

Effect of Tax Audit on Revenue Generation in Nigeria: Empirical Evidence from Kogi State Internal Revenue Services (KSIRS).

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Abstract

The most profitable strategy of increasing tax revenue generation in Nigeria is through tax audit. To collect enough income from taxes, the important tax agencies need to intensify tax audits. This paper evaluates tax audits management and revenue generation from the perspective of Kogi State Internal Revenue Services (KSIRS). The study adopted survey research design. The population of the study is the five hundred and twelve (512) staff of KSIRS; a Judgmental sampling method was adopted to select two-hundred and six (206) management staff that are presumed to be knowledgeable and have the required information for the study. Both primary sources of data collection through a well-structured questionnaire and secondary data from the records of the Kogi State Internal Revenue Services were adopted for the study. Frequencies and percentages were used to analysis the section A of the questionnaire and each item in the other section to review the raw data collected, while crobach's alpha was adopted to check the reliability of the instrument used; simple regression analysis were used to test the hypothesis of the study. Findings revealed that tax audits have a positive (0.380) and significant (0.00) effect on the revenue generation of Kogi State Internal Revenue Services, the p value (0.00) is less than 0.05 level of significance with a coefficient of 0.38. This shows that tax audit can increase the tax revenue generation of Kogi State Internal Revenue Services by approximately 38%. The paper therefore recommends that Kogi State internal revenue Services should strengthen and modernize tax audit capacity by adopting risk-based audit selection, invest in ICT and data analytics, train auditors on forensic techniques and taxpayer treatment to improve effectiveness and reduce disputes.

Keyword: Tax Audits Management, Revenue Generation, Risk-Base Audit, Data Analytics, Forensic Techniques.

1.0 Introduction

According to Organization for Economic Corporation and Development (OECD) (2006) the taxpayer audit function plays a critical role in the administration of tax laws in all member countries. In addition to their primary role of detecting and deterring non-compliance, tax audit management requires them to interpret complex laws, carry out intensive examinations of taxpayers' books and records, while through their numerous interactions with taxpayers operating very much as the "public face" of a revenue body. These factors, as well as the sheer size of the audit function in most revenues' bodies, provide a strong case for all revenue bodies paying close

attention to the overall management of the tax audit function. Historically, most taxpayer-driven failures or compliance risks have been addressed nearly exclusively in terms of regulatory enforcement through an audit-based approach. In more recent times, revenue administrators have come to realize that the factors underlying taxpayers' compliance behavior in any specific risk area are varied and often complex and are unlikely to be treated successfully with a 'single action' strategy, particularly one based exclusively on regulatory enforcement action such as tax audits (OECD, 2006). Nevertheless, tax audits remain a major tool for tackling non-compliance and in revenue bodies in most OECD countries constitute the largest deployment of resources for administration of the laws. What tax audits do is examine the books of account of taxpayers and ensure there is compliance (Ellawule et al, 2024) Gbe (2023) asserts that the development of any nation depends on the amount of revenue generated and applied by the government on public infrastructure for the benefits of members of that society. Government needs sustainable revenue generation. One of the eight-point agenda of President Bola Ahmed Tinubu is the provision for the betterment of citizenry. Also, as the population grows, the government needs funds to cater for the needs of the citizenry (Ellawule et al, 2024). The increase in population has increased government expenditure but there is paucity of funds for these, therefore, the government needs to put in place policies that will improve tax revenue generation of the country (Tilahun, 2019). Hence, one very important strategy that can be applied to increase the revenue base of both federal and state governments in Nigeria is the application of effective and efficient tax audit. This can only be achieved through well implemented tax compliance strategy for the citizens of Nigeria (Gbe, 2023) The primary goal of a revenue body's compliance activity is to improve overall compliance with their tax laws, and in the process instils confidence in the community that the tax system and its administration are fair. Instances of failure to comply with the law are inevitable whether due to taxpayers' ignorance, carelessness, recklessness and deliberate evasion, or weaknesses in administration. To the extent that such failures occur, governments, and in turn the communities they represent, are denied the tax revenues they need to provide services to citizens (OECD, 2006) However, non-compliance is a problem affecting the growth and development of tax as one of the major sources of revenue generation (Gbe, 2023) According to Ajayi et al (2025) the most profitable strategy of increasing tax revenue in Nigeria is through tax audit. To collect enough income from taxes, the important tax agencies need to intensify tax audits. Tax auditing emerged as an avenue for preventing tax evasion and ensuring conformity to tax laws. It is the official assessment or inspection of the tax department conducted concerning the tax statement filled by the taxpayers under legal requirements. According to Ellawule (2024) in Nigeria, one of the factors that affect tax compliance is tax audits. The tax regime practiced in Nigeria is self-assessment. This system allows businesses to assess themselves and pay their tax liabilities to the relevant tax authorities. When this type of system is practiced, there is a need to improve monitoring through tax audits. Under a self-assessment regime, taxpayers evade taxes when not properly audited, consequently affecting the revenue generation of the government (Sinambela & Putra, 2021). The main aim of the Nigerian National Tax Policy is for taxpayers to pay their taxes voluntarily (National Tax Policy, 2017, Para.4.2). Achieving this has been a problem for Nigeria because of tax compliance issues. One of the difficulties faced in tax collection by developing economies is tax compliance (Nguyen, 2022). For example, in tax audit reports, it was reported that some companies do not remit their company income tax while some registered businesses do not file their yearly tax return to the relevant tax authorities (Adegboyega, 2019). The government's revenue policy prioritizes preventing tax evasion and maximizing compliance with tax legislation. One of the goals of tax enforcement is to compel a taxpayer to comply with the results of a tax

audit and to make him compliance with tax rules in the future. This paper therefore assesses tax audit management and revenue generation in Nigeria from the perspective of Kogi State Internal Revenue Services (KSIRS)

2.0 Literature Review

2.1 Tax Revenue Generation

Confidence and Tovie (2022) report that taxes are mandatory charges or duties levied on the goods, services and income of individuals or organizations. Taxes levied on income are widely regarded as direct taxes, and taxes levied on goods are known as indirect taxes. One of the reasons for introducing and collecting taxes is to generate government income to fund specific projects that guarantee reliable and functioning economic growth and development. By collecting taxes, basic services are provided to local residents by redistributing income and improving living standards. National taxation is an important determinant of other macroeconomic indicators, especially for developed and developing countries. According to Amadi and Amadi (2023) tax revenue generation is an important government policy for generating funds for the implementation of the budget in Nigeria. Tax revenue generation is a channel through which finance is used for the development of the physical and material well-being of the citizens of a country. Responsive and responsible government is interested in tax revenue generation since it is important for industrialization and economic growth and development. Tax revenue generation is crucial for economic development, providing government revenue to fund public goods, services, and infrastructure (Bird & Zolt, 2023). In developing countries like Nigeria, taxation offers a sustainable revenue source less vulnerable to external shocks, such as fluctuations in global oil prices (Mainoma et al, 2024)

2.2 Tax Audit Management

Tax audit is a process or series of processes carried out by a tax auditor to determine a taxpayer's correct tax liabilities for a specific accounting or tax period, by examining a taxpayer's organization procedures and financial records to assess compliance with tax laws and verifying the true, fair, reliable, and accuracy of tax returns, and financial statements (Arega, 2020). A tax audit is a financial audit that entails the collection and analysis of taxpayer information to determine their level of compliance with local tax laws (Oladele et al, 2019). A tax audit is an assessment of an individual's or organization's tax return by the relevant tax authorities to determine conformity with state tax rules and regulations. The Internal Revenue Service conducts a tax audit to certify that the taxpayer's tax returns are appropriate, adequate, and accurate. The formulation of an efficient tax audit policy can impact the production/revenue-generation decisions of enterprises and the government, respectively (Arega, 2020). Tax audits just like financial audit involve the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently (Adediran et al, 2013). Bugaje et al (2023) opine that in line with ensuring that taxpayers have declared the true and accurate taxes due, the relevant tax authorities (RTA) uses among other measures the tax audit to confirm the compliance or non-compliance of the tax payer. Where it is observed or suspected that the taxpayer failed to declare tax or disclose their income properly, such offender will be subjected to a supplemental tax plus penalty. According to the Internal Revenue Service (IRS 2024), tax audits help ensure that tax returns are accurate and that the appropriate taxes are paid. Geektonight, n.d. asserts that tax audits not only enforce compliance but also

promote taxpayer education and fairness within the tax system. Tax audits play a critical role in maintaining the integrity of tax systems and enhancing revenue collection for governments (Agbede, 2024). Imo (2022) posits that tax audit is a means of ensuring compliance with the tax laws. The primary purpose of tax audit is to maintain confidence in the integrity of the self-assessment system. It helps to improve voluntary compliance by detecting and bringing to book those who do not pay the correct amount of tax. Tax audit means the advanced part of auditing practice that involves examination of account books in order to check if the assessable profit shown by the taxpayer is correct. Tax audits, just like financial audits involve the gathering of information and processing it to determine the level of compliance of an organization with tax laws of the territory.

2.3 Theoretical Review

2.3.1 Economic Deterrence Theory

According to Samiji et al (2023) the traditional deterrence approach, also referred to as threat (stick) measures of tax compliance holds that almost nobody wants to pay tax. Therefore, taxes are compulsory payments and unrequited; people are required by law to pay tax, but they cannot expect any direct benefit in return. Yet, people still pay tax, and the ideal explanation is that the government forces them. Thus, the entire system of taxation operates under threat measures that threaten taxpayers with fines, audits, and criminal punishments (Feld *et al*, 2006). Proponents of deterrence theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions (Word Press, 2010). Established by Gary S. Becker (1968) posited that individuals make rational decisions by weighing the costs and benefits of their actions. In the context of taxation, this theory suggests that taxpayers are more likely to comply when the perceived cost of non-compliance (i.e., tax audits and penalties with the likelihood of detection) outweighs the benefits of evasion. Therefore, stringent penalties and effective enforcement mechanisms are expected to deter tax evasion and promote compliance (Becker, 1968). It has to do with tax authorities using audits and penalties to coerce taxpayers to comply with tax laws (Des-Wosu et al, 2022). Oghuma et al. (2016) supported this argument, stating that increased tax audits and penalties enhance compliance levels by discouraging tax evasion. However, it is difficult to prove the effectiveness of deterrence theory since only those offenders not deterred come to the notice of law enforcement (Word Press, 2010). Also, this model has been criticized, specifically for the failure of deterrence factors to explain the majority of tax compliance behavior, (Alm *et al*, 1993). Also, the model is stressful to taxpayers and costly to the government (Brockmann *et al*, 2016).

2.4 Empirical review

2.4.1 Tax Audit and Tax Revenue Generation

Guyalo and Eshite (2025) estimate the actual impact of a risk-based tax audit program on tax revenue. Use panel data (spanning from 2010 to the year 2018). The data were obtained from the Ministry of Revenue's SIGTAS database on self-declared business profit tax for both audited and non-audited taxpayers. The study employs the difference-in-differences method to estimate the impact of a risk-based tax audit on self-declared tax revenue and address the dynamic nature of the variables under investigation. The findings hold up well to a range of difference-in-differences estimation strategies. The study finds that a risk-based tax audit has an adverse impact on tax revenue. More precisely, the findings indicate that a risk-based tax audit program reduced tax income by 1,545,706 birrs on average, suggesting that audited taxpayers' tax revenue is lower

relative to if they had not been audited. It is concluded that a risk-based tax audit program does not achieve its aim of increasing tax revenue. Chukwunwike et al (2024) adopted tax audit to evaluate tax computations and remittances in the self-assessment regime. Observed that the system of self-assessment provides the taxpayer with the responsibility of assessing his economic activities for taxation, adopting the recommended template or form to render the gross income, allowable deductions, etc. emanating from the economic activities engaged in. The implication of tax audit on tax revenue was undertaken to determine the effectiveness of tax audit on the self-assessment tax policy alongside their contributions to taxation revenue. The survey research design was adopted for the study. Chi-square statistics tool was used to test hypotheses generated for the study. The study revealed that, self-assessment scheme affects revenue generation positively and has contributed greatly in the success of the self-assessment tax policy. Assert that the policy is still relevant in today's business world. It should be upheld. Agbede (2024) investigates the impact of tax audits on revenue generation in Lagos State, Nigeria, focusing specifically on the revenue from Pay-As-You-Earn (PAYE) and Direct Assessment (DA) over a 12-year period (2012-2023). Utilizing a longitudinal research design, data was sourced from the Lagos State Internal Revenue Service (LIRS) audit division. The methodology involved descriptive and inferential analysis, including ordinary least squares regression analysis, to explore the relationships between tax audits and revenue outcomes. Results indicate that tax audits positively and significantly influence both PAYE and DA revenues, with coefficients of 0.557 and 0.580, respectively. The study further highlights the significance of time as a variable influencing direct assessments, underscoring the cumulative effect of taxpayer compliance over years. Inegbedion and Okoye-uzu (2024) examine the influence of tax audits on tax compliance: and tax revenues from SMEs in Nigeria: the study employed a cross-sectional survey design consisting of 205 Owners and managers of SMEs in Nigeria. Convergent and divergent validity and composite reliability tests served as validity and reliability tests of the structured questionnaire designed by the authors. The study used a structured questionnaire to elicit the desired data from the respondents and used structural equation modelling to analyze the data. The results indicate that desk and field tax audits have a significant positive influence on tax compliance. Tax compliance, desk and field tax audits have a significant positive influence on tax revenue. In addition, tax compliance provides a partial linkage for the relationship between tax audits and tax revenues from SMEs. Ellawule et al (2024) investigated the effect tax audits have on tax compliance of Micro, Small and Medium Enterprises (MSMEs) in Nigeria. Five hundred (500) MSMEs were selected for the study and the regression technique through Statistical Package for Social Sciences (SPSS) was adopted for the analysis. The study found that tax audits do have a significant effect on the tax compliance of MSMEs in Nigeria. Also, intentional tax fraud investigation and enterprise tax return verification both have a significant effect on the tax compliance of MSMEs in Nigeria. Egwonwor and Edori (2024) assess the effectiveness of tax enforcement strategies in promoting taxpayer compliance. Employing a survey design, the researchers combined convenience and random sampling methods to gather data from 72 respondents using a four-point Likert scale questionnaire. Each Likert scale response was quantified for analysis. Descriptive statistics, Pearson Product-Moment Correlation, and linear regression were utilized to analyze the data. Results indicated a robust positive impact of tax enforcement measure on tax compliance. Specifically, tax audits, showed strong correlations with compliance (R values of 0.948, with p-values of 0.000). Nekesa and Warui (2024) investigate the effects of, filing regular monitoring and audits of residential rental income on revenue collection by Kenya Revenue Authority. Adopted causal research design. The study targeted KRA records on residential rental tax enforcement documents and revenue collection records. Inferential

techniques formed the basis of causality of the study variables through correlation and regression analysis. The testing of causality (cause-effect) assumed of significance being below 0.05. The study found that effect of enforcement of regular monitoring and audit of residential rental income had a positive significant effect on revenue collection by Kenya Revenue Authority Obafemi et al (2023) on ways to boost government revenue through efficient tax audit and remittance adopted Ogun State Internal Revenue Service's tax audit and investigation's effects on revenue production. The personnel of IRS, Nigeria, was given a well-structured questionnaire to complete, and responses were gathered. 126 of the administered 150 questionnaires could be located. To test the study's hypotheses, the Ordered Logistic Regression method was used. According to the findings, Field Audit had a negligible impact on income collection in the Ogun State Internal Revenue Service, however Desk Audit and Back Duty Audit had a considerable impact on it. Oyedokun et al (2023) focused on the effect of field and back duty tax audit and investigations on tax revenue generation in Ibadan, Oyo State Nigeria. The research adopted a descriptive survey design method. The study populations are the 9800 staffs at the Federal Inland Revenue Service from which the target and accessible population will be drawn. The data used, which were mainly collected through primary sources with the use of a well-structured questionnaire. The study employed simple regression analysis to assess hypotheses. The data analysis was performed using the software Statistical Package for Social Sciences (SPSS version 23). Findings showed that the effect of field tax audit and back duty tax audit and investigations on tax revenue generation in Nigeria is likewise at a good level Kilimvi and Adepehin (2023) examine the impact of tax audit and tax investigation on tax compliance of businesses using Lagos State as a case study. The specific objectives of the study were: to investigate the effect of tax audit on the tax compliance of businesses in Lagos state; to examine the impact of tax investigation on the tax compliance of businesses and to evaluate the inter-relational impact of tax audit and investigation on tax compliance on businesses in Lagos state. Quantitative research methodology was used as predestined by the purpose of this research. Secondary data were reviewed for the analysis. Descriptive statistics was employed for the data analysis, and ordinary least squares method was employed to provide answers to the research questions and test the hypotheses. Additionally, inter-relational impact of tax audit and tax investigation on tax compliance on businesses was examined using Pearson's correlation coefficient. A deductive research design was chosen. The findings showed that the degree of tax compliance of businesses in Lagos State has a positive correlated to tax audit and tax investigation. Ikosimi (2023) involves a theoretical exposition of tax enforcement mechanism and tax compliance using the dimensions of tax audit. Although two main approaches to tax enforcement (economic and psychological) exist in the literature, a review of extant empirical literature showed mixed results. Purely economic factors such as audits have shown inconsistent effects on tax compliance. However, more results tend to favor the use of psychological approach. Imo (2022) examined audit tax and tax revenue in Nigeria by means of a causal study design on a population of twenty- six (26) Federal Inland Revenue Service (FIRS), field offices in south-south geographical location of Nigeria. Questionnaire was distributed to three (3) management staff from each of the 26 FIRS field offices in south-south Nigeria, given a total of 78 respondents that constitutes the respondents of the study. Data for analysis was collected through primary and secondary sources. Primary data was collected through questionnaire to respondents, for the period covering 2007-2019. A total of 78 copies of the questionnaire were produced and distributed, of which 73 copies (93.59%) were successfully retrieved. However, out of the 73 copies that were returned only 67 copies (85.90%) were valid and used for the analysis. The simple linear regression was used for analysis. The results revealed

that, tax audit statistically and significantly has effect on petroleum profit tax, company's income tax and value added tax. The study therefore concludes that, tax audit has positive significant effect on tax revenue in Federal Inland Revenue Service of Nigeria,

Ofofibe et al (2022) analyzed the effect tax audit and investigation proxy by desk tax audit, field audit, back duty tax audit, and registration audit have on tax revenue generated in Southeast Nigeria. This study used primary and secondary data. The primary data was collected using a well-structured questionnaire administered to 157 selected staff of FIRS and audit firms in Southeast Nigeria. The secondary data were sourced from the FIRS web portal for 2010 to 2021. The data collected were collated and analyzed descriptively with the help of inferential methods such as the unit root test, Pearson's correlation test and estimation techniques, the Fully Modified Least Square (FMOLS), and co-integration regression analysis. The findings revealed desk tax audits, field audits, back duty tax audits, and registration audits, on the whole, have a significant positive impact on tax revenue generated in Southeast Nigeria.

Awotomilusi (2022) evaluates how tax administration affects tax revenue generation in Nigeria. The government tax administration mechanism, which is used to monitor tax collection, include tax audit. The study adopted survey research design analyzed with descriptive and inferential statistics. The population of the study consisted of 302 audits and risk department personnel from the State Board of Internal Revenue and the Federal Inland Revenue Service in the southwest Nigerian states of Ekiti, Ondo, Osun, Oyo, Ogun, and Lagos. A total of 172 persons were sampled using the Taro Yamane sampling method to obtain the sample size. The researcher created a closed-ended questionnaire to obtain primary data for the study. The data were analyzed using multiple linear regression analysis to obtain the inferential statistics. According to the finding, tax audit should be intensified to unravel any act of tax evasion, tax administrators should continue to enforce tax laws against taxpayers.

Oseni et al (2022) examine the effect of tax audit and investigation on revenue generation in Nigeria. Primary data were sourced through the administration of a structured questionnaire on 162 samples drawn from the total population of Federal Inland Revenue staff in the South-western zone of Nigeria, using Taro Yamane sample size calculator. Descriptive and inferential methods of data analysis were employed to measure the effect of tax audit and investigation's indicators (desk/office audit, field audit, and audit investigation) on revenue generation. Findings revealed that about 38% variation in revenue generation in Nigeria is due to change in tax audit and investigation's indicators/variables of DOA, FA, and ANINV, which implies that applications of these variables of tax audit and investigation will improve tax revenue generation in Nigeria as shown from the contributory regression coefficients of 0.576, 0.407, and 0.151 respectively.

Adelana (2022) examined the effect of tax audit on tax revenue generation in Nigeria. The study employed survey research design with structured questionnaire to obtain data. The study adopted Ordinary least square (OLS) technique as the data analysis method. The study found that tax audit has positive significant impacts on tax revenue generation in Nigeria. The study concluded that tax audit should be considered very essential in tax revenue generation in Nigeria

Akintayo (2022) examined the impact of tax audit and investigation on revenue generation in South-West Nigeria. 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.

3.0 Methodology

The study adopted survey research design. The population of the study is the five hundred and twelve (512) staff of KSIRS; a Judgmental sampling method was adopted to select two-hundred and six (206) management staff that are presumed to be knowledgeable and have the required information for the study. Both primary sources of data collection through a well-structured questionnaire and secondary data from the records of the Kogi State Internal Revenue Services were adopted for the study. Frequencies and percentages were used to analysis the section A of the questionnaire and each item in the other section to review the raw data collected, while crobach's alpha was adopted to check the reliability of the instrument used. Both Generalized Moment Method and Multiple regression analysis were used to test the hypothesis of the study. Simple regression is adopted for the model specification as stated below:

$$TRG = \beta_0 + \beta_1 TUD + e$$

Where:

TRG= Tax Revenue Generation

TUD = Tax Audit

e = Stochastic term

β_0 β_1 = regression coefficient

4.0 Data Presentation and Analysis

Table 1

Demography of Respondents

S/N	VARIABLE	FREQUENCY	PERCENTAGE %
1	Gender: Male Female Total	149 57 206	72.3 27.7 100
2	Age: Below 30years 31-40years 41-50years Above 50 Total	29 149 19 9 206	14.1 72.3 9.2 4.4 100
3	Highest Educational Qualification: ND/DIPLOMA/NCE HND/BSc. Postgraduate Total	5 185 16 206	2.4 89.8 7.8 100
4	Marital Status Single Married	30 165	14.6 80.1

	Divorced Total	11 206	5.3 100
4	Department:		
	Income Tax Directorate	66	32.0
	Ministry Department and Agency	35	17.0
	Road Tax	35	17.0
	Finance and Account	35	17.0
	Administration and ICT	35	17.0
	Total	206	100

Source: Field Survey, 2025 (SPSS 23)

From table 1 above which shows the demographic presentation of the respondents. The gender of the respondents is 149(72.3%) and 57(27.7%) male and female respectively, we concluded that the number of males more than that of female respondents. The ages of the respondents as shown from the above table, 29(14.1%) were 30years and below, 149(72.3%) were between the ages of 31 to 40years, 19(9.2%) were between 41 to 50 years, 9(4.4%) respondents were between 50years and above. We confirmed that ages 31 to 40years were the highest among the respondents. The highest educational qualifications of the respondents show that 5 (2.4%) have ND/ NCE/ Diploma, 185(89.8%) have HND/BSc. and 16(7.8%) have postgraduate qualifications. From this analysis, we confirmed that respondents with HND/BSc/BA have the highest number. The marital status of the respondents shows that 30(14.6%) were single, 165(80.1%) were married and 11(5.3%) were divorced. Finally, the department of the respondents was also captured in the questionnaire. 66(32.0%) were from Income tax directorate Department, 35(17.0%) were from Ministry Department and Agency Department, 35(17.0%) from Road Tax Department, 35(17.0%) from Finance and Account Department, 32(17.0%) from Administration and ICT Department.

Reliability Statistics

	Cronbach's Alpha Based on Standardized Items	N of Items
Cronbach's Alpha		
.858	.843	24

Source: Author's Compilation, 2025.

Table 2 above which shows the reliability test of the variables. The result for the variable shows an excellent result of 0.858. Based on this we assumed that the degree to which an instrument yields is consistent.

Question One: To what extent does tax audit affect tax revenue generation of Kogi State Internal Revenue Services?

Table 3 Effect of tax audit on tax revenue generation of Kogi State Internal Revenue Services.
Tax Audit

S/N	Tax Audit	SA	A	N	D	SD
TUD1	Tax audits help ensure that tax returns are accurate and that the appropriate taxes are paid by taxpayers	193 (93.7%)	13 (6.3%)	0 (0%)	0 (0%)	0 (0%)
TUD2	The formulation of an efficient tax audit policy can impact the production/revenue-generation decisions of enterprises and the government	128 (62.1%)	50 (24.3%)	14 (6.8%)	7 (3.4%)	7 (3.4%)
TUD3	Tax audits just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory	183 (88.8%)	19 (9.2%)	1 (0.5%)	2 (1.0%)	1 (0.5%)
TUD4	Tax audit was adopted to evaluate tax computations and remittances in the self-assessment regime.	182 (88.3%)	22 (10.7%)	1 (0.5%)	0 (0%)	1 (0.5%)

Author's Compilation, 2025

From the table 3 above, it shows that most of the respondents show a level of agreement with the statement Tax audits helps in generation of more tax revenue. 93.7% (193) and 6.3 % (13) respectively strongly agreed and agreed that "Tax audits help ensure that tax returns are accurate and that the appropriate taxes are paid by taxpayers" (TUD1). 62.1% (128) and 24.3 % (50) were strongly agreed and agreed to the second statement "The formulation of an efficient tax audit policy can impact the production/revenue-generation decisions of enterprises and the government (TUD2)" while 6.8 % (14) were neutral, 3.4% (7) disagreed and 3.4% (7) were strongly disagreed. Also, 88.8% (183) and 9.2% (19) are strongly agreed and agreed to the third statement "Tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory (TUD3)" while 0.5 % (1) was neutral, 1.0% (6) were disagreed and 0.5% (1) were strongly disagreed. 88.3% (182) and 10.7% (22) were strongly agreed and agreed to the fourth statement "Tax audit was adopted to evaluate tax computations and remittances in the self-assessment regime. (TUD4)" while 0.15% (1) were undecided and 0.5% (1) was strongly disagreed.

Table 4: Revenue Generation

	Tax Revenue Generation	SA	A	N	D	SD
TRG1	Reasons for introducing and collecting taxes is to generate government income to fund specific projects that guarantee reliable and functioning economic growth and development	77 (37.4%)	124 (60.2%)	3 (1.5%)	2 (1.0)	0 (0%)
TRG2	Tax revenue generation is crucial for economic development, providing	79 (38.3%)	113 (54.9%)	6 (2.9%)	7 (3.4%)	1 (0.5%)

	government revenue to fund public goods, services, and infrastructure					
TRG3	Tax revenue generation is a channel through which finance is used for the development of the physical and material well-being of the citizens of a country	185 (89.8%)	21 (10.2%)	0 (0%)	0 (0%)	0 (0%)
TRG4	Responsive and responsible government is interested in tax revenue generation since it is important for industrialization and economic growth and development.	177 (85.9%)	25 (12.1%)	3 1.5%	1 (0.5%)	0 (0%)

Author's Compilation, 2025

From table 4 above, it shows that most of the respondents show a level of agreement with the statement tax revenue generation. 37.4% (77) and 60.2 % (124) respectively strongly agreed and agreed that "taxes are to generate government income to fund specific projects that guarantee reliable and functioning economic growth and development" (TRG1) while 1.5% (3) are neutral and 1.0% (2) disagreed. 38.3% (79) and 54.9 % (113) were strongly agreed and agreed to the second statement "It validates that the business is tax-compliant and has fulfilled its duties as required by Nigerian tax laws. (TRG2)" while 2.9% (6) was neutral, 3.4% (7) disagreed and 0.5% (1) disagreed. Also, 89.8% (185) and 10.2% (21) are strongly agreed and agreed to the third statement "Tax revenue generation is crucial for economic development, providing government revenue to fund public goods, services, and infrastructure. (TRG3)". 85.9% (177) and 12.1% (25) were strongly agreed and agreed to the fourth statement "Responsive and responsible government is interested in tax revenue generation since it is important for industrialization and economic growth and development (TRG4)" while 1.5% (3) disagreed and 0.5% (1) strongly disagreed.

Test of hypotheses

Decision rule: Accept null hypothesis if $p\text{-value} > 0.05$ and reject alternative hypothesis. Reject the null hypothesis if the $p\text{-value} < 0.05$ and reject alternate hypotheses

The tables below show the result obtained from simple regression for the hypotheses. They are interpreted accordingly.

Table 5
Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.876 ^a	.767	.761		.20574	.923

a. Predictors: (Constant), Tax Audit b. Dependent Variable: Tax Revenue Generation

From table 5. above, The R value is 0.876 which indicate a good level of prediction of the independent variables Tax Audit. Also, the R^2 which is the coefficient of determination, is the proportion of dependent variable (Tax revenue) that can be explained by the independent variable tax audit. The value of the R^2 is 0.767, that is the independent variables can explain approximately

77% of the dependent variable. Also, the Dubin-watson test shows a value of 0.923 which is less than 2, this implies that the model is appropriate.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	27.811	5	5.562	131.396	.000 ^b
Residual	8.466	200	.042		
Total	36.277	205			

a. Dependent Variable: Tax Revenue Generation

b. Predictors: (Constant), Tax Audit

From table 6. above (the Anova table) which shows whether the overall regression model is of good fit or not. From the table the value of p is 0.000 which shows that the independent variable are statically significantly predicting the dependent variable. This shows that the regression model is a good fit for the data.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.359	.296		1.214	.226
Tax Audit	.380	.047	.375	8.106	.000

a. Dependent Variable: Tax Revenue Generation

Ho: Tax audits have no significant effect on tax revenue generation of Kogi State Internal Revenue Services.

From table 7, tax audit has a positive (0.380) and significant (0.00) effect on the revenue generation of Kogi State Internal Revenue Services, the p value (0.00) is less than 0.05 level of significance with a coefficient of 0.38. This shows that tax audit can increase the tax revenue generation of Kogi State Internal Revenue Services by approximately 38%. This means that tax audit may boast the amount of revenue generation at state level. Based on this result we reject our null hypothesis that Tax audit has no significant effect on tax revenue generation of Kogi State Internal Revenue Services in Nigeria and accept the alternative hypothesis that Tax audit has significant effect on tax revenue generation of State Inland Revenue Services in Nigeria.

4.1 Discussion of Findings

The empirical analysis shows that tax audit has positive and significant effect on the revenue generation of the Kogi State Internal Revenue Services. The result from the findings show that tax audit has positive and significant effect on revenue generation of Kogi State Internal Revenue Services is supported by the finding of Agbede (2024), Chukwunnike et al. (2024) and Inegbedion and Okoye-Uzu (2024) while it was contradicted by the result of Guyalo and Eshite (2025).

4.2 Conclusion and Recommendation

From the empirical analysis, it was established that tax audit, has positive and significant effect on revenue generation of Kogi Stante Internal Revenue Services. This implies that tax audit increases revenue by detecting under-reported or undeclared liabilities thereby encouraging voluntary compliance through perceived enforcement. The paper therefore recommends that Kogi State

internal revenue Services should strengthen and modernize tax audit capacity by adopting risk-based audit selection, invest in ICT and data analytics, train auditors on forensic techniques and taxpayer treatment to improve effectiveness and reduce disputes.

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