statistics value of 4.90. The values indicated that there was a positive and significant relationship between external audit and revenue generation in South-West Nigeria. The sign of the variable of external audit was in tandem with a priori expectation and hence, external audit might be a determinant of revenue generation.

The result of the other test statistics obtained show that tax audit and investigation was a necessity for revenue generation. For instance, the McFadden R2 obtained for the test of 0.93 indicated that approximately 93% of revenue generation in South west States of Nigeria might be as a result of tax audit introduced in these States. Thus, on this basis, tax audit might be a good predictor for revenue generation. In addition, the p-value of the LR-statistics computed for testing the significant of overall hypothesis of 0.0000 with statistics value of 77.11 indicated that the joint null hypothesis which stated that tax audit was not significant on revenue generation in South-west States of Nigeria was rejected. It was reasonable to assert that tax audit was significant on revenue generation in these States. The result of the information criterion obtained indicated that tax audit which included; Desk Audit, Field Audit and External Audit provided better information on revenue generation in South-West Nigeria. All deviances were within the acceptable.

5. CONCLUSION AND RECOMMENDATION

Conclusions

Based on the result obtained it could be concluded that tax audit was significant on revenue generation in South West Nigeria. Moreover, Desk Audit was found to be positive and significantly related to revenue generation. In addition field audit was discovered to be directly related and significant with revenue generation. Also, external audit was observed to be positive and significantly related to revenue generation in South-West Nigeria. it might be concluded finally that desk audit, field audit and external audit were the determinants of revenue generation in South- West Nigeria.

Recommendations

The following recommendations are made for the study.

- The government of these South0West Nigeria must as matter of priority continue to deploy tax audit to audit the accounts of revenue agencies in the State. in particular Desk audit of revenue receipts must be carried out on daily basis in order to block any possible revenue loopholes.

- Furthermore, the use of field audit must be encouraged by the management of the selected States Board of Internal Revenue Generation. This is necessary in order to enhance transparency in revenue collection in these States.

- Also, government of these must engage external audit firm to audit the accounts of the revenue agencies in their States. This is to ensure accountability, transparency and integrity of the revenue generation and administration system in these States.

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