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## The Role of tax auditing in controlling tax risk- a field study

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### Abstract:

The study aimed to assess the role of tax auditing in managing tax risks within economic enterprises. The research analyzed the correlation coefficient between each phase of tax auditing, which we divided into three stages, and tax risk management. The statistical analysis results indicated no statistically significant relationship between obtaining general knowledge about the tax department and tax risk management. However, a statistically significant relationship existed between evaluating the internal control system, writing the audit report, and tax risk management.

This study recommends the essential for external auditors to comply with international auditing standards and quality requirements to improve the practice of the auditing profession and boost it in the future to attain the above-mentioned objectives.

**Keywords:** tax auditing; tax risks; internal control system; audit report.

**Jel Classification Codes:**H32 ; M42 ; H26.

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## 1. Introduction:

Tax auditing has emerged as an inevitable necessity due to the increasing importance of the tax variable within organizations and rising costs on one hand, and the complexity and changes in legislative texts on the other hand. Tax auditing is a branch that aims to provide an impartial opinion on the institution's tax structures and monitor its compliance with tax legislation. (Kamerling, 2011, p. 55)

Auditing no longer limits its approach to improving the internal control system, but extends beyond that to auditing according to risk management, which is a more comprehensive approach, where the focus is on preparing a map that highlights the risks that could affect the achievement of the tax objectives previously set by the organization within its strategy. Additionally, it ensures the classification of these risks according to their impact on the set objectives, placing the organization in a proactive stance to be prepared for various scenarios it might encounter.

This study aims to answer the main questions that follow:

### **What is the role of tax auditing in controlling tax risks?**

To answer the question above, three hypotheses were formulated as follows:

- The auditing phase statistically significantly affects general knowledge of tax risk management.
- There is a statistically significant effect of the auditing phase on evaluating the internal control system on tax risk management.
- There is a statistically significant effect of the auditing phase related to report writing on tax risk management.

To address the study issue, we relied on the descriptive approach through a survey of the opinions of a sample of specialists in the field of auditing, by analyzing the correlation between the stages of tax auditing on one hand and tax risk management on the other.

The importance of studying this topic lies in enabling the organization to take advantage of tax opportunities, thereby reducing tax costs, complying with legislative laws, and making the tax variable an effective element in building its strategy, thus achieving the following objectives:

- Accurately identify tax risks and attempt to control their impact.
- Implementing the recommendations of external and internal auditors concerning tax aspects to prevent issues and continuously improve tax performance specifically and financial performance in general.
- Avoiding tax risks and enhancing tax management within the organization.

## 2. Previous Studies.

In this section, we address the most important previous studies that have dealt with the subject of this study, which can be summarized as follows:

- **Study by Ben Turkia and Ben Mohamed** (بن محمد & بن تركية, 2023): which dealt with internal audit as an independent variable and tax risk as a dependent variable, through a case study of Condor Company, where the researchers concluded that internal audit contributes to improving the tax performance of enterprises (by selecting tax policies, benefiting from tax advantages and avoiding additional tax costs)
- **Study by Mohtal** (محتال, 2023): this study proposed electronic tax audit as a modern method to enhance the tax management efficiency of the institution, reduce creative accounting practices, maximize tax benefits, and particularly avoid tax risks. It concluded that tax auditing plays an effective role in achieving these objectives.
- **Study by Kadraoui and Grissia** (غريسية & قدر اوي, 2023): this study highlighted the role of the tax consultant, who acts as a tax auditor with significant expertise, as his report contributed to detecting and measuring tax risks, raising the institution's awareness of its obligations and rights, and protecting it from the tax authority's arbitrariness.
- **Study by Baileich and Zerbani** (زرباني & بعيليش, 2022): this study focused on the importance of tax management to ensure the institution's continuity and the effectiveness of tax audit in improving the quality of tax management.
- **Study by Najjar and Sharfi** (شارفي & نجار, The role of the tax audit in reducing the risks associated with the tax audit, 2022) and (نجار, Methodology of fiscal audit in minimizing fiscal risks, 2022) which found that tax auditing reduces tax control risks through proactive procedures to correct the tax situation, focusing on the classical concept of tax risk.
- **Study by Hamidato** (حميد اتو, 2022): this study aimed to highlight the role of tax audit and tax control in enhancing the efficiency of tax management to avoid risks associated with tax control. A survey study concluded that there is a complementary relationship between them in influencing tax management.
- **A study by Kannocho and Saiyah** (سايح & كنوشة, 2022): focused on the classical concept of tax risk. Their study aimed to highlight the role that internal auditing is supposed to play in controlling tax risks in economic institutions by reducing risks arising from tax non-compliance.
- **A study by Bloutar and Ajila** (عجيلة & بلوطار, 2021): addressed the role of tax auditing in reducing tax risks and ensuring proper tax management, by conducting a case study of the Electricity and Gas Company of Souk Ahras. They concluded that tax risks in this institution stem from failing to meet tax obligations and the conditions for benefiting from available tax advantages.
- **A study by Rahmani and Boulekhokh** (بولخوخ & رحمانى, 2021): adopted a theoretical approach to demonstrate the pivotal role of tax auditing in reducing tax risks, particularly given the instability of tax legislation in Algeria and the risks arising from tax control. They concluded that tax auditing, through its

techniques and the auditor's competence, allows for early detection of violations, omissions, and irregularities, thereby facilitating the identification and reduction of tax risks.

- **In addition to highlighting** the role of tax auditing in reducing tax risks, the study by Kouidmi and Meddahi (مداحي & كويدمي, 2020) identifies the role of tax audit in reducing tax risks. It classifies the sources of these risks through a case study of a productive and commercial financial company.
- **A study by Fatha** (فتحة, 2017) explained that tax audit provides indicators of the tax risk faced by the institution and assesses the effectiveness of tax management, thereby helping the institution avoid tax risks that could impact its financial situation and its ability to achieve its objectives.

### 3. Concept, Sources, and Types of Tax Risk

#### 3.1 The concept of Tax Risk

Many researchers, like Kenoucha and Saieh (سايج & كنوشة, 2022, p. 420) and Kwidmi and Madahi (مداحي & كويدمي, 2020, p. 78) consider tax risk as related to tax obligations and penalties for non-compliance or misinterpretation of tax legislation, and the resulting additional tax burdens. However, tax risk can be linked to two meanings: the first is classical, relating to voluntary or inadvertent non-compliance with tax provisions, while the second, caused by inefficiency, relates more to ignorance of a certain ruling or benefit, leading to the loss of a significant financial gain, combining the risk of the penalty with the risk of losing an opportunity (KHELASSI, 2013, p. 143).

This definition aligns with Ernst and Young's perspective (LAVERMICOCCA, 2011, pp. 96-97), which distinguishes between the narrow classical concept of tax risk and the broader current view. Experts from (Price Water House Coopers, 2004, p. 3) also confirm that maximizing opportunities can be as important as risk management. In the same direction, tax risk is defined as any lapse in tax strategy, operations, financial reporting, or compliance, negatively affecting the tax cost borne by the company or its business objectives, which requires the institution to reconcile the strategic and operational levels (فتحة, 2017, p. 74); Rahmani and Boulhookh (بولخوخ & رحمانى, 2021, p. 282), consistent with the concept presented by Saeedi and Ben Moufki (بن موفقي & سعدي, 2022, p. 1074).

In reality, there is no unified definition for this term. Still, it can be described the liability that duty outgrowth differs from what's anticipated due to a variety of reasons, for illustration, judicial process, changes in the law, changes in business hypotheticals, increased intensity of checkups, and query in the interpretation of the law and any action expiring from the duty function that subjects the company to adverse hype (WUNDER, 2009, p. 16). Eventually, it's reasonable to say that utmost duty pitfalls faced by an institution are strategic, especially when it comes to unrecoverable choices or those subject to challenge but involving burdens that the profitable driver must bear. (MOUSSAMIR, 2017, p. 509).

### 3.2 Types of Tax Risk

Tax risks can be categorized by identifying the main areas of tax uncertainty according to (Price Water House Coopers, 2004, pp. 4-8), leading to seven main areas of tax risk:

#### ❖ Specific Risk Areas

- **Transactional risks** : (The further unusual and less routine the transaction, the greater the associated duty pitfalls, such as mergers and acquisitions, the application of new laws, or judicial rulings.).
- **Operational risks**: (related to applying duty legislation to the routine operations of the institution).
- **Compliance risks**: (related to fulfilling the institution's duty scores, whether protestation or payment, in addition to full exposure and monitoring of the institution's exposures and statements.)
- **Financial accounting risks**: (related to directly determining the Tax base and its reassessment by the administration, especially given the periphery of freedom in account norms and tax laws).

#### ❖ General Risk Areas:

- **Portfolio risks** (related to the overall level of risk, considering the interaction between transactional, operational, and compliance risks. Financial reports alone cannot measure portfolio risks; other levels must also be considered).
- **Management risk** (this concerns poor tax risk management, such as the absence of a documented tax risk management policy, inefficiency of the persons responsible for managing tax risks, or lack of resources or time.).
- **Reputational risks** (these are the risks related to tax disputes that could lead to the release of information about the institution's activities through a public platform, such as courts, thereby tarnishing the institution's image in the eyes of its customers, suppliers, or employees.)

### 3.2 Sources of Tax Risk

Tax risk naturally stems from the complexity and instability of the tax system and how the institution handles tax variables (KHELASSI, 2013, p. 144). Therefore, tax risk sources can be divided into:

#### 3.2.1 External Sources:

- Risks arise from the complexity and instability of tax legislation.
- Risks due to weak and corrupt tax administration.
- Risks arising from transactions with third parties in general (disputes, etc.).
- Risks arise from discrepancies between accounting and taxation (KHELASSI, 2013, p. 145).

#### 3.2.1 Internal Sources:

- **Risks related to procedures** (possibly due to incorrect procedures or those not tailored to the institution's tax needs) (KHELASSI, 2013, p. 145).

- **People-related risks:** arising from the tax decision-making process.
- **Risks related to human resources** (weak tax experience within the institution).
- Risks arising from the inaccuracy of data provided by the institution.

### 4. Tax Risk Management

Tax uncertainties create tax risks, and managing tax risks involves managing these uncertainties.(LAVERMICOCCA, 2011, p. 96). Given the nature of these uncertainties, there is often no single correct answer. Tax management is about understanding where these risks arise and making decisions on how to handle them. For any type of risk, you not only need to understand what it is but also need to determine how much risk you are willing or able to bear. Therefore, tax risk management does not necessarily mean reducing risks. Companies make profits by taking risks, and a no-risk strategy is probably neither cost-effective nor suitable for any profitable activity (Price Water House Coopers, 2004, p. 3).

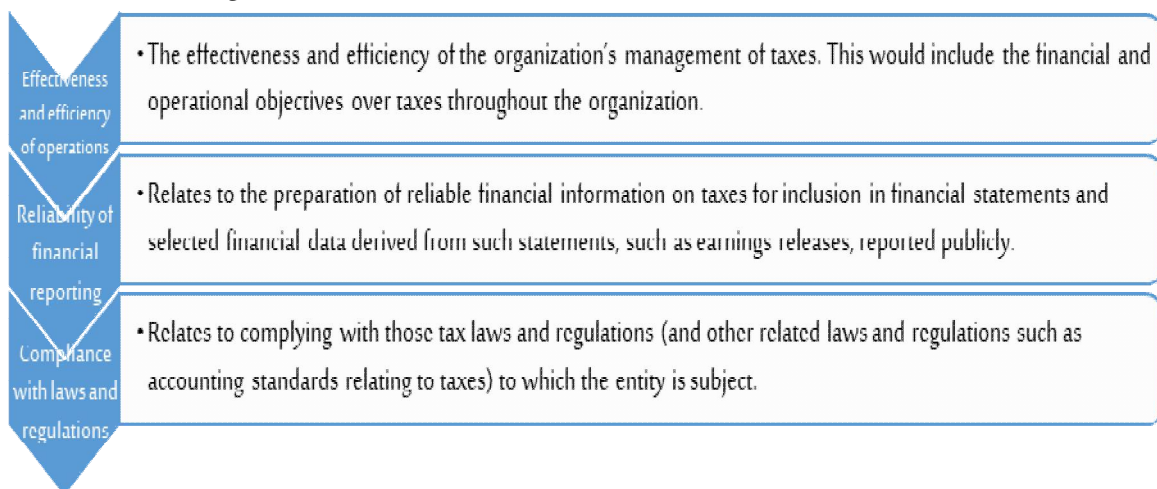
Risk management does not imply reducing risks but rather determining an acceptable level of risk that allows the institution to optimize its risk management compared to the value derived from it. This level must be embedded in the institution's overall strategy and subject to appropriate management and monitoring. (Price Water House Coopers, 2018-2024).

A group of experts from Price Water House Coopers has worked on adapting the COSO framework to serve tax risk management by achieving the core objectives of internal control within this field, as illustrated in the following figure:

#### 4.1 Sources of Tax Risk

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**Figure n° 01: How does the COSO Framework apply to tax risk management?**



Source:(Price Water House Coopers, 2004, p. 22)

## 5. Risk-based auditing

Risk-based auditing is part of the corporate governance framework, helping to improve internal control and risk management procedures. It is used to identify potential risks that may affect the institution's objectives, thus helping to determine the level of objectives, risks, and potential impacts. Additionally, it helps in setting priorities and focusing on the most important risks, facilitating strategic decision-making.

### 5.1 Definition and Stages of Tax Audit

#### 5.1.1 Definition of Tax Audit

Tax audit can be defined as a methodical procedure through which the auditor pursues to guarantee the exactitude and honesty of the tax statements submitted by taxpayers, to reveal the real tax base. The tax audit process needs adherence to a set of professional standards and guidelines. (Daily, 2012, p. 25).

According to Simone Johnson, "Tax audit is the examination of a corporation's or an individual's tax return to verify the accuracy of the financial information reported. Tax audits are conducted by the tax administration as a governmental institution" (Johnson, 2024, p. 01).

#### 5.1.2 Procedures and Stages of Tax Audit

Tax auditing relies on some essential stages to be conducted systematically and orderly by the auditor, as follows: Tax auditing relies on some essential stages to be conducted systematically and orderly by the auditor, as follows:

##### ❖ Preparation Stage:

The auditor collects information about the institution's activities in general, its legal nature, and especially the tax laws it is subject to. The preparation stage includes developing a comprehensive plan for the tax audit process, where the tax objectives to be achieved and the steps to be followed are identified, taking into account the available time and cost.

##### ❖ Evaluation Stage of Internal Control System Regarding Tax Aspects:

The evaluation of the internal control system is one of the most important and challenging stages of tax auditing. It is divided into three sections: identifying the tax department, substantive control, and substantive tests, following a risk-based approach as an auditing methodology, which will be presented as follows:

##### - First stage: Identifying the Tax Department:

This involves general knowledge and some analytical procedures, as illustrated in the following diagram:

**Table n° 01: General Knowledge of the Tax Department**

<p><b>Methods and Accounting Principles:</b> The auditor reviews the correct accounting methods, especially categories 6 and 7, which pertain to costs and revenues, as well as accounts related to taxes and fees.</p>	<p><b>Operations:</b> The auditor identifies the nature of the taxes and fees to be paid, as well as the methods of declaration, payment, deadlines, and rates.</p>
<p><b>Internal Organization:</b> The auditor reviews the tax department within the institution and the individuals responsible for managing it. The auditor examines the declarations that must be submitted to the tax authorities (documents and timing). The auditor assesses the existence of an information system specific to the tax aspect.</p>	<p><b>External Environment:</b> The legal framework and regulations govern the tax aspect of the institution, including the taxes and fees that must be paid. The nature of the penalties and fines that the institution may face.</p>

**Source:** researchers Prepared based on scientific sources and tax laws.

To create the periodic file, the auditor performs certain analytical procedures for a specific financial year, including the following:

- Conducting a comparison between actual taxes and expected taxes;
- Comparing taxes paid for the current year with recent previous years;
- Ensuring the legality of payments and the absence of a balance from the previous year;
- Reviewing documents related to declarations and payments for the current year;
- Reviewing changes in the current year's finance law, if any;
- Developing the tax audit plan for the current year.

This procedure aims to understand and analyze the tax situation for a specific year, allowing the auditor to gain deeper insights than in the previous step.

### **- Second stage: Substantive Control of the Tax Department**

Substantive control initially relies on identifying the procedures and stages of the tax department, then at each stage, it is essential to define the objectives of internal control, the necessary procedures to achieve these objectives, and the expected risks.

#### **The stages and steps of the tax department can be divided as follows:**

- Taxable material (tax base): proper and legal recording of revenues, costs, refunds, and reductions (when calculating the taxable profit);
- Periodic declarations;
- Applicable rates (tax and fee rates due and exemptions);
- Paying taxes within specified deadlines.

### - Third stage: Substantive Tests

This is the final stage in tax auditing after substantive control. The auditor uses this procedure to apply audit techniques and tools to gather evidence about weaknesses identified in the tax department during the second stage, which is known as substantive testing, here are some examples:

- Conducting confirmations with suppliers and customers when discrepancies are suspected in the accounting records.
- Executing bank reconciliations for transactions processed via banks;
- Ensuring the correct accounting of revenues and costs at the beginning and end of the cycle if there are doubts about the separation of cycles;
- Recalculating the tax result and ensuring that reductions and refunds are included according to new laws.

### 6. The role of auditing in minimizing tax risks

Tax risks are among the most significant risks that affect an institution's ability to achieve its objectives due to their various types, especially given the growing impact of tax factors on the financial situation and the complexity and instability of tax legislation. This necessitates giving due importance to tax factors or risks through tax audits, which improve the institution's tax management and prepare for emergencies in this area. Adopting both internal and external tax audits helps achieve the following objectives:

#### 6.1 Improving Tax Management Performance and Tax Risk Management:

A risk management-oriented tax audit provides an objective technical evaluation of the institution's tax risk management system, providing feedback that includes identifying deviations, strengths, and weaknesses, enabling the establishment of procedures to avoid future risks. This contributes to improving the system's performance, ensuring greater efficiency in managing the institution's tax situation in line with its set goals and overall strategy.

#### 6.2 Integrating Tax Information in Decision-Making:

Tax variables have often been treated as marginal and uncontrollable (defensive position). However, the significance and current importance of tax risk management has become evident through several initiatives taking place worldwide. Revenue authorities and business organizations around the globe have started addressing tax risks as a separate element of risk management. For example, in June 2003, the Australian Tax Office (ATO) issued a report on large corporations and tax compliance to launch a campaign to elevate tax management to the board level. Since then, the ATO has strengthened its original initiative by examining companies' tax risk management procedures as part of the audit and risk review process and published the 2006 version of "Large Business and Tax Compliance," which systematically addresses tax risk concepts. More recently, about the 2006 Global Tax Risk Survey, Ernst & Young (2006, p. 4) concluded that

establishing a written, comprehensive, and sustainable framework for tax risk management is considered "best practice." (WUNDER, 2009, p. 15)

### 6.3. Protecting the Enterprise from Tax Risks:

Tax risks have become one of the most critical business risks facing economic institutions, as they operate in a state of tax uncertainty due to complex regulations that continually evolve, in addition to the possibility of being subject to tax audits leading to settlements and penalties (فتحة, 2017, p. 195).

Qadrawi and Grisias (غريسية & قدراوي, 2023, p. 90) emphasized the necessity of regularly consulting tax advisors before facing tax audits, making it an essential function to protect the institution from various tax dangers. This is particularly crucial given the unstable tax environment and multiple tax deductions in Algeria, alongside ambiguous legislation, which increases the risk of tax exposure. They also clarified that tax status audits help identify areas of tax risk and associated costs, ensuring the institution avoids arbitrary treatment or injustice from tax authorities on one hand, while enhancing its tax awareness and understanding of tax laws and their financial implications on the other, based on the auditor's expertise in the field.

Internal tax auditing plays a significant role through the comprehensive and proactive diagnosis of the institution's tax status, allowing it to avoid or at least mitigate various potential tax risks. Tax auditing enables early detection of tax obligations, accurate calculation of tax liabilities, and various tax commitments of the institution, thereby preventing incorrect declarations, fines, and tax penalties. Moreover, tax auditing assists in selecting the optimal tax policy for the institution by enabling it to explore different tax incentives available within the tax system and choose the best alternatives, thereby utilizing taxation for its benefit through tax burden reduction. In general, internal tax auditing ensures tax security for the institution. (بن محمد & بن تركية, 2023, p. 386).

Therefore, tax auditing allows an objective analysis of potential tax risks, leading to the development of strategies to address them, focusing auditing efforts on key risks. This results in reports indicating areas needing improvement and recommendations to strengthen tax compliance, ensuring continuous vigilance in the tax field.

Thus, tax auditing contributes to protecting the institution from tax risks on two levels:

- Compliance audit level: general compliance audits, tax declaration audits, etc.
- Level of Tax Efficiency Audit: more challenging than compliance auditing because it must uncover oversights committed by the institution, especially concerning systems it could have benefited from. Additionally, it addresses processes the institution could have handled more effectively (seizing available opportunities) through:
- Monitoring tax efficiency framework: Tax dashboard, effective tax rate.

- Monitoring tax options: Tactical options, strategic choices.

Therefore, tax auditing enables the institution to control its tax position by selecting appropriate options, incentives, and tax systems. ( زواق, 2017, p. 34)

## 7. A field study of the opinions of a sample of academics and professionals in the field of taxation

In this section, we surveyed the opinions of a group of professionals and academics to measure the relationship between each stage of auditing and tax risk management. This will be presented in detail through the analysis of statistical data

### 7.1 Field study methodology

Before presenting the results of the survey study, it is necessary to outline the study's methodology, including a description of the target study sample, in addition to assessing the reliability and validity of the study tool.

#### 7.1.1 The study sample and instruments

The study sample included a group of economic institutions in the provinces of Tlemcen and Saida. The respondents primarily consisted of internal auditors, accountants (in the absence of an internal audit unit), as well as university professors, external auditors, and tax consultants.

The questionnaire was distributed both manually and electronically. A total of 30 questionnaires were distributed and all were retrieved, each being valid for the study.

We have divided our questionnaire into four main axes. The first, second, and third axes represent the axes related to the independent variables. To answer the hypotheses respectively, the relationship of each independent axis with the fourth axis, which represents the dependent axis, will be found. The descriptive statistics results for each axis will be clarified separately as a first stage, using the five-point Likert scale illustrated in the table below:

**Table n°02: Five-Point Likert Scale:**

Attitude	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Category	1 - 1.8	1.8 - 2.6	2.6 - 3.4	3.4 - 4.2	4.2 – 5

Source: Prepared by the researchers

#### 7.1.2 Measuring the stability of the questionnaire:

After measuring the Cronbach's alpha stability coefficient to judge the stability of the study instrument, we obtained 0.897, which is a very suitable coefficient for the completion of the study and the reliability of its results, which is shown in the following table:

**Table n°03: Results of Cronbach's alpha test to measure the stability of the questionnaire**

Number of paragraphs	Cronbach's alpha coefficient
23	<b>0,823</b>

Source: Prepared by the researchers based on the output of the SPSS 26

7.2 Displaying Descriptive Statistics Results for Study Axes

In the following tables, we present the results of the standard deviations and the arithmetic means of all questionnaire statements according to each axis separately:

**Table n°04: Arithmetic Means, Standard Deviations, and General Trend for the First Axis: The First**

Descriptive Statistics	Standard Deviation	Mean	Trend
The auditor identifies the types of taxes and fees payable by the institution according to tax laws and regulations	0.50701	4.5312	Strongly Agree
The auditor identifies the types of penalties and fines that the institution may face in terms of taxation	0.74528	4.3438	Strongly Agree
The auditor reviews the tax department and the available material and human resources	0.79312	3.8750	Agree
The auditor reviews the tax information system	0.64680	3.9687	Agree
The auditor compares the taxes paid in recent years	0.79312	4.1250	Strongly Agree
The auditor prepares a tax audit plan to be followed by the auditor and assistants	0.83280	3.8750	Agree

Stage of Tax Audit (General Knowledge)

Source: the researchers Prepared based on the outputs of SPSS 26

The table indicates that the statement "The auditor identifies the types of taxes and fees payable by the institution according to tax laws and regulations" received the highest mean and standard deviation of 4.5312. This is because penalties and fines are primarily due to non-payment of due taxes and fees. The statement "The auditor reviews the tax department and the available material and human resources" received the lowest agreement score with a mean of 3.8750, as most Algerian institutions do not have an independent tax department but merge it with the accounting and finance department or another department.

**Table n° 05: Arithmetic Means, Standard Deviations, and General Trend for the Second Axis: The Second Stage of Tax Audit (Evaluating the Internal Control System)**

Descriptive Statistics	Standard Deviation	Mean	Trend
The auditor checks for the presence of a competent employee responsible for the tax aspect in the institution	0.86077	4.0312	Agree
The auditor ensures that the accountant records daily and systematically the accounting transactions in the institution	0.67725	4.1563	Agree
The auditor ensures that the tax profit account in the institution considers tax adjustments	0.60824	4.2188	Strongly Agree
The auditor ensures that tax declarations are submitted on time	0.50800	4.2500	Strongly Agree
The auditor ensures that an employee is assigned to monitor and pay taxes and fees.	0.71842	4.0000	Agree
The auditor ensures continuous follow-up of tax laws and updates	0.59229	3.8125	Agree
The auditor reviews the exploitation of tax opportunities, if any	0.57414	3.8438	Agree

Source: the researchers Prepared based on the outputs of SPSS 26

The table indicates that the statement "The auditor ensures that tax declarations are submitted on time" received the highest mean and standard deviation of 4.2500. This is because regular tax declaration is one of the most important tax procedures affecting other stages such as payment, thus protecting the institution from tax risks. The statement "The auditor ensures continuous follow-up of tax laws and updates" received the lowest agreement score with a mean of 3.8125, as it is difficult to keep up with tax laws and understand how to apply them since most of them are not fixed and are subject to regular and continuous partial or total amendments.

**Table n° 06: Arithmetic Means, Standard Deviations, and General Trend for the Third Axis: The Third Stage of Tax Audit (Report Writing)**

Descriptive Statistics	Standard Deviation	Mean	Trend
Conclusions reached by the auditor regarding the tax aspect in the institution are documented	0.46555	4.0983	Agree
Evidence and proofs that confirm the auditor's conclusions are presented	0.53033	4.0938	Agree
Necessary recommendations to enhance tax performance are provided	0.53033	4.0938	Agree
There is continuous and ongoing communication between the internal auditor and related departments in the institution to implement recommendations	0.87009	3.7813	Agree
The audit report informs the management about the main tax risks in the institution	0.68906	3.9063	Agree

**Source:** the researchers Prepared based on the outputs of SPSS 26

The table shows that the statement "The conclusions reached by the auditor regarding the tax aspect of the institution are documented» obtained the highest mean and standard deviation value of 4.0983. This is because the auditor's opinion is considered one of the most important outputs of the audit, thus conclusions must be documented regularly to reach the facts and build recommendations.

The statement "There is constant and continuous communication between the internal auditor and the related departments in the institution to implement the recommendations" received the lowest approval rating with a mean value of 3.7813, because, in most companies, the internal auditor has collegial relationships with other department heads, making the company's manager more responsible for monitoring the implementation of the internal auditor's recommendations to make this process more efficient and effective.

**Table n° 07: Arithmetic Means, Standard Deviations, and General Trend for Axis 4: Tax Risk Management**

Descriptive Statistics	Standard Deviation	Mean	Trend
There are internal control procedures to assess tax risks	0.56440	4.0625	Agree
These procedures cover all taxes and fees	0.47413	3.9687	Agree
The tax risk management policy aligns with the company's objectives	0.43533	4.0625	Agree
Tax risks are evaluated periodically and continuously	0.53506	3.8125	Agree
Reasonable control is exercised over various types of tax risks	0.46555	3.9063	Agree

Source: the researchers Prepared based on the outputs of SPSS 26

The table shows that the statement "The tax risk management policy aligns with the company's objectives" obtained the highest mean and standard deviation value of 4.0625 because controlling tax risks is an integral part of the company's objectives. The statement "Tax risks are evaluated periodically and continuously" received the lowest approval rating with a mean value of 3.8125 because it is difficult to periodically assess tax risks that may arise at any moment.

### 7.2 Answering the Study Hypotheses

The results of a simple regression between the independent variables and the dependent variable will be presented below to answer the study's hypotheses

#### ❖ Hypothesis 1:

Summary of Models				
Standard Error of the Estimate	Adjusted R-square	R-square	R	Model
0,32815	-0,032	0,001	0,037 <sup>a</sup>	1
a. Predictors: (Constant), X01				

Source: the researchers Prepared based on the outputs of SPSS 26

It is clear from the table that the probability value is greater than the significance level (0.05), indicating no linear relationship between the first stage of tax audit and tax risk management. This is demonstrated through the simple regression model as follows:

**Table n°08: Regression Model of Axis 1 (Independent Variable) on Axis 4 (Dependent Variable)**

Coefficients						
Sig.	T	Standardized	Unstandardized		Model	
		Coefficients	Standard Error	B		
0,000	7,448		0,518	3,857	(Constant)	1
0,839	0,205	0,037	0,125	0,026	X01	
a. Dependent Variable : Y						

Source: the researchers Prepared based on the outputs of SPSS 26

Therefore, the first hypothesis is rejected: There is no statistically significant relationship between the level of general knowledge of the tax department in the company and tax risk management.

❖ Hypothesis 2:

Summary of Models				
Standard Error of the Estimate	Adjusted R-square	R-square	R	Model
0,29220	0,182	0,208	0,456a	1
a. Predictors: (Constant), X02				

Source: the researchers Prepared based on the outputs of SPSS 26

It is clear from the table that the probability value is less than the significance level (0.05), indicating a linear relationship between the second stage of tax audit and tax risk management. The change in evaluating the internal tax control system accounts for (20%) of the change in tax risk management. This is demonstrated through the simple regression model as follows:

**Table n°09: Regression Model of Axis 2 (Independent Variable) on Axis 4 (Dependent Variable)**

Coefficients <sup>a</sup>					
Sig.	T	Standardized Coefficients	Unstandardized Coefficients		Model
		Beta	Standard Error	B	
0,000	4,162		0,569	2,370	(Constant)
0,009	2,809	0,456	0,140	0,394	X02
a. Dependent Variable : Y					

Source: the researchers Prepared based on the outputs of SPSS 26

$$\text{Axis 4} = 2.370 + (0.394 \times \text{Axis 2}) + \text{Other factors}$$

Therefore, the second hypothesis is accepted: There is a statistically significant relationship between the stage of evaluating the internal control system and tax risk management.

❖ Hypothesis 3:

Summary of Models				
Standard Error of the Estimate	Adjusted R-square	R-square	R	Model
0,29720	0,154	0,181	0,425a	1
a. Predictors: (Constant), X03				

Source: the researchers Prepared based on the outputs of SPSS 26

It is clear from the table that the probability value is less than the significance level (0.05), indicating a linear relationship between the third stage of tax audit and tax risk management. The change in the third stage of tax audit explains (18%) of the change in tax risk management. This is demonstrated through the simple regression model as follows:

Table n°10.: Regression Model of Axis 3 (Independent Variable) on Axis 4 (Dependent

Coefficients <sup>a</sup>						
Sig.	T	Standardized Coefficients	Unstandardized Coefficients		Model	
		Beta	Standard Error	B		
0,000	4,184		0,587	2,457	(Constant)	1
0,015	2,574	0,425	0,146	0,377	X03	

a. Dependent Variable: Y

Source: the researchers Prepared based on the outputs of SPSS 26

$$\text{Axis 4} = 2.457 + (0.377 \times \text{Axis 3}) + \text{Other factors}$$

Therefore, the third hypothesis is accepted: There is a statistically significant relationship between the stage of report writing and tax risk management.

### 5. Conclusion:

This study was devoted to measuring the impact of tax auditing on risk management in the organization, by evaluating the correlation between each stage of tax auditing (general knowledge of the tax department, estimation of the internal control system, and audit report writing) and risk management within the organization. The statistical analysis exposed that there is no statistically significant relationship between the first stage of tax auditing, which includes obtaining general knowledge about the tax department, and effective risk management. This disproves the first hypothesis. In our opinion, this is because general knowledge of the tax department is not enough to control tax risks. This objective is only attained after leading thorough evaluations of the organization's internal and external tax situation.

As for the second hypothesis, it was accepted. We found that estimating the internal control system is a crucial stage for guaranteeing effective tax risk management, as it accounts for 20% of the variation in tax risk management. The effectiveness of the internal control system helps ensure the reduction or control of deviations, permitting better management of consequential risks and enhancing tax compliance.

Finally, the third hypothesis was confirmed, indicating a statistically significant relationship between the stage of writing the audit report and tax risk management. This stage accounts for 18% of the variation in tax risk management. A detailed and comprehensive report allows the relevant parties, particularly the organization's management, to be well-informed about the audit outcomes. This provides them with adequate knowledge about tax risks and the recommendations necessary to control them, supporting them to take proactive measures to address these risks.

Through this study, it can be affirmed that investing in the activation of tax auditing within the organization and ensuring its effectiveness through disciplined and comprehensive audit processes is crucial. This allows for feedback and continuous improvement of the internal control system and the tax department,

which is a key factor for ensuring effective risk management in general and tax risk management in particular. Furthermore, it is noteworthy that economic institutions in Algeria still do not give the tax variable the importance it deserves as a pivotal factor that directly affects their costs, and consequently their overall financial status and sustainability.

Additionally, we found that most institutions do not have a dedicated unit for auditing in general, and tax auditing in particular. Instead, the accounting department handles all accounting and tax aspects within the organization, making the effectiveness of tax auditing and tax risk management largely dependent on the competence of the employees in this department.

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