

## CHAPTER ONE

### BACKGROUND OF THE STUDY

The main objective of writing this project “on the evaluation of financial abuse in the federal inland revenue service” is to bring to the notice of the readers the source from which government derived its revenue and how its expenditure controlled and also to identify the evaluation of financial abuse in the federal inland revenue service and some control measure which the government can adopt in order to prevent the financial abuse in federal inland revenue service.

The appropriate government organ institution on largely responsible for the collection of tax is the federal inland revenue service while the office responsible for the accountability of the money collected on behalf of the government is the revenue mobilization and fiscal commission operated as a department in the federal ministry of finance.

As part of the re-organization the federal government of Nigeria found it necessary to create revenue division from federal ministry of finance. This made it an autonomous body known as Federal Inland Revenue service, the board become more effective in collection of revenue for the federal government.

Financial abuse in the public sector is an attempt by which the government allows the financial mismanagement, embezzlement and wastes in its sector and to identify the various key area that cause abuse in the public sector and also examine the method to used. All abuses therefore this research would go deeply into the plan in the organization in the financial aspects, check the accuracy and reliability of the accounting to promote operational efficiency and encourage adherence to prescribed official policies and guideline.

In consideration of this topic, therefore it must be some element in which every organization must adopt the ones that are necessary for the controlling some financial transactions in that organization custody and security of Assets. The background of the study is to identify the various source of revenue for federal inland revenue service areas follows, VAT, Personal Income Tax, Custom Duties Company Income Tax, Education Tax Capital Gain Tax, Import Duties and Export Duties Petroleum Profit Tax, etc are allocated to the various department project and to examine the financial record of federal inland revenue

service to know whether there is adequate system of internal control in the organization. The evaluation of financial abuse in the federal Inland Revenue service encountered some likely peculiar issue has regarding to financial record accuracy of the tax administration in Nigeria have received a lot of attention and commentance, some people have advocated for an over haul of over system. That we should do things that are peculiar to Nigeria environment and these that are not should be left out. The board is faced with a lot of problems which include:

1. **SHORTAGE OF PERSONNEL:** The personnel department play an important role in the system of revenue collection in the state, this shortage of staffs is capable of impairing the objective time of maximizing personnel income tax revenue by 1996. The senior officials in the federal inland revenue services of intend revenue was 286 but present were 354, the reduction percent was at minimum of 50%.

2. **PROBLEM OF ASSESSMENT TAX:** Assessment problem centres among the location of the personnel income tax and the determination of his assessable income, effectiveness within the content of personnel income tax administration may be measured in terms of the ratio of actual to potential coverage.

3. **CORRUPTION AMONG TAX PAYER:** The tax payer default in paying the exactly amount by bribe of the tax collector in order to reduce the actual amount collected as a taxes.

4. **CORRUPTION AMONG TAX OFFICIALS:** In the processing of collection of the revenue tax, officials must especially the tax collector print their receipt booklet and issued to the tax payer without their knowledge and mean while that the duplicate carries is not what the original was reading, they may use carbon paper to the duplicate, at time the revenue collector would received the money from the tax payer with out even issue of receipt to them.

5. **INFLATION:** the persistent rises in general price of goods and services the purchasing power of salary continue to dwindle thus your salary could not buy you even enough food for the month, therefore with this problem the employees of public sector means of through variety of ways in order to make and meet most of these ways are either fraudulent or illegal in nature.

6. **NEGLECT OF DUTIES:** most of the staffs neglect their duties and display goes official of

conduct e.g. absenting from duty prior to officially articulated closing hours. Others may report late and depart arbitrarily leaving work load to pile up. In addition, public funds generated are either misappropriated or pocketed for their personal use.

**7. INADEQUATE SUPERVISION:** Monitoring the activities of individual staff is very important, any attempt to allow the staff to work independent without monitoring and supervisor assign responsibilities without authority may makes co-ordination very difficult could be arisen.

There are methods which should be used in detection of the effect of financial abuse in the 'public sector as follows:

- a. Internal control system
- b. Cash and cheque received by post
- c. Cash sales and collections
- d. Payment into bank
- e. Cash and bank
- f. Cheque payment

### **STATEMENT OF THE PROBLEM**

Despite the enormous disadvantage of the financial abuse in the public sector, federal 'inland revenue service is experiencing a lot of problems with regards to mismanagement of funds which includes the cost capturing is one of the financial abuse in the federal inland revenue service, the 'officials are not available to record that mostly in respect of capital income tax and valued added tax which if properly captured would not boost the nation revenue base.

Delay in the remittance is another financial abuse in federal Inland Revenue service, inability of reflection of accurate figures in federation account, it extremely difficult which will result in existing fraud.

Failure of some staffs to declare their valued added tax collection and proper actions would not be taking in headquarters because of the involvement of some personnel in the headquarters, the revenue mobilization allocation and fiscal commission has urge federal Inland Revenue service to intensify its effort in recovering huge amount of money from the tax collection.

## **OBJECTIVE OF THE STUDY**

- To identify various source ;of revenue in Federal inland revenue services Abuja.
- To identify whether there is adequate internal control system in federal Inland Revenue service Abuja.
- To examine the adequate and qualification of staff working in federal inland revenue service Abuja
- To identify problems faced by federal Inland Revenue service in tax collection.
- To find out the causes of financial inefficiency in federal Inland Revenue service Abuja.

## **STATEMENT OF THE HYPOTHESIS**

In every research work, it is every important for the researcher to make statement of hypothesis which may give the researcher the direction to think with respect to the research topic. This will enable the researcher to find a way of solving the research problem.

Research hypothesis usually give the researcher more insight into the problem under investigation thereby enabling the researcher to frame questions that are relevant to the research problems so as to find possible solutions to such problem for this research study, the following hypothesis would be formulated to enable the researcher to device means of solving research problem.

$H_0 =$  Evaluation of financial abuse in the public sector is not efficient operation of federal Inland Revenue service

$H_a =$  Evaluation of financial abuse in the public sector is the efficient operation of federal Inland Revenue service

## **SIGNIFICANCE OF THE STUDY**

The study will be of benefit to various people as follows:

1. Students – for it would be useful to student for further research in the same field of study.
2. Government – In order to effect necessary change and ensure that money is being channeled in an efficient manner.
3. Federal Inland Revenue Services will benefit (FIRS) in assessing and evaluating efficient operation of tax collection.

## **SCOPE OF THE STUDY**

In as much as the researcher desired to provide as much material facts as possible with

respect to the topic under study a number of factors prevented me from doing so. First is monetary constraints. The researcher faced the problems of financial disability which is needed from the beginning to the end of the research work lack of money has hindered me from collecting more data for the study.

Time limit was also a hitch in the pursuance of the project work. The researcher being a worker and student at the same time suffered the constraint of getting time to visit the school library and his supervisor for relevant information and enlightenment board in order to prevent financial losses in the limitation of the research of the study will also be highlighted once more.

## **HISTORICAL BACKGROUND OF THE FIRS**

The Nigerian Federal Inland Revenue Service was created in 1943. It was carried from the erst while Inland Revenue Department that covered what was then the Aglophone West Africa (including Ghana, Gambia, Sierra Leone) during the colonial era.

Tax provides revenue to fund government ensures resource redistribution, streamlines consumption of certain goods and services reduce inflation and generates employment.

The Federal Inland Revenue Service is constitutionally empowered to collect taxes.

In 1958 the board of Inland Revenue was established under the income tax ordinance of 1958. The name was later changed in 1960 when the Federal board of Inland Revenue (FBIR) was established under section 4 of the companies and income tax Act (CITA) No 22 Of 1961 FBIR operated then as department in the federal ministry of finance a further transformation took place in 1993 when the finance (miscellaneous taxation provisions) Act No. 3 of 1993 established the Federal inland revenue service FIRS as the operational arm of FBIR the Act also created the office of the executive chairman of the board. In 2007, the Federal Inland Revenue service establishment Act (2007) which granted autonomy to the service was enhanced. The federal Inland Revenue service decided to publish a list of our operational offices, jurisdiction and telephone numbers.

This directory is a guide to all tax payers on how best they could access our services, it is our hope that this directory will foster continuous interaction between FIRS and tax payers and guide the service on how best we can serve you. The boards consist of:

a. The executive chairman of the service who shall be experienced in taxation as chairman of

the service to be appointed by the president and subject to be confirmation of the senate.

b. Six workers with relevant qualification and expertise who shall be appointed by the president to represent each of the six geo-political zones.

c. A representative of the attorney general of the federation.

d. The governor of the central bank Nigeria or his representative.

e. A representative of minister of finance not below the rank of director.

### **1.8 DEFINITION OF TERMS**

It is always necessary for the research to define terms that are frequently used in the research work the following are some of the terms used.

1. Internal control system: To carry on the affairs of an organization in an orderly manner safeguard the assets and secure the accuracy and reliability of the .....

2. Cash and cheque received by post: To ensure that cash and cheques received by post are accounted for and records in the book.

3. Cash sale and collection: To ensure that all the cash from cash sales and collection which should be received is properly accounted for and properly recorded.

4. Payment in bank: Ensure that all cash and cheques received are paid into bank with delay and accurately recorded.

5. Cash and bank balances: Establishment of cash flows of specified accounts and locations reconciliation of bank account by independent responsible officer at prescribed frequency.

6. Cheque payment: To prevent unauthorized payment being made from bank account control over custody and issue of cheque booklet.

7. Some control terms: These are the control procedures that the management should be adopting in order to eradicate and or minimize the effect of financial waste in the public sector, to ensure accuracy and reliability of the accounting records and the promotion of policies internal control system e.g. internal accounting control management control and internal audit.

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