

Role of tax audits in enhancing tax compliance: evidence from Ogun State

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Abstract

Purpose: Tax compliance is one of the significant factors militating against sustainable revenue mobilization in developing economies, including the Nigerian economy. This work therefore evaluates the impact of tax audit in improving tax compliance in Ogun State, taking a critical focus at the frequency, penalty, effectiveness, and moderating effect of taxpayer education.

Methodology: The study adopts a quantitative cross-sectional research design. Primary data was collected through structured questionnaires administered to officials of the Ogun State Internal Revenue Service and professional accountants of selected small and medium-sized enterprises. A stratified random sampling technique was used; 331 valid responses were retrieved. Data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS to test both direct and moderating relationships among the variables.

Results and conclusion: Results reveal that tax audits greatly improve tax compliance in Ogun State. Frequency of tax audit is identified as the most significant predictor of tax compliance, followed by effectiveness and penalty of tax audit. However, it was found that taxpayer education positively affects tax compliance and also Moderates tax audit effectiveness & tax compliance. It can be concluded that the role of effective and regular taxation audits, in conjunction with sufficient taxpayer education, is imperative in ensuring and improving the levels of voluntary taxation compliance.

Implication of findings: The findings suggest that the Nigeria taxation system can benefit from enhancing the capacity for taxation audits and increasing the focus and activities on taxpayer education as approaches for improving the levels of voluntary taxation compliance.

Keywords: Tax compliance; Tax audit; Audit frequency; Audit effectiveness; Taxpayer education.

1. Introduction

All governments across the world have a primary responsibility to provide essential services such as infrastructure, healthcare, and social welfare to their citizenry. To meet these obligations, substantial funds are required, and taxation serves as a major and dependable source of revenue to government at all levels. Taxes are levies imposed by governments on the income, profits, or wealth of individuals and businesses to fund public expenditures. As Akeju (2018) asserts, taxation is a crucial mechanism through which governments mobilize financial resources to fulfil their mandates.

Despite the importance of taxation, a significant challenge persists in the form of taxpayer reluctance, which often manifests as tax evasion and avoidance. To address these issues, governments have introduced a variety of mechanisms, including reforms to tax laws, self-assessment schemes, electronic payment systems, taxpayer education programs, and penalties for non-compliance. However, these strategies have not fully resolved the challenges related to tax compliance. Tax evasion, in particular, is a pervasive issue in developing economies like Nigeria, where efforts to circumvent tax obligations often undermine effective tax administration. To mitigate this challenge, tax audits have become a key tool in the enforcement of tax laws. According to the OECD (2006), a tax audit is a holistic examination of taxpayer's records by the tax authorities to verify compliance with relevant tax rules and procedures. In Nigeria, the introduction of self-assessment schemes in 1998 increased the need for rigorous tax audits to ensure the accuracy of taxpayer-submitted financial records. Evidence from Nigeria lends further

credence to the importance of tax audits as a tool for tax enforcement, since field tax audits and the yields from such audits have been shown to significantly improve compliance and tax revenues, as recorded by Bugaje, Okpe, and Odunko (2023).

The economic hardships faced by Nigeria, despite its abundant human and natural resources, underscore the need for improved tax compliance. Despite citizens fulfilling their tax obligations, the country has faced significant debt challenges. This study provides tax administrators with crucial insights into the effectiveness of tax audits and explores the compliance behavior of taxpayers following an audit exercise. By investigating tax audits' role in reducing tax evasion and avoidance, this research contributes to the ongoing efforts to optimize revenue mobilization and strengthen fiscal governance in Nigeria. Although existing studies have emphasized the importance of tax audits in reducing tax evasion and enhancing revenue collection, several gaps remain. Few studies have focused on the role of tax audits in improving administrative efficiency and fostering voluntary compliance. Additionally, the effectiveness of tax audits in developing countries, particularly in Nigeria, remains underexplored, especially in terms of practical challenges faced by tax authorities and taxpayers.

The study intends to assess the role of tax audits in enhancing tax compliance in Ogun State, Nigeria. Specifically, it investigates the effectiveness of tax audits in promoting compliance, identifies the challenges faced by tax authorities, and offers recommendations for improving the efficiency of tax audits and overall compliance.

2. Literature review

Tax compliance

Tax compliance is said to be the degree to which taxpayers comply to tax laws by reporting accurately their income, paying taxes owed, and abiding by the rules set by tax authorities (Kramer, 2021). Tax compliance is crucial for any economy, as it enables governments to generate the revenue required to fund essential public services. However, achieving high compliance remains a age long challenge, particularly in developing economies such as Nigeria, where tax evasion and avoidance are prevalent. This literature review explores the factors that influence tax compliance, with a focus on audit frequency, audit penalty, and audit effectiveness as independent variables, while considering taxpayer education as a moderator.

Empirically, the view that audit frequency, penalties, and effectiveness positively influence tax compliance, with taxpayer education acting as a crucial moderating factor. For example, Adediran et al. (2013) found that frequent audits and strong penalties significantly reduced tax evasion in Nigeria. Similarly, an investigation by Kovač et al. (2023) indicated that higher audit effectiveness was associated with increased compliance rates in both developed and developing countries. However, the moderating role of taxpayer education is often overlooked, despite evidence that education can strengthen the relationship between audits and compliance (Torgler & Schneider, 2021).

Audit frequency and tax compliance

Audit frequency refers to the number of times tax audits are conducted over a specific period. The frequency of tax audits has been shown to impact taxpayer compliance behaviour. Several studies suggest that continuous audit frequency mostly resulted to a higher level of compliance (Alade & Oshode, 2019). Regular audits signal to taxpayers that non-compliance is closely monitored, which may deter tax evasion since they are aware that tax auditors are abreast of their records.

A study by Alvarado and Carrasco (2020) found that in countries with higher audit frequency, taxpayers were more likely to comply with tax laws. This result aligns with the notion that consistent enforcement through regular tax audits which can instil a fear of detection, thus encouraging voluntary compliance. However, the relationship between audit frequency and compliance may be moderated by taxpayers' perceptions of fairness and transparency in the audit process (Torgler & Schneider, 2021).

H1: Audit frequency has a significant positive effect on tax compliance in Ogun State.

Audit penalty and tax compliance

Audit penalties refer to the fines and other consequences that taxpayers face if found non-compliant during a tax audit exercise. The severity of these penalties is believed to influence taxpayer behaviour by creating a deterrent effect. Several studies suggest that higher penalties are associated with lower rates of tax circumvention, as people with tax liabilities will willingly comply to avoid penalties of any form (Okunade & Alaba, 2020).

In their study, Feiglin and Gupta (2021) confirmed that the imposition of high penalties following audits significantly decreases tax evasion. The effectiveness of audit penalties depends not only on their severity but also on how well they are enforced. If penalties are not consistently applied or are perceived as unfair, their deterrent effect diminishes, and tax compliance may not improve (Kramer, 2021). Furthermore, the fear of penalties may not be sufficient to increase compliance unless coupled with other factors, such as trust in the tax system and government accountability (Hassan et al., 2019).

H2: Audit penalties have a significant positive effect on tax compliance in Ogun State.

Audit effectiveness and tax compliance

Audit effectiveness refers to the degree to which tax audits lead to accurate assessments and result in meaningful changes in taxpayer behaviour. The effectiveness of audits can be measured by their ability to detect discrepancies, expose fraudulent activities, and bring about corrective actions in tax filings. Audit effectiveness has been linked to higher levels of tax compliance, as efficient audits demonstrate that the government is serious about upholding and enforcing tax laws (Smith & Wilson, 2020).

In a study by Becker et al. (2021), audit effectiveness appeared to be a important predictor of tax compliance. They found that audits that were perceived as thorough, transparent, and fair were more likely to encourage voluntary compliance. Similarly, in Nigeria, studies by Olaoje and Ogundipe (2018) have shown that the effectiveness of tax audits significantly impacts the behaviour of taxpayers, leading to an increase in tax payments and a reduction in evasion. In a similar fashion, based on evidence provided by the Federal Capital Territory, Ogidiaka et al. (2024) have shown that back-duty tax audits make a substantial positive contribution to companies' income tax compliance, and this can only be effectively amplified by the technical know-how of tax officers.

Audit effectiveness, however, can be undermined by resource constraints, inadequate training of audit personnel, and corruption. These challenges may reduce the perceived effectiveness of audits and, in turn, negatively affect tax compliance (Benedict & Adebayo, 2012).

H3: Audit effectiveness has a significant positive effect on tax compliance in Ogun State.

Taxpayer education as a moderator

Taxpayer education is an essential tool in promoting tax compliance. It refers to programs designed to inform taxpayers about their tax responsibilities, rights, and the costs of non-compliance. Research

indicates that taxpayer education plays a fundamental role in modifying taxpayers' attitudes and behaviours, often acting as a moderator in the relationship between audit-related factors and compliance (Fels, 2021).

Studies by Anderson and Sotiropoulos (2020) suggest that well-designed taxpayer education programs can enhance the effectiveness of audits by increasing taxpayers' awareness of their obligations and the benefits of compliance. Equally, taxpayer education helps reduce the distrust that may exist between taxpayers and tax authorities, making it more likely that taxpayers will cooperate during audits (Torgler & Schneider, 2021). The literature also shows that when taxpayers are educated about audit procedures and penalties, they are more likely to perceive audits as fair and transparent, which can improve their compliance rates (Hassan et al., 2019)

H4: Taxpayer education has a significant positive effect on tax compliance in Ogun State.

H5: Taxpayer education significantly moderates the relationship between audit effectiveness and tax compliance in Ogun State.

Theoretical review and framework

The theoretical framework is informed by both economic as well as psychological theories of tax compliance, tax obedience decision are mostly influenced by the duo of economic and psychological perception of people (Kirchlar, 2007). According to the economic model, taxpayers evaluate the cost-benefit of compliance, and they are more likely to comply when the perceived costs of non-compliance (including penalties and audits) outweigh the benefits (Ladi & Henry, 2015). Psychological factors, including belief in the tax system and the fairness of audit procedures, also play a significant role in shaping compliance behaviour (Fels, 2021).

The theoretical underpinning of tax compliance rate is too broad, reflecting the interconnection between tax audit and its general scope as conceptualized in the below diagram. In consonant with the past empirical evidence and theoretical gaps acknowledged in the previous sections, a conceptual outline for this finding was developed demonstrating the role of tax education as moderating variable between tax compliance and tax audit as shown in Figure 1 below which hypothetically strengthening or weakening the influence of these audit factors on compliance behavior. While audit frequency, audit penalties, audit effectiveness are the independent variables in these findings. Meanwhile dependent variable is the tax compliance itself.

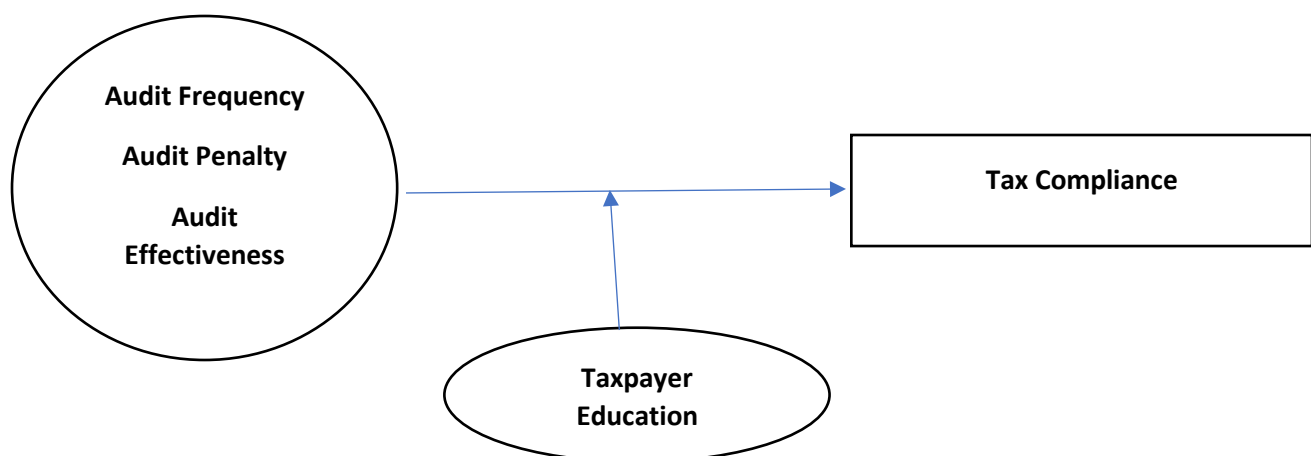


Figure 1: Theoretical Framework showing the Variables

The conceptual framework presented in Figure 1 illustrates the hypothesized relationships among the study variables. Audit frequency, audit penalties, and audit effectiveness are specified as independent variables with direct effects on tax compliance. Taxpayer education is modeled as both a direct determinant of tax compliance and a moderating variable. Consistent with theoretical expectations and empirical evidence, taxpayer education is hypothesized to moderate only the relationship between audit effectiveness and tax compliance, on the premise that educated taxpayers are better able to understand audit procedures, interpret audit outcomes, and respond positively to effective audit interventions. The framework therefore does not assume a moderating role for taxpayer education in the relationships involving audit frequency or audit penalties, as these enforcement mechanisms primarily operate through deterrence rather than cognitive understanding. This specification aligns with the study's empirical findings and ensures conceptual consistency between theory, model estimation, and results.

3. Methodology

This finding adopted a quantitative research design to evaluate the role of tax audit on tax compliance in Ogun State Nigeria. The survey questionnaire employed in this study was developed by adapting validated scales from the tax compliance literature to ensure content validity and relevance to the study's context. Items regarding audit rate, audit penalties, and effectiveness of audit as measures were adapted from previous studies by Alade and Oshode in 2019, Olaoye and Ogundipe in 2018, and from the study by Becker et al. in 2021, while items regarding tax compliance were adapted from the study by Adediran et al. in 2013 and from the study by Hassan et al. in 2019. The taxpayer education construct was adapted from Anderson and Sotiropoulos (2020) and Fels (2021). Minor modifications were made to the wording of the items to reflect the Nigerian tax administration environment and the operational realities of Ogun State. All adapted items were measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The reliability and validity of the adapted instrument were subsequently confirmed through the measurement model assessment. In this study, data are collected through a structured survey questionnaire from tax officials at the Ogun State Internal Revenue Service, and accountants of some selected SMEs. This is a cross-section in which the assessment of the relationships between the tax compliance and tax audit as independent variables, which further breakdown to audit frequency, audit penalties, audit effectiveness, and taxpayer education, occurs at one particular point in time.

The population of this study includes tax officials working within some specific departments of OGIRS, since they are directly involved in tax administration and compliance monitoring. The respondents were keenly selected by a stratified random sampling technique to ensure adequate representation of tax evaluators, examiners/auditors, enforcement officers, as well as taxpayer service representatives. This diminishes selection bias and presents an extensive assessment of tax compliance from diverse views.

Altogether, 400 questionnaires were circulated, and 338 were returned, which accounted for an 84.5% response rate. upon cleaning the data, 28 records were removed as they were inadequate and showed extreme values. Therefore, this study used 331 valid responses as its sample size. Sample size was assessed using statistical precision techniques in order to make sure that the confidence level would be 95%, with a 5% margin of error regarding the generalizability of the findings. Data collected were analyzed using SmartPLS statistical tools. Partial Least Squares Structural Equation Modeling technique was used to evaluate the direct and moderating influences of independent variables on tax compliance. This method is imperative because it handles complex models and relatively small sample sizes, hence providing apt results that better illustrates the appropriateness of the model.

4. Results and discussion

Descriptive statistics

The descriptive statistics in Table 1 suggest that respondents tend to view tax audit practices and tax compliance in generally favorable terms. Thus, the frequency of audit generated the highest mean score ($M = 4.02$, $SD = 0.63$), suggesting tax audits are considered frequent and visible in Ogun State. Audit effectiveness also generated a high mean ($M = 3.89$, $SD = 0.66$), indicating that audits are perceived as being largely able to detect non-compliance and ensure corrective actions. Tax compliance itself had a relatively high mean value ($M = 3.95$, $SD = 0.61$), which reflects a moderate to high level of compliance among the respondents. By contrast, penalties for audits had a relatively lower mean score of ($M = 3.48$, $SD = 0.77$), implying moderate views are held regarding the severity and enforcement of such audit penalties. Taxpayer education recorded a moderate-to-high mean of ($M = 3.71$, $SD = 0.69$) in support of its relevance as a direct determinant of compliance and as a moderating factor. Overall, the relatively low levels of dispersion in standard deviation imply that the views of the respondents are somewhat consistent.

Table 1: Summary of descriptive statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
Audit Frequency	4.02	0.63	1	5
Audit Penalties	3.48	0.77	1	5
Audit Effectiveness	3.89	0.66	1	5
Taxpayer Education	3.71	0.69	1	5
Tax Compliance	3.95	0.61	1	5

Source: Author's computation, 2025.

Measurement model outcome

This segment explained the outcome of the measurement model, which comprised of convergent validity and construct reliability of the entire model. According to the diagram below, the reliability of the construct was assured since Cronbach's Alpha and Composite Reliability were greater than 0.7. The constructs also had Average Variance Extracted values above 0.5, meaning that they explain 50% and above of the variance in their respective indicators (Hair et al., 2017; Fornell & Larcker, 1981). As revealed below, this suggests that 86.3% of the variance in Tax Compliance is explained by Audit Frequency, Audit Penalty, Audit Effectiveness and Taxpayer Education.

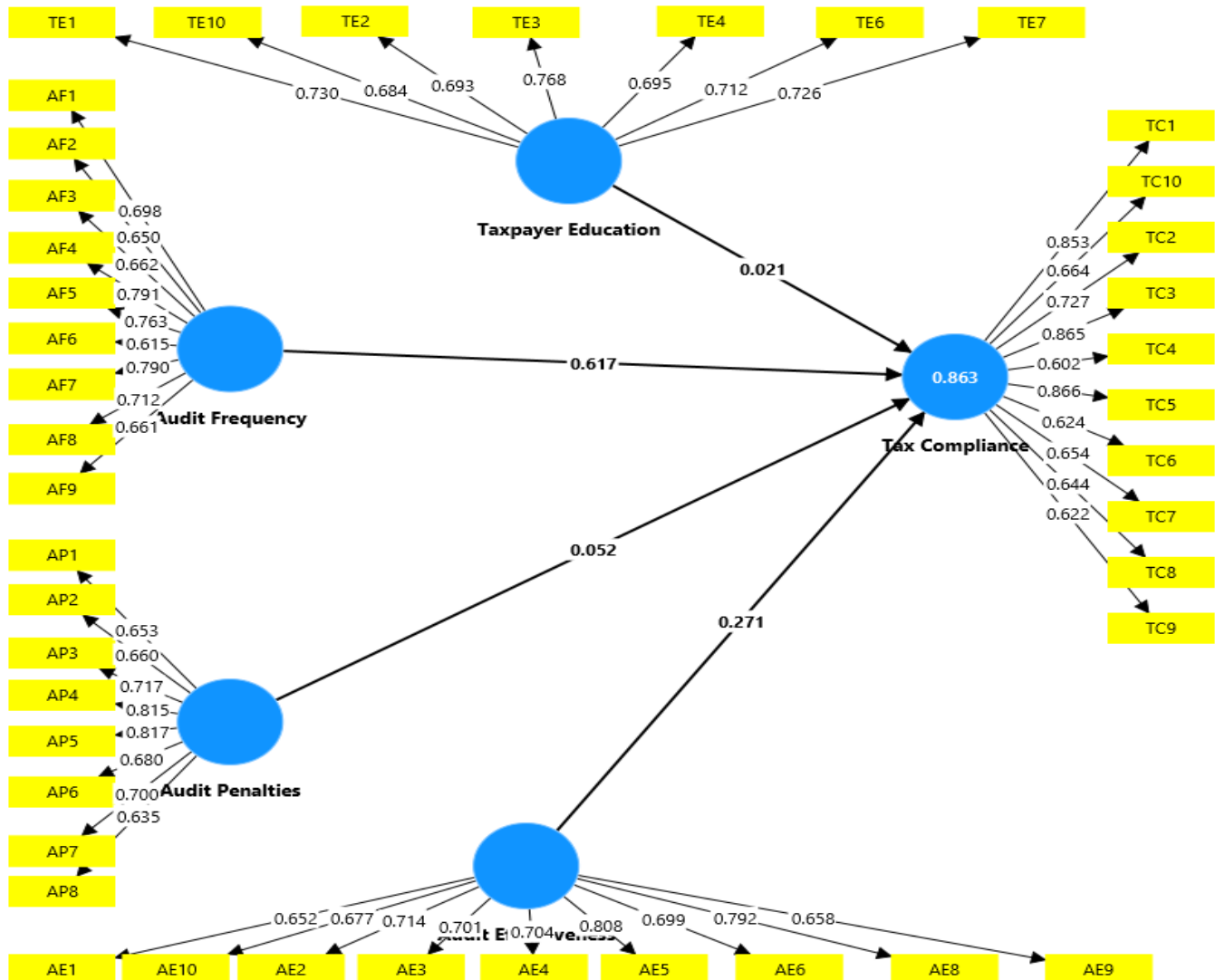


Figure 2: Measurement Model (MM)

From the Table 1, below, it indicates that both independent variable and dependent variables are valid and reliable since composite reliability indicates 0.84 to 0.88, Cronbach Alpha indicates 0.841 to 0.892 while AVE indicated 0.50 to 0.518. Furthermore, the discriminant validity confirmed by the Fornell - Larcker measure whereby, the square root of the values of AVE were greater than inter-construct relationships as submitted by Fornell & Larcker, (1981). The Variance Inflation Factor (VIF) figures were between 0.991 and 1.053, hence not a concern for multicollinearity (Kline, 2015). The measurement model passes all the conditions for reliability and validity; therefore, the constructions are good for the evaluation. Discriminant validity can be found by linking the indicator loadings by cross-loadings (Chin, 1998). According to Chin (1998), to have a fitting discriminant validity, all the pointer loadings must be greater than the cross-loadings. Table 2 below presents the indicator loadings compared with other insightful indicators. All the indicator loadings were bigger than their individual cross-loadings, signifying acceptable discriminant validity as reported below.

Table 2: Summary of measurement model

Construct	Items	Loading	Cromba	CR	AVE
Audit Effectiveness	AE1	0.652	0.878	0.88	0.509
	AE10	0.677			
	AE2	0.714			
	AE3	0.701			
	AE4	0.704			
	AE5	0.808			
	AE6	0.699			
	AE8	0.792			
	AE9	0.658			
Audit Frequency	AF1	0.698	0.874	0.883	0.5
	AF2	0.65			
	AF3	0.662			
	AF4	0.791			
	AF5	0.763			
	AF6	0.615			
	AF7	0.79			
	AF8	0.712			
	AF9	0.661			
Audit Penalties	AP1	0.653	0.859	0.863	0.508
	AP2	0.66			
	AP3	0.717			
	AP4	0.815			
	AP5	0.817			
	AP6	0.68			
	AP7	0.7			
	AP8	0.635			
Tax Compliance	TC1	0.853	0.892	0.898	0.518
	TC10	0.664			
	TC2	0.727			
	TC3	0.865			
	TC4	0.602			
	TC5	0.866			
	TC6	0.624			
	TC7	0.654			
	TC8	0.644			
Taxpayer Education	TE1	0.73	0.841	0.842	0.513
	TE10	0.684			
	TE2	0.693			
	TE3	0.768			
	TE4	0.695			
	TE6	0.712			
	TE7	0.726			

Source: Author computation, 2025.

Structural model assessment

Having recognized the measurement model effect, next, is to assess the structural model. The current study used the standard bootstrapping technique with total number of 5000 bootstrap samples and 331 cases to measure significance of the path coefficients (Hair et al., 2014). Figure 3 and Table 2 however reveal the evaluations for the complete structural model, which comprises moderating variable (i.e., Taxpayer Education). Although the overall model elucidates Tax Compliance in detail, the individual contributions of each variable are weak, this indicates they act together rather than independently.

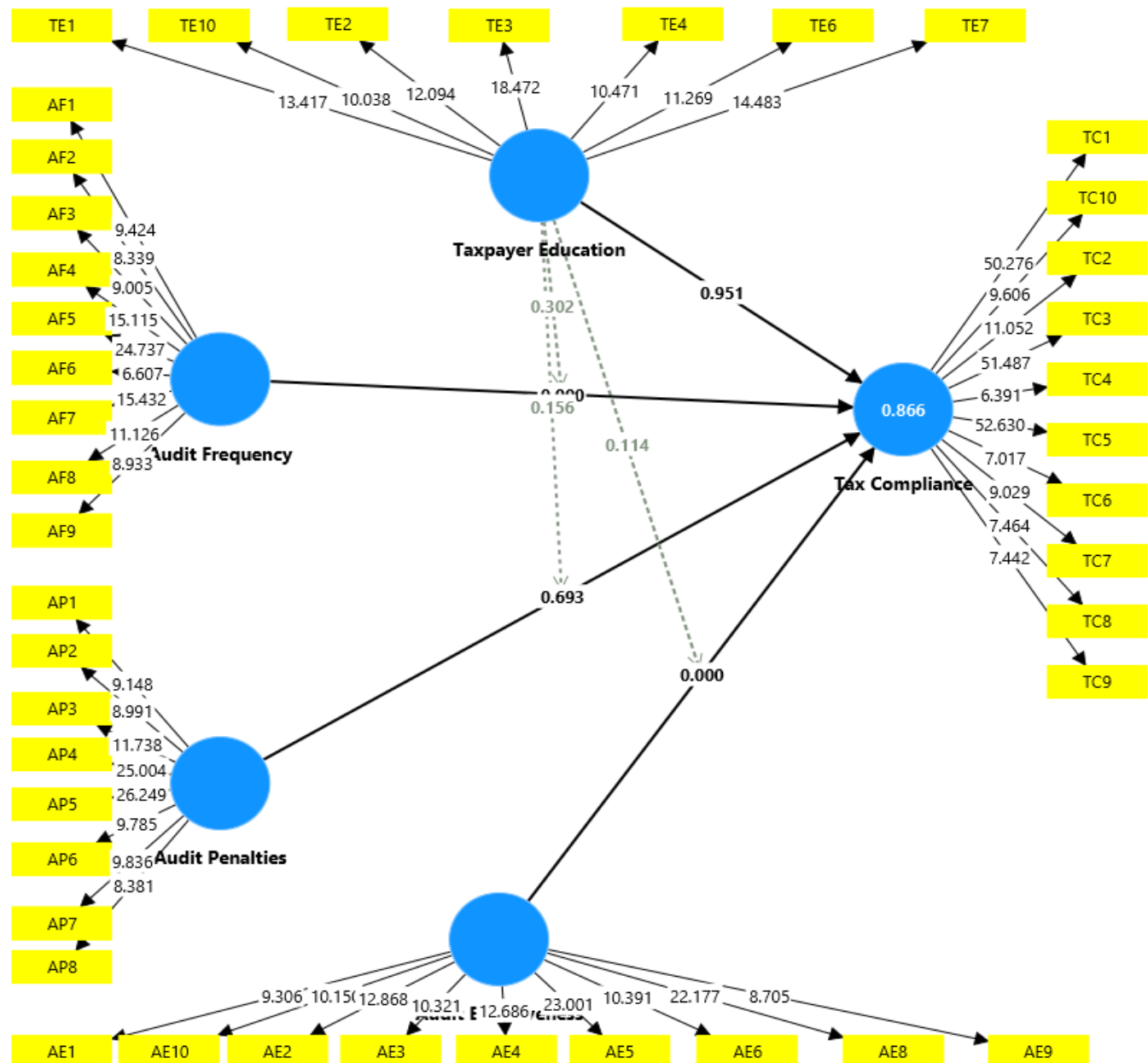


Figure 3: Structural Model (SM)

The results in Table 3 below show that AE ($t = 5.227$, $p < 0.000$), AF ($t = 10.283$, $p < 0.000$), AP ($t = 4.763$, $p < 0.000$), and TE ($t = 3.341$, $p < 0.001$) had a significant relationship on overhaul tax compliance. Path

analysis equally demonstrates the indirect links among the variables. The outcomes also revealed that tax compliance significantly intermediates among the relationship of AE, AF, AP and TE are notably works with tax compliance in Ogun State, Nigeria. (Ezenwa & Agwu, 2024). This implies that a greater level of compliance can be achieved in terms of tax revenue if all the independent variables are taken into consideration by the government to achieve a greater result.

Table 3: Structural model (testing of hypotheses)

HYPOTHESES	COEF.	SE	T-Values	P values	Decision
Audit Effectiveness -> Tax Compliance	0.266	0.065	4.206	0	Supported
Audit Frequency -> Tax Compliance	0.631	0.06	10.283	0	Supported
Audit Penalties -> Tax Compliance	0.041	0.068	4.763	0	Supported
Taxpayer Education -> Tax Compliance	0.019	0.061	3.341	0.001	Supported

Source: Author computation, 2025.

Moderating outcome of taxpayer education

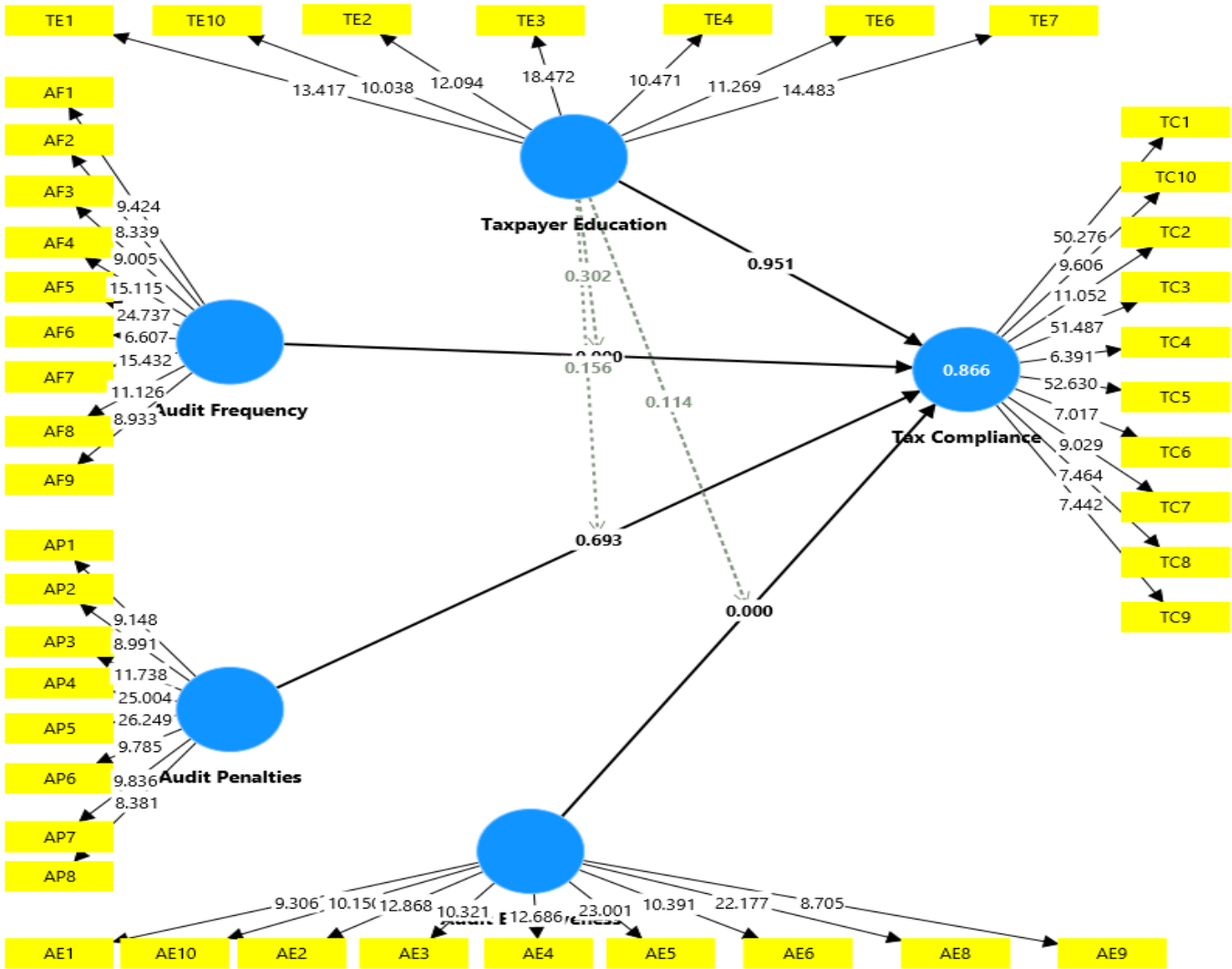


Figure 4: Structural Model (SM) with Moderation

Moderating effect of taxpayer education

The role of Taxpayer Education as a moderator was tested, and the results revealed that audit effectiveness has a moderating effect on tax compliance as significantly reported in the Table 3 below while taxpayer education has no moderating effect on both audit frequency and audit penalty as shown in below that is; AF&TE ($t = 1.033$, $p < 0.302$), AE&TE ($t = 1.581$, $p < 0.014$), AP&TE ($t = 1.419$, $p < 0.156$).

Table 4: Structural model (testing of hypotheses)

HYPOTHESES	COEF.	SE	T-VALUE	P values	Decision
TE x AF -> Tax Compliance	-0.063	0.056	1.033	0.302	Not Moderated
TE x AE -> Tax Compliance	0.145	0.083	1.581	0.014	Moderated
TE x AP -> Tax Compliance	-0.102	0.068	1.419	0.156	Not Moderated

Source: Author computation, 2025.

Notes: TE - Taxpayer Education; AF – Audit Frequency; AE – Audit Effectiveness; AP – Audit Penalty

Discussion of findings

Audit frequency and tax compliance

According to the results, tax enforcement is the most significant influence on tax compliance. The finding is consistent with results based on both the descriptive statistics and structural model. The highest mean value for audit frequency. This rates taxpayers' perception that tax audits are frequent and readily seen. Furthermore, the SmartPLS results show that audit frequency has the largest path coefficient and a high statistical significance level. This finding is consistent with previous empirical reports which argue that frequent audits lead to a greater perception of detection to the taxpayer and therefore make it harder for taxpayers to evade tax (Alade & Oshode, 2019; Alvarado & Carrasco, 2020). This aligns with previous evidence from Nigeria, where it has been revealed that effective practices in tax administration, such as intensity of enforcement and taxpayer participation, contribute to enhanced levels of compliance (Olumoh, 2024). The result is congruent with the economic deterrence theory, which suggests that when enforcement intensity is high taxpayers will be more likely to comply. But it contradicts findings from studies that extrapolate this to environments with low trust and stress voluntary compliance: this suggests that in a Nigerian setting watching closely for taxes helps ensure citizens obey laws.

Audit effectiveness and tax compliance

According to results, audit effectiveness had a significant positive impact on tax compliance. From this, we can see that respondents believe audits to be quite thorough and that they can detect irregularities. The findings are consistent with several preceding studies: Becker et al. (2010) and Olaoye & Ogundipe (2004) both find that an effective audit increases compliance through increasing the credibility of tax authorities. Moreover, the data shows that not only audit frequency but also the fairness and quality of process themselves are significant determinants of taxpayer behavior. Despite this, the literature does not fail to warn that institutional weakness may erode the efficacy of audit processes, for example by squandering resources or promoting corruption (Benedict & Adebayo, 1999): in other words, success in making compliance more widespread friendly calls not only for quantity but also ongoing investment in capacity.

Audit penalties and tax compliance

According to the results, audit penalties have a statistical significance and affect compliance positively but with less strength. The result is consistent with a number of studies that have concluded that penalties by themselves cannot guarantee compliance, unless they are sharply imposed on a regular and consistent basis and perceived as being equitable fair (Kramer, 2021; Hassan et al. 2019). Although penalties can have a deterrent effect, their limited impact suggests that overly relying on repressive measures without accompanied by friendly or educational methods will achieve little in terms of acceptance. This finding is consistent with Feiglin and Gupta (2021), who claim that penalties work best when implemented by a credible audit system.

Taxpayer education and its moderating role

Taxpayer education was found to have both significant direct effect on tax compliance and an influence from the quality of an audit to how compliant taxpayers are. The result confirms those of previous studies, highlighting the role of education in shaping taxpayer attitudes and cooperation with tax authorities (Anderson & Sotiropoulos, 2020; Fels, 2021). This suggests that knowledgeable taxpayers are more likely to take a favorable view of effective tax audit, seeing it as an attempt to correct rather than punish wrongdoing. The outcome is consistent with the psychological compliance approach and slippery-slope theory, stressing interaction between enforcement and taxpayer 'understanding' (Torgler & Schneider, 2021).

Overall implications of the findings

Altogether, the evidence shows that tax compliance in Ogun State is a combination of enforcement intensity, audit quality and taxpayer awareness. The high average score of tax compliance (M=3.95) and the strong explanatory power of our model suggest that an integrated audit strategy reinforced with taxpayer education is more important than a * piecemeal policy. From this point of view these results uphold the view that sustainable tax compliance requires a balance with an educational component and initiatives aimed at improving institutions and building capacity.

5. Conclusion

This research focused on examining the contribution of tax audits to improving taxpayer compliance in Ogun State, Nigeria. Adopting a quantitative design with firmly founded structures and using strong analytical processes, it came out emphatically that tax audits – via frequency, effectiveness, and penalties significantly contribute to improved taxpayer compliance. The results indicate that the most influential direct impact is from audit frequency, illustrating that regular and frequent audits foster a culture of compliance on the part of the taxpayers (Alade & Oshode, 2019; Alvarado & Carrasco, 2020). Spontaneous and periodic Audit and penalty on the default returns have a positive correlation with increased compliance as evidenced in the result of the analysis. Most importantly, tax education appeared as a direct determinant of compliance, but it also serves as a significant moderator in the association between audit effectiveness and compliance. This echoes the fact that as taxpayers become more aware of audit processes, their obligations, as well as the repercussions of evasion, they comply voluntarily and be receptive to audit interventions (Fels, 2021).

Notwithstanding the improvement, the research identifies major constraints to the effectiveness of audit, including inadequate training, ineffective imposition of sanctions, and underinvestment in awareness

and education programs (Alemu, 2020; Benedict & Adebayo, 2021). The constraints undermine the overall effect of tax audits, diminishing their capacity to serve as a disincentive to non-compliance.

In order to increase tax compliance, the tax authorities must adopt organized and strategic audit timetables to discourage evasion. Audit staff must be properly trained and empowered to carry out in-depth and impartial assessments. Penalty regimes must be rigorously enforced and consistently applied to act as a strong deterrent. Massive taxpayer education campaigns must be launched to inform and educate taxpayers about tax obligations, audit processes, and penalties for lack of compliance, to lead to a better-informed and compliant tax base. Specifically, the recommendations are as suggested below:

- i. Increase audit frequency and coverage: Tax administrations need to institutionalize routine and random audit cycles for all categories of taxpayers without bias. A strategic program of routine audits will convey a powerful message of enforcement, raise the perceived risk of evasion and thus promote voluntary compliance (Alvarado & Carrasco, 2020; Becker et al., 2021).
- ii. Strengthening audit effectiveness by building capacity: There should be investment in training and upskilling audit staff. Developing technical competencies, embracing contemporary audit tools, and enhancing internal controls will make audits comprehensive, equitable, and more effective (Smith & Wilson, 2020; Olaoye & Ogundipe, 2018).
- iii. Strictly review and impose penalties: The tax authority should ensure that non-compliance penalties are deterrent enough and enforced consistently without bias. An open and well-publicized enforcement policy will help to highlight evasion and negligence penalties.
- iv. Enhance taxpayer education programs: Intensive educational campaign efforts need to be launched to promote awareness of tax obligations, the auditing process, and compliance advantages. Leveraging on digital media to increase access to tax education, awareness and influence compliance.
- v. Embracing technology-based solutions: Digitization of tax procedures like e-filing, computerized audit trails, and risk-based audit selections — needs to be expedited in order to enhance efficiency, this will limit human mistakes, and repress corruption (Becker et al., 2021; Alemu, 2020).
- vi. Policy reform and legislative support: Finally, legislative backing is required to provide the tax authorities with equipment and autonomy needed for the effective launch of audit implementation. Amendment of outdated tax legislations and enforcement procedures will make the environment more favorable for compliance (Olaoye & Ogundipe, 2018; Alemu, 2020).

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