

Internal Audit Reporting in Tax Administration: What Matters in the Report Content

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Abstract

An internal audit report is an audit finding prepared by auditors and submitted to the top management in an organization for decision making. The report aimed to assist the top management in understanding the strength and weaknesses of the operational system, internal control, and performance improvement. The objective of this study is to understand the required contents of the internal audit report in tax administration. The study adopts a qualitative paradigm using case study methodology. A face-to-face interview was used to collect data on 9 internal auditors of Federal Inland Revenue Service (FIRS) Nigeria. The collected data were transcript verbatim and further analysed using NVivo qualitative software for thematic analysis. The finding of the study shows that scope and objectives, nature of activities, procedures, achievement, and challenges are the required components of the internal audit report in tax administration. Consolidating these components would make internal audit report more comprehensive and useful to the tax administration. The components are what trigger the importance and value of the audit report to the FIRS management in understanding and improving tax administration operational performance. The implication of the study is that the findings explain what is expected from the internal auditors to be contained in their audit findings before it became useful to the tax administration. Therefore, it recommends that FIRS would provide enabling an environment for the internal auditor to perform their auditing function to enable them to provide comprehensive audit report that is useful in improving tax administration effectiveness.

Keywords: Internal audit, auditors report, tax administration, Nigeria

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Introduction

Reporting refers to presenting or making formal or official account of something that had been done. It is also referring to an informational work in a form of written or verbal expression to create awareness to the intendant recipient of the information about accomplished activity, process, or assessment (Cheng et al., 2014; Eccles & Krzus, 2014). According to Adams (2015), report is a specific informational work in a written or otherwise form, about recounting a certain activity in a factual, concise, and relevant manner to a specific intendant audience or group of individuals. That is, a report is an informational result in a form of speech or writing document prepared with an aim on depending on it to make decision about an activity or functions been performed. Additionally, report could be in a form of televisive, pictorial or film nature prepared and presented to the intendant audience for making inferential decision that are very crucial to a process or system in an organization (Flower, 2015; Stubbs & Higgins, 2014).

An internal audit report is a result of internal audit findings prepared and submitted to the organizational management in order to aid administrative decision making proficiently (DeFond & Zhang, 2014). It is an audit finding by internal auditors in a form of assurance service offered to the top management to aid top management decision making based on the audit function perform about a process, individual, and system within the organization (Ridley & Chambers, 1998; Cutler, 2001). The contents of the internal audit report shall rely on the audit scope and objective intended to be achieve and based on the

organization needs as well as operational activities that could deliver targeted goals (Gramling & Hermanson, 2009). The report contents could be the essential determinant of the effectiveness of the reporting individual regarding a function been perform and how relevant they are in accomplishing organizational objectives (Cutler, 2009; Gray, 1996). Therefore, internal audit report contents shall depend on the nature of auditing activity perform, scope and objective covered, and what the user of the report is expecting from the report to be covered.

Internal audit report is regarded as a crucial and significant tool to organizational management in explaining the internal performance of process, individual, and system with a sole target for improving where necessary (Cutler, 2009; Hubbard, 2001; Gurama & Mansor, 2018a). Furthermore, internal audit report is among the essential sources of information and inspiration to the top management and a substantial guide to the informative decision making that could positively enhance organization productivity and effectiveness. To a large extend, some expert has expressed that internal auditors services without factual and comprehensive report about the function or activity perform and the findings thereof, is essentially worthless and waste of resources (Messier, Glover, & Prawitt, 2008).

Therefore, the objective of this study is to understand the nature of internal audit reporting contents in tax administration and the anticipation of the tax administrators from internal auditors report. To achieve this, a case study methodology was used to understand the real process from the internal auditors operating line in Federal Inland Revenue Service (FIRS) Nigeria. This gives the researcher opportunity

to interact with the auditors and understand the factual nature of the audit report in terms of content and what is anticipated from them by the FIRS management about the internal findings in tax administration. The report which in turn, could be used to make inferential decision in areas such as maintaining good governance, internal control, and improving system, process and individual performance within the tax administration for the effectiveness of tax revenue generation necessarily.

Literature Review

Internal audit report is typically anticipated to contain precise, factual, and objective findings of the organization internal performance from different perspectives within the organization (Cutler, 2001). The report shall be prepared and submitted to the top management within the organizational hierarchy level for consideration and decision making. Internal auditing reporting is a summary of the auditing findings and recommendations based on the function and activities auditors engage with following the action plan approve by the management (Moeller, 2009). However, any report to be useful to the organizational management (users) shall include among other things an executive summary, body of the report that cover issues identified and provide solutions and recommendations that are connected to the management and organizational objectives (Cutler, 2009; Ege, 2014). In essence, the findings of internal audit report are anticipated to contain five elements namely condition, criteria, cause, consequence, and correction actions (Rupšys & Stačiokas, 2005). These five elements are also known as '5Cs' that are very essential to the report user's i.e. top organizational management.

Condition refers to what are the specific issues or problems identified during the auditing function that are very essential and adversely affecting the organization performance and need to be fixed accordingly. 'Criteria' is about what are the right procedures or standards that are not met in performing organization functions i.e. the highlight of what goes wrong or missing within the organization process that could trigger the success or failure of the organization. 'Cause' is referring to what initiate the occurrences of the identified issues by the internal auditors or problems in the organization that hindered the accomplishment of goals and objectives of the organization internally. 'Consequence' is all about the probable risk or adverse outcome of the effect of issues and problems highlighted in connection to the organizational performance. 'Correction actions' is a proposal by the internal auditors to the management on what is needed to be done and measures to be considered to fix the identified problems efficiently and effectively (Rupšys & Stačiokas, 2005).

Thus, internal audit reporting line is normally classified into functional or administrative line in an organization. According to Rupšys and Stačiokas (2005), based on the Practical Advisories Practice of International Standards for Professional Practice of Internal Audit, preferably, the chief audit executive shall present the audit report functionally to the top management in an organization about the audit findings for necessary action and consideration. The reporting contents should explain comprehensively about the functions performed together with the findings achieve and specifically might focuses on the '5Cs'. In anyway, internal audit report is expected to be a diagnostic instrument for supporting the organization management in decision making about improving performance and effectiveness of the internal control, good governance, risk management as well as processes efficiency (Ege, 2014). These could be achieved through efficient and effective functions of internal auditing that can provide assurance and consultative services to the organizational executive which in turn, might assist them in inferential making decision about the operational activities and performance of an organization. Also, it would reinforce the organizational management to improve the operational performance and mitigates the weaknesses being highlighted in the audit report.

Quality of Internal Audit Report

Norman, Rose and Rose (2010) argued that internal auditors may notice more personal intimidations when reported high level of risk in an organization that are connected to management failures, misappropriation, and inefficiency in handling organization resources to the effectiveness. These perceived threats of fear, sometime lead to an internal auditors to minimize the level of fraud when reporting to the top management which at the long run, could lead to serious problem of under weighting the prevailing situation and representing true view of the organization performance (Ege, 2014; Flower, 2015). Users of internal audit report are very much interested in a qualitative report that could add value to the organization and assist them in making appropriate decision towards achieving organization vision (Gurama & Mansor, 2018a; Gurama & Mansor, 2018b). Therefore, the quality of the internal audit report is depending on the report fulfilment of the required elements that could makes it more relevant, factual and reliable to achieve the goals and objectives of an organization. Based on the required quality of audit report, Khatri (2013) outline five elements that constituted the qualitative audit report to be contained and considered most. The five elements that constituted the quality of internal audit report are objectivity, clarity, accuracy, brevity, and timeliness.

The audit report should be objective and unbiased in explaining the activities covered and the highlight of what is happening or prevailing at the material time of auditing functions. Clarity of the report is about the language and words used i.e. by using simple and straight forward language and by avoiding use of ambiguous words, jargons or technical slangs that are confusing or have different meaning and interpretation. Accuracy of the report denotes that the prepared information in the report should be accurate, precise, truthful, and factual not misleading, deceptive, distorted, mischievous, and/or misrepresentative. Brevity of the audit report means the report must be prepared and presented in a brief concise manner in such a way that, the reader or user will not fill boring or became uninterested in the report. Finally, timeliness of audit report implies releasing the report on time i.e. immediately following the conclusion of audit function normally within a stipulated period of time depending on the function and mandate or scope of the function being performed (Khatri, 2013; Norman et al., 2010). These five elements are very crucial and fundamental when preparing and submitting an effective internal auditing report. The elements are critical in determining the quality of auditing report and how the report contents will be beneficial to the organization management decision making in improving performance and effectiveness.

Standard Elements of Internal Audit Report

According to Sawyer (2003), internal auditors are subservient (ears and eyes) to the top management in an organization. Therefore, they are responsible for evaluating internal operations and report their finding to the management for consideration. They are subordinate to the management and they are performing their functions based on the top management directives, requests, goals and objectives. Internal auditors are presumed that, they shall provide recommendations that are related to what is anticipated by the management would have operational if the management had time to officially assess the operational activities of an organization (Gurama & Mansor, 2018a; Rupšys & Stačiokas, 2005).

According to IIA standards, internal audit report shall critically contain the auditing processes and also expected to provide a well-articulated balanced content within their report that could enable organizational executive and management board to assess and weigh up the kind of issues being reported in a right context for effective decision (Sawyer, 2003; Ramamoorti, 2003). Reporting from such perspective would make the report recipient to scrutinize the critical areas reported and issues raised and thereby analysed the situation base on the workable recommendation to come up with effective decisions that can help the organization meets its objectives. Internal audit report standards denote factual and reliable findings that can persuade the mind of the report users (management) to undertake a useful and necessary action about the current operational performance in an organization (Cutler, 2009; Gurama & Mansor, 2018b). Some typical



element of written audit report includes clear heading and subject matter to assist the report user understand the topic and easily access the relevant information. Also, the report shall include charts where applicable, statistical figures where necessary, references and foot notes, citation and finally a short summary of the report or abstract at the beginning of the report (Ramamoorti, 2003; Rupšys, & Stačiokas, 2005, Adams, 2015).

On the other hand, a comprehensive audit report must take into consideration the scope and objectives and purpose of the auditing functions as well as procedures followed to arrive at the conclusion (Hubbard, 2001; Rupšys, & Stačiokas, 2005). Precisely, the internal audit report that is attracting and persuading the mind of users should have clear title, table of content, executive summary, introduction, methodology, result and discussion, and finally recommendation and conclusion (Pitt, 2014). However, internal audit report is not required to follow this pattern often, they may adopt alternative approach based on their scope and objective as well as the needs of the management in their organization. The other alternative approach may include problems solution format, in which the auditors will highlight first the issues and then discussed in detail how to fix the problems or issues highlighted. Generally, there is no universal format for writing internal audit report (Ridley and Chambers, 1998; Norman et al., 2010; Khatri, 2013; Gurama & Mansor, 2018a), however, top management objectives, organizational settings, and reason for instituting audit functions will be the gauge for determining factor of the content and format or layout of the internal audit report in an organization. That is, settings of public organization and their management objectives are differ from the private organizations that are mainly profit oriented unlike public organization that are purposely services oriented (Mihret & Yismaw, 2007; Adams, 2015; Gurama & Mansor, 2018b). Therefore, these differences may trigger what is to be reported, the report layout as well as the report content as a whole.

Methodology

This study adopted qualitative paradigm to understand the nature and contents required in internal audit report in tax administration. To achieve the study objective, single case study methodology was adopted. The Federal Inland Revenue Service (FIRS) Nigeria was chosen as a single case to gathered data on the phenomenon under study. The study employed face-to-face interview technique to gathered data from nine internal auditors of the FIRS. According to Guess, Bunce and Johnson (2006), a minimum of six and a maximum of twelve participants are enough for qualitative data study in a single organization to explore a phenomenon. Additionally, Uma and Roger (2003) and Merriam (2009) maintained that face-to-face interview method is one of the appropriate and concise approach to gather direct information on a phenomenon from the study participants in-depth which wouldn't be achieved using survey technique.

Furthermore, the gathered data were analysed using Nvivo10 qualitative software for thematic analysis. The analysis begins with listening recorded interviews and further transcribed verbatim. The verbatim transcript was repeatedly read to ensure the precision of the transcription was in line with the participants view. The data was further coded according to open coding process. Open coding process is used to help researcher downsize bias error in analysing fractured qualitative data (Strauss & Corbin, 1990). Based on this process, the gathered data about report contents were characterized into five themes namely scope and objectives, nature of activities, procedures, achievement, and challenges.

Results

As earlier deliberated in the introduction, internal audit report is an essential source of information and inspiration to the top management. Audit report is very substantial in guiding organizational management to arrive at informative decision making for achieving organization objectives and effectiveness. In view of this, the study participants' expressed their knowledge and understanding concerning the essential features of internal audit in tax administration. The auditors'

knowledge and views described the basic headings and contents anticipated from the efficient and effective audit report that is very useful to the tax administrators. On this basis, the participants' perception and responses were classified into five themes i.e. scope and objectives, activities, procedures, achievement, and challenges.

Scope and Objectives

Under this theme, the participants explain that a good internal audit report shall be prepared based on the scope and objectives of the auditing function being performed. The report should not go beyond its scope to include activities outside their boundaries but rather, the report must be confined to achieve targeted objective of the intend function being established. Based on this note, Senior Supervisor opined that "Preparing a comprehensive internal audit report shall be based on auditing scope and objective. Therefore, attaining the audit scope and objective of the auditing is what matters in the report of internal auditors submitted to the management for consideration (Participant 9, Senior Supervisor *Internal Auditor*). "Any audit report that is well prepared and useful to the management is expected to be within the scope of the auditing functions and try to achieve the objectives of the auditing exercise (Participant 1, Senior Supervisor *Internal Auditor*)". Also, "The scope of the auditing is what spelt-out the boundaries needed be known by an auditor and the objectives can clearly states what is required to be achieved at the end of the audit function. This show how important scope and objectives of auditing was in preparing good audit report and this is to ensure the whole auditing engagement are geared towards the overall targeted goal (Participant 4, Senior Supervisor *Internal Auditor*). These responses are emphasizing on the role of scope and objectives in the auditor's report and how vital it is in confining the activities of internal auditors towards the ultimate target of their functions.

On the views of other respondents, participants 8 disclose that "Scope and objective is a tactical guide which internal auditors must firmly work within in performing any auditing functions as well as during preparing comprehensive audit report to be submitted to FIRS management (Participant 8, Senior Supervisor *Internal Auditor*)". In addition, participant 3 said that "To achieve internal audit reporting objectives, internal auditors must ensure that, they demonstrate professionalism in crafting their report by mainly focusing on their auditing scope and objectives to complement the overall FIRS management goals and visions (Participant 3, Senior Supervisor *Internal Auditor*)". Precisely, participant 7, and 2 all are of view that "In preparing and presenting effective internal audit report objectively to the users, the auditing goals shall be achieved by establishing the audit activities within the scope and objective of audit framework and by directing all the resources and efforts toward accomplishing rules of engagement. Performing within the confinement of scope can lead to a fruitful result in achieving auditing goals and objectives (Participant 7, 2, *Internal Auditors*). These responses are clear about the significant roles of scope and objective in instituting effective internal audit report to the FIRS management who are the report users.

Other participants concluded that "The key features of a good internal auditing report are to highlight the audit scope and objectives and thereby ensure the activities are limited toward actualizing the audit goals and accomplishing organization objectives. Similarly, the report should address the subject matter of the organization by establishing the engagement within the confinement of the auditing scope and objectives simultaneously (Participant 6, *Internal Auditor*)". Moreover, Participant 5 acknowledged that "Audit report should follow audit engagement. In the report, auditor should have to highlight the scope and objectives of his engagement, the reasons for the audit, and any other related factors before arriving at a conclusion. From there, then the auditor could submit the report to the highest authority in the organization for scrutinization (Participant 5, Senior Supervisor *Internal Auditor*)".

The above expression and excerpt of the respondents, it reveals the substantial role and impact of scope and objectives of auditing engagement in providing a good layout of internal audit report that could aid management decision making in tax administration. Also,



scope and objective are very essential components to be considered in terms of contents from the internal auditors report specifically in FIRS. Despite the diverse viewpoints of the respondents, however, they all show the cruciality of the auditing scope and objective in guiding internal auditors to perform a well-done job in synchronizing their report in order to be effectively useful to the report users. The next theme identified in this study is about describing the audit activities included in the audit report as discussed in the next section.

Activities

The excerpt of the interviewees in this study indicated that describing the nature and extents of activities perform by internal auditors in their report is very essential to the FIRS Management i.e. the report users. They argued that, explaining the activities will give the FIRS management insight into the activities being performed, and understanding the activities therein, and the connection with the activities to function completed in the tax administration. On this note, following are the excerpt of the respondents. Participant 8 opined that “In FIRS, the major consideration of the internal auditors report is the nature of activities they have done. As we all know that, internal auditors are the eyes of the management, therefore, any audit report before regarded comprehensive should be covered the entire auditing activities being performed and the processes involved in a manner that leads to a desired conclusion i.e. positive result (Participant 8, *Senior Supervisor Internal Auditor*)”. “Internal audit report shall be considered comprehensive enough if it’s contained the details discussions on the entire function being performed during the auditing engagement and the nature of activities there involved by the auditors in an organization (Participant 3, *Internal Auditor*).

In addition, participant 6 states that “The content of our auditing report should include the entire activities performed by auditors during any function carried out in FIRS. It also entails all processes adopted to perform the function and highlights of the result achieved (Participant 6, *Internal Auditor*)”. “Internal audit report must provide the details explanation on the activities they engage with and how and why about the activities must be stated clearly as part of their report submitted to the FIRS management. If the audit report is able to achieve this, it is then viewed as guiding document to the management decision making (Participant 1, *Senior Supervisor Internal Auditor*)”. Participant 9 confirmed that “Internal audit report is required to cover the area of their auditing activities that are most essential to the reader of the report in which at the end would understand the report content and make objective conclusion (Participant 9, *Senior Supervisor Internal Auditor*)”. Additionally, “Internal auditors should incorporate the activities of their function in the audit report they are submitting to the FIRS management. Activities like what they have initially planned and how they were able to accomplish the planned activities, obstacle encountered and what transpired in general during the auditing performance (Participant 5, *Senior Supervisor Internal Auditor*)”.

The above discussions explain the nature and kind of activities that are connected to auditing functions which are anticipated to be report to FIRS management. These views and excerpt of the participants’ highlights about the activities that are required by internal auditors to consolidate them in their audit report submitted to the management. Explaining the nature of engagement and the activities involved during auditing function will make the tax administrators more familiar with auditors’ engagement and understand what, how and why about the activities being done during any engagement. This scenario and process of reporting events will leave no doubt about the audit function being performed to arrive at the conclusion. Additionally, the FIRS management could perceive the whole process and engagement outcome in a clear context. Next is the excerpt of participants on the important role of explaining in the audit procedures followed to perform the audit function in FIRS.

Procedures

From the perspective of this theme, the participants of this study express their perceptions and viewpoint of the required procedures in preparing internal audit report in tax administration. Understanding the

procedures according to the participants excerpt are very useful in explaining the activities involved and the processes carry out before concluding at the reporting point. In this view, participant 1 stated that: “The report of internal audit is required to highlight the procedures followed in performing the audit functions and the reasons for the audit for guiding the management or users of the report to clearly understand the true picture of what transpired and for decision making inferences (Participant 1, *Senior Supervisor Internal Auditor*)”. “We internal auditors in our report to the top management are required to highlight the procedures follow in performing the auditing function, analysing problems related to our functions, and solutions to the management for further consideration action. Highlighting on the procedures followed will indicate how thorough the issues are treated and the comprehensiveness of the items being reported (Participant 2, *Internal Auditor*)”. In addition, participant 9 opined that: “Adopting right procedures in performing internal audit function is one of the auditing strategies that could ease our process, increase our efficiency and pinpoint the importance of our reporting credibility i.e. efficiency and effectiveness of our function in discharging our responsibilities to our able management as well as our organization (Participant 9, *Senior Supervisor Internal Auditor*).

These responses highlight the important roles of explaining the procedures followed by the internal auditors in performing audit function and it’s worthwhile in the internal audit report in guiding management decision making. Other respondents of the study shows that “Adopting right procedure in performing internal audit function and highlighting the procedures in the audit report will add credibility to the report and assured the report user that objective process are emulated in performing the auditing function as well as in reporting activities (Participant 4, *Senior Supervisor Internal Auditor*). Furthermore, “Adopting and adhering to the auditing standards and procedures is the core guide to internal auditors’ performance. Also, highlighting the procedures followed in performing the audit function in the audit report is a sign of adhering to auditing norms and practice in FIRS (Participant 5 *Senior Supervisor Internal Auditor*)”. Also, “We are urged and encourage to explained all the procedures we followed in performing our auditing functions so that it will not left any room for any suspicious act in the report we prepared and presented to the management for approval and implementation (Participant 3, *Senior Supervisor Internal Auditor*)”

The above responses show how procedures followed in performing internal audit functions are very crucial to the auditors. Similarly, the participants expressed the important role of discussing the procedures in the auditor’s report to the management or report users to make it clear that the right process are emulated, and the report is worthy of consideration. This explains the objectivity of the auditing function and comprehensiveness of the report as well as reflecting the current situation of the organization being reported. In addition, this also described the value attached to the adopting the right process for performing auditing functions as a necessary requirement for having a comprehensive and quality internal audit report that is useful to tax administration. However, the result of the study as described by the participants also shows that, internal auditors are required to report their (audit) achievement in their report they prepare and submit to the FIRS management. The excerpt of the participants responses is discussed under the next theme called ‘achievement’ as follows.

Achievements

Under this theme, the responses of the participants highlighted the need for internal audit report to include the achievement of the auditors after auditing function is accomplished. In this aspect, the internal auditors reemphasized that, the achievement of the audit function is what worth must to be inclusive in the auditing report if all things being equal. On this note, the following are excerpt of the participant 5 “Holistically, the internal audit report should contain the basic and essential achievements they have reached during the auditing functions. Achievements in forms of a defect detected in operational process or system weaknesses, overall organizational performance, and other evolving issues connected to the individual staffs and system related to



the FIRS activities (Participant 5 *Senior Supervisor Internal Auditor*)". "Anybody who achieves something must work hard and put more effort and above all must be efficient and effective before arriving at the success. So, reporting audit achievement is very important in audit report especially in FIRS where the management are interested in maximizing the tax revenue generation. In this case, internal audit reporting successful achievement is very delighting to the management efforts (Participant 7 *Internal Auditor*). In addition, respondent 3 explain that "Internal auditing would achieve its goals by hard working and dedicating staffs that can be able to highlight their achievement during preparing their audit report. This would indicate that they are successful in performing auditing function and they are able to assist the tax administration in delivering the services of FIRS honestly and effectively (Participant 3, *Internal Auditor*).

Other respondents described that "The content of our (audit) reports depends on the nature of the function performed at a time. Among the primary contents of the report is discussing our audit achievement. Reporting audit achievement will determine the ability and efficiency of the auditors to serve as internal control evaluators and hence this explains the effectiveness of internal auditors' performance in FIRS (Participant 8, *Senior Supervisor Internal Auditor*)". "Explaining in a clear term the audit achievement in our report is what shows the value of our services to the tax administration. Any achievement that has not been captured in our report will affect the auditing report effectiveness (Participant 1, *Senior Supervisor Internal Auditor*)". Participant 2 added that "The basic and most important item in our report is to highlight the achievements of our evaluation function on individuals or system and the overall wellbeing of the FIRS performance. This is very important to be highlighted in our report to the management (Participant 2, *Internal Auditor*)". Another Participant concludes that, "Internal auditor achievement is solidly depends on our ability to meet the target set for us by the FIRS. We have nothing to show up without highlighting our achievement in our audit report submitted to the FIRS management for deliberation in decision making about the tax administration performance (Participant 4, *Senior Supervisor Internal Auditor*)".

The above excerpts of the study participants described the important roles of reporting audit achievement to the management of tax administration. Reporting audit achievement will show how internal auditor's functions are complimenting effort in achieving the tax administration objectives. The responses also show audit report without high lightens auditors' achievement as worthless and it means their functions and service is not yielding fruitful result. Precisely, internal audit report in tax administration is required to highlight the audit achievement in the course of their auditing functions. This will add to the quality of the report and the impact of auditing functions to the FIRS management and assisting improving decision towards tax administration effective performance. Next section discussed the final component of the audit report required in FIRS. The component was discussed under the theme called challenges of internal auditing.

Challenges

In FIRS, internal audit report is required to discuss the challenges facing the tax administration operational performance and that of auditing functions. This was noticed from the responses of the interviewees of this study where they explain the need for highlighting the auditing challenges in their report submitted to the FIRS management. Therefore, audit report to be comprehensive; it is required to discuss the auditing challenges, issues and difficulties facing the entire organization. The excerpts of participants on this note are as follows. Participant 8 expressed that "The report of internal auditing in tax administration shall contain the auditors functions covered and the challenges facing the entire tax organizational performance. In this case, challenges refer to difficulties experience during performing a function or otherwise and evolving challenges confronting the tax administration at large which will hinder the efficiency of operational process and effectiveness of tax revenue generation (Participant 8, *Senior Supervisor Internal Auditor*)". Participant 4 put the following "Internal auditors have to cover all the

challenges they come across while performing their function. Challenges that arise from the perspective of their auditees i.e. employees, process, and system or even when preparing and documenting report submitted to the management for perusal and decision making (Participant 4, *Senior Supervisor Internal Auditor*)". In addition, participant 7 added that "Internal auditors report is required to describe the challenges facing their audit functions holistically and how this is affecting the performance of the tax administration. In essence, any challenges that come on our way from any angle we should have highlighted it and report appropriately to the management for correction measures (Participant 7, *Senior Supervisor Internal Auditor*)".

Participant 1 expressed that: "Our reports must highlight the type and degree of challenges confronting the FIRS employees, and processes that may able to impede tax administration success and effectiveness (Participant 1, *Senior Supervisor Internal Auditor*)". "We internal auditors in FIRS are required and encouraged to include in our audit report auditing challenges facing our audit functions together with the organizational challenge threatening FIRS operational performance (Participant 6, *Senior Supervisor Internal Auditor*)". In addition, "Internal auditors should report all the defying challenges facing FIRS effectiveness and internal auditing functions performance. This will enable FIRS management to take correction measures to the identified challenges in order to improve its overall performance and effectiveness. Also, this will allow the management to make good decision about the identified challenges on time and rightly (Participant 9, *Senior Supervisor Internal Auditor*)".

From the above expressions, we noticed that internal audit report to be comprehensive, it is required to include the detail of the challenges internal auditors encountered together with the tax administration challenges. Highlighting the challenges in the audit report could serve as a raising alarm to the FIRS management about a problem that is undermining its operational activities and blocking its efficiency and effectiveness. The highlighted challenges in the audit report could be internal challenges in a form of mistake, negligence, and weaknesses in the operational system that need to be improve. Therefore, the management would take decisive measures to overcome the challenges and thereby improve the performance of the tax administration towards accomplishing its goals and objectives.

Precisely, based on the participants' responses in this study, the scope and objectives, activities, procedures, achievement, and challenges are the required components in respect to the contents of internal audit report in tax administration. These components are interconnected to the auditing functions as well as tax administration performance interchangeably. Consolidating the components and presenting them in audit report will make such a report very comprehensive and useful to the FIRS top management in making decision proficiently. This would make the functions and services of internal audit report more effective in guiding tax administrators to a sounder decision that could leads to enhancement of their ability towards achieving effective performance. Next section provides discussion on the interviews result based on the participants' excerpt in the study.

Discussion

The result of the study presented in section 4 indicates that the internal audit anticipated audit report based on required components to be highlighted in the report. The required contents of the audit report in FIRS according to the findings are basically highlighting about scope and objectives, activities, procedures, achievement, and challenges based on what happened, where, why and what transpired during the audit functions. These are the main components required to be consolidated as contents of the audit report to FIRS management from the internal auditors at the end of audit function for management consideration.

From the findings of the study, the responses of the participants show that the internal audit report has to be on the basis of audit activities, achievements, challenges, procedures, scope and objectives



performed during auditing functions. The findings indicated that comprehensive audit report must cover the auditing scope and objectives i.e. reasons and boundaries of the audit engagement, nature of activities done by the auditors, procedures followed to perform the audit functions and engagements, what they have achieved during the auditing activities, highlighted the challenges faced during the auditing and challenges faced in the tax administration. Other areas that are related to the auditing functions and engagement also must be comprehensively discussed in such a way that the report left no information about the auditing processes and exercises.

Therefore, consolidating and reflecting audit report on these key components would explain the ability and competency of internal auditors in providing effective audit report to the FIRS management. Based on the documentary analysis the study found that, internal audit report in FIRS consolidated these factors and achieved the goals of anticipated audit report by combining and reflecting on the required factors in the contents of their report submitted to the management. The actual audit report after consolidating the activities, achievements, challenges, procedures, scope and objectives elements resulted in four headings namely achievement column, challenges column, KPI column and remark/recommendation column.

Achievement column deals with scope and objective and achievement attained after the completion of the auditing activities in FIRS. Challenges column discussed the issues arising, problems and challenges encountered during auditing. KPI column in this case is about the nature of activities evolving issues from, where, when, what and why concerning the auditing and performance of FIRS. Finally, remark/recommendation column is about other things such as procedure followed to accomplish the auditing function and other related issues unaddressed in the previous headings.

In FIRS, internal audit report based on participants responses and documentary analysis shows that auditing function is efficient and achieved the anticipated result of the FIRS. Additionally, internal audit report is the main output that an auditor has to produce and presents to the top management. In this regard, the report should ensure that the contents reflected the activities performed and represented the present situation of the organization's performance in relation to the areas evaluated by the auditors. Consolidating the contents of the report would aid the auditors to prepare and presents their report to the management comprehensively and to reflect the areas evaluated in the FIRS. This would assist and guide the FIRS management in decisions making for improving tax administration effectiveness and revenue generation in the country where necessary.

In line with the finding of this study, we understand what constituted the comprehensive internal audit report in the FIRS and how it is useful to FIRS management in decision making based on the contents and issues addressed in the audit report. This can best describe the state of operational performance of the tax organization and would also induce the management to improve the observed weaknesses to the betterment of tax administration. It also shows that internal auditors in FIRS have achieved the comprehensiveness and usefulness of efficient and effective internal audit report. Gramling and Hermanson (2009) as well as Ridley and Chambers (1998) argued that any internal audit report that is not comprehensive and reflecting the current situation of the organizational performance would be less important to the top management, would add no value to the management decision making, and hence is a waste of time, energy and resources.

Conclusion

The finding of this study shows that internal audit report that is useful to FIRS decision making shall take into the consideration of scope and objectives, activities, procedures, achievement, and challenges of audit function. Consolidating such components would make the audit report more comprehensive, add value to the tax administration, and guiding route for decision making that could leads to performance improvement. These components are regarded as the key and major determinant factors that are required in the internal audit report. This study provides new evidence and useful insight about the

required contents and components that make up the effective audit report in tax administration. It is therefore, recommended that FIRS shall continue providing enabling environment for its internal auditors to perform their auditing functions efficiently and effectively. This will enable the auditing staffs to achieve their objectives in assisting tax administration to achieve its corporate goals and objectives. Also, it will assist tax administration to improve its performance toward effectiveness. Future studies may consider using other method of data collection and data analysis to study the internal audit report content from other public or private sector organization and compare the findings with the findings of this study to see the similarities and differences therein.

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