EFFECT OF RISK MANAGEMENT SYSTEM ON CUSTOMS DECLARATION VIOLATIONS AT KILINDINI PORT, MOMBASA

WINNIE ONDIEK

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF CUSTOMS IN THE KENYA SCHOOL OF REVENUE ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE POST GRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION.

2018

DECLARATION

This project is my original work and has not been presented for a post-graduate diploma in any other academic or non-institution

……..……. …….....

Signature Date

Winnie Ondiek

HDB335-C016-2509/2016

This project has been submitted for examination with my approval as the supervisor

....

Signature Date

SIMON MUMU

DEDICATION

This project is devoted to the memory of my late mother Beatrice Apelles Muga, late spouse John Odhiambo Amimo and my father Patroba Ondiek. No words are adequate to depict my late mother's commitment to my life. I owe all of my reality to her. I have been fortunate to get huge help from my kin and my child Brett. Their help and support has been instrumental in my sailing through a few obstacles throughout everyday life.

ACKNOWLEDGEMENT

In total surrender, I need to thank the all-powerful God for his mercy and elegance that has been adequate in my life. I give him all the brilliance and respect for empowering me to complete my studies at KESRA.It was a test adjusting work, family and academic work at the sametime. He has been a wellspring of consolation through the difficulties of scholarly life; course work and the exploration procedure. Extraordinary on account of my boss and supervisor, Simon Mumu as a result of his opportunity and persistence in perusing my research work. His significant direction and steady critique of my paper helped me complete my task.

I am highly indebted to my knowledge sharing team, Grace L., Faith M., Antonina M.& Raphael R. They have influenced not only my studies, but also my whole life and perspective of Customs & Border Control. They have instilled in me by example, a strong sense of discipline and integrity, for which I am eternally grateful.

I want to also thank my reader Emilly Dalla for her tireless effort in reading through my research work. Her reselience and expertise helped me improve the final document.

Most of all I must thank my son Brett, who exercised considerable patience and understanding during the time of my studies. The demands of doing this research often pushed family responsibility to the second place.

I cannot forget to thank the students in the KESRA class for the interaction, support and enthusiasm in sharing experiences and making my learning very interesting.

TABLE OF CONTENTS

LIST OF APPENDICES

LIST OF TABLES

LIST OF FIGURES

DEFINITION OF TERMS

CUSTOMS DECLARATION: Is a form that is required by most nations - countries when a citizen or a visitor or goods are entering that nation's borders, called import. (JICA, 2012)

VIOLATION: Deceit. (JICA, 2012)

RISK ASSESSMENT: The overall process of risk identification, risk analysis, risk evaluation and prioritization. (JICA, 2012)

RISK PROFILE: A group of common characteristics or combination of risk indicators based on information which has been gathered, analysed and categorized. (JICA, 2012)

SELECTIVITY: The process of using risk indicators to target goods, passengers and conveyance for customs control. (JICA, 2012)

TARGETING: The selection for physical examination/documentary check for cargo, passengers or conveyance based on risk analysis and profiling. (JICA, 2012)

LIST OF ACRONYMS/ABBREVIATIONS

ACMS	Automated Customs Management System
AEO	Authorised Economic Operator
ATF	Agreement on Trade Facilitation
BCA	Border Control Assistant
BCO	Border Control Officer
CBCD	Customs and Border Control Department
EACCMA	East Africa Community Customs Management Act
HVO	Head of Verification
ICMS	Integrated Customs Management System
JICA	Japan International Cooperation Agency
KCS	Korean Customs Services
KRA	Kenya Revenue Authority
NTC	National Targeting Centre
RKC	Revised Kyoto Convention
RMS	Risk Management System
SAD	Single Administrative Document
UNECE	United Nations Economic Commissions for Europe
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

ABSTRACT

This study sought to establish the effect of Risk Management System in Customs Declaration Violations at Kilindini Port, Kenya Revenue Authority Customs and Border Control Department. Due to challenges faced by the department in revenue collection because of risk factors. Additionally, the widening objectives of Customs has changed dramatically especially in the trading environment, how goods are carried as well as traded, the pace of the trade transactions and the volume of the various goods that are traded. In the previous years, significant transformations in the global trading practices including Customs administrations have been obligated to continually adapt the best practises in all of its operations. This is in order to maintain its effectiveness as well as relevance. It is in this pursuit that risk management system is a necessity to function as it is designed to be, to help in achieving the objectives and in utilizing the Risk management framework, this study assessed the effect of Risk management system on customs declaration violations at Kilindini , with a view to treat the violations. The study relied on quantitative data collection, analysis, discussion and reporting levels. It used interview, questionnaire, observation strategy and review of diverse documents to assemble data from 63 respondents. Bearing in mind the importance placed on the above essential practices of risk management system, KRA customs is indeed in dire need for a solution to help retain compliance and detect customs declaration violations. The study formulated a risk management system model for customs that will help KRA customs channel risks according to their magnitude and employ appropriate treatment. This will further focus efficient risk management framework and strengthen risk management capacity, enhance interagency cooperation and information-sharing, Accurate information on risks and intelligence, enhance compliance among traders and authorized operators. From analysis, the findings showed that all factors 'Risk assessment', 'Risk profiling', and 'Risk targeting' could be used to minimize risk violations at Kilindini Port, Kenya Revenue Authority Customs and Border Control Department. The most significant one and influential as regards to effect of risk management system in customs declaration violations was risk assessment with a significant correlation of -0.133, followed by risk profiling with a correlation of -0.725 and finally risk targeting with a correlation of -0.169. The same trend was depicted in regression analysis. Therefore, grounded on these findings, there exist an inverse relationship between the variables, whereby when there is control; customs violations will significantly drop. Organizations that intend to implement risk management system can now choose to focus on factors that will best affect risk management system. Customs declaration form C17B is essentially the mother of all, and the first contact document between customs and the importer and exporter of goods and services. Without this crucial document, no operation can occur. It is for this crucial reason why any violation or inconsistencies detected in the form is a driving pointer to a potential risk that must be addressed accordingly to the laws and regulations, to curb loopholes for revenue loss.

CHAPTER ONE

INTRODUCTION

1.1Background of the study

In today's globe, trade and investment are flowing towards very efficient, supportive, and facilitative locations. Simultaneously, it is rapidly retroceding away from settings that are perceived to be bureaucratic, administrative, lack good governance, in addition to synonymous high expenses. Customs systems and processes should not be seen as a hurdle to transnational trade and growth. It is due to such encounters that the World Customs Organization (WCO) revised and updated its Kyoto Convention keeping in mind the end goal to make certain it met the latest demands of international trade (UNECE, 2012). Among the principles outlined in the Revised Kyoto Convention is the concept of risk management.

According to JICA (2012), risk refers to the likeliness for non-compliance with the Customs laws. As part of risk management, customs administrations conduct risk analysis, which is the systematic utilization of available data to determine how frequently defined risks may occur and the magnitude of their possible expected consequences. Analysis is conducted in risk areas, which are customs procedures and some sets of international processes that may present a potential risk (WCO, 2003). Based on the analysis, customs administrations conduct risk assessments. Risk assessment involves an evaluation of the levels of risks (WCO, 2003). Consequently, entities and processes are grouped based on their risk profiles (WCO, 2003). The fundamental goal of conducting a risk management is to achieve system-based controls. It results in measures to guarantee that a trader's system contains the checks and controls crucial for compliance consistency with Customs laws (WCO, 2003).

In Kenya, the Kenya Revenue Authority of late executed a Custom Reform Programme, whose key intention has been to digitize or computerize the processes of customs, targeting the reduction of goods clearance time to maximum 48 hours. The change programme has, as it were, lessened utilization of manual systems. Lodgement of documents is currently through computer systems and the whole process involves only one signature. Additionally, the programme also has a Computerised Risk Management System (CRMS), consequently, limiting the amount of merchandise that are to undergo physical check (Institute of Economic Affairs, 2006).

1.1.1 Customs and Border Control Department (CBCD)

The primary responsibility of the CBCD is to collect as well as account for import duty, imports VAT, export levy, import excise as well asnd other levies. Aside from its financial duties, the CBCD also facilitates legitimate trade plus it protects the nation from illegal entry and exit of outlawed goods. The core functions of the Department include; collection of indirect taxes for the country; protection of revenue by averting smuggling; and transcending external aggression and protecting Kenya's territorial integrity. Also, the customs department executes agency duties relating to prohibitions and restrictions of imports and exports on behalf of other government departments and ministries Over and above, the department aims to implement laws on facilitation of international trade, import and export limitations, foreign exchange control, public health, security, and people's wellbeing. While carrying out their duty, it is imperative that customs department use and follow the RKC in order to facilitate legitimate global trade ease clearance of goods, ensure the security of the country as well as protect the nation's revenue (KRA, 2017).

The core predicament in Customs management, particularly over the most recent two decades, is balancing trade facilitation needs as a procedure of simplification, standardization in addition to unification of documents and procedures in global production network as well as level of controls and interventions. While dealing with this issue, Customs fundamentally modified its duty and position in the worldwide supply chain. It replaced the role of its gatekeepers with the new modernized, intricate and complex way to deal with risk management. The fundamental characteristic of customs risk management methodology is determining which people, merchandise, and transport means should be examined as well as to what extent (Biljana and Trajkova, 2012).

Section 34 of the EACCMA (2012) talks of entry of cargo - which is also a declaration process - examination and delivery (The National Council for Law Reporting, 2009).

1.1.2 Port of Kilindini

Being a key entry point on the Kenyan coast, the port of Kilindini serves most countries in the East African Community including Kenya, Tanzania, Uganda, Burundi, and South Sudan. It started as the entry point during the British rule in the 1890 (Kenya Ports Authority, 2017). It was the starting point for the construction of the Kenya Uganda Railway from 1895 to 1902, a development that improved activities at the port (KPA, 2016). The Kenya Ports

Authority that has a key role to maintain, regulate sea waterways and inland ports in Kenyan. The core mission of the Kenya Ports Authority is the facilitation and promotion of maritime trade by providing port services that are highly competitive.

There are other government agencies at the port of Kilindini including, but not limited to, the Kenya Wildlife Service, Kenya Bureau Standards and Kenya, and Kenya Plant Health Inspectorate Services. These agencies perform various functions, for example, the Kenya Bureau of Standards does a pre-send out check of congruity of all items imported into the nation that affect the wellbeing and security of Kenyans (KEBS, 2017). This programme provides for a cost-effective procedure in the execution of measures/standards in harmony with the modernization programmes embraced by vital stakeholders, for example the Kenya Revenue Authority and Kenya Ports Authority. The presence of these agencies at the port enhances risk management.The study primarily was at KRA Customs and Border Control Department in Kilindini because of relevance and proximity.

1.1.3 Efficiency of Functional Risk Management System

Setting up a risk management unit is a core strategy employed by customs administrations to enhance a successful implementation risk management system. A risk management system has the core mandate for the maintenance and operation of the risk management system through analysis, configuration, and monitoring. The unit is responsible for intelligence gathering and the consolidation of information. Furthermore, the unit reports to the customs intelligence and enforcement department and handles sensitive data ((Kafando, Baranga and Zramdini, 2014).

The Revised Kyoto Convention (RKC) is a global treaty that outlines all customs procedures to ease and enable appropriate global trade while effecting customs border controls comprising of the protection of assurance of Customs income and society. There are various principles that parties joining the RKC have to pledge commitment. RKC requires that custom actions of such parties be transparent and predictable; also required simplification and standardization of declaration of goods (Truel, 2012); and procedures for authorized individuals and officials at the port to be simplified. Further, Wulf and Sokol (2005) notes that the RKC requires coordinated interventions to meet the demands of the government as well as other stakeholders in international trade. The RKC further stipulates the required

supporting documents required including Commercial invoices, bills of lading, sales contract, purchase order, and certificates of origin.

The RKC requires the maximum use of information and technology as identified by the World Economic Forum (2009). The adoption of information technology includes the utilization of international standards, consultations of all pertinent parties when introducing computer system applications and use of diverse methods of electronic commerce as a substitute to paper based requirements (United Nations Statistics Division, 2010). In Kenya, customs have been using SIMBA2005 that was further upgraded to ACMS 2014 and currently to ICMS. Besides, the department has integrated most of its operations. The RKC recommends the use of risk management. This involves a process of identifying high-risk shipments based on risk analysis (intelligence), shifting from physical and documentary checks to targeted checks, facilitation of legitimate trade while upholding effective control, efficient and effective allocation of customs resources.

According to a public letter prepared by the World Bank (2005), introducing a risk-based tactic to Customs control activities most times entails the fear that a few, if relatively few, extortion will be unnoticed, and income revenue may be threatened. While this hazard may occur, it ought to be well adjusted against the present-day inspection practice, with limited results. Secondly, in some nations, inspection of every good is a Customs officers' obligation. There is the inclination that risk management is only for Western countries.

1.2 Statement of problem

Various studies on customs risk management have been conducted. Komarov (2016) noted that risk management in customs has been necessitated by the transformations and adaptations to changes in customs services. The findings were that customs work is characteristic of high volume of transactions render it practically impossible for officers to conduct checks on all forms. Han and Ireland (2014) conducted a study to measure the performance levels of Korean Customs Service (KCS) selectivity system. The conclusion was that risk management is imperative in maintaining a balance between regulatory control and trade facilitation.

Customs declaration violations through feeding in wrong information in the customs declaration form SAD (C17B) by traders to evade paying of correct taxes and duties have been a challenge leading to loss of revenue consequently emphasis have not been made clear

on the role of this important source of information in risk management . According to WCO safe framework Standard 4 by world customs organisation (2007), there should be a robust risk management system set by customs. Due to increase in business flow, the system handles large amount of data in terms of customs declaration, thus there is a possibility of customs declaration errors that might pass through the system unnoticed e.g. fraud, misclassification, undervaluation, wrong country of origin.

While putting into consideration of the studies already conducted, as sampled above, this study sought to find out the effect of Risk Management System in customs declaration violations at Kilindini Port, Mombasa.

1.3 Objectives

1.3.1 General Objective

The study's general objective is to assess the effect of risk management system in customs declaration violations at Kilindini Port, Mombasa.

1.3.2 Specific Objectives

The study aims to achieve the following specific objectives

i. To examine the effects of risk assessment on customs declarations violations at Customs Kilindini Port, Mombasa.

ii. To investigate the effect of risk profiling on customs declarations violations at Kilindini Port, Mombasa.

iii. To assess the effects of risk targeting on customs declaration violations the port of Kilindini, Mombasa.

1.4 Research Questions

i. What is the effect of risk assessment on declarations violations at Customs Kilindini Port, Mombasa?

ii. To what extent does risk profiling affect customs declarations violations at Kilindini Port, Mombasa?

iii. What is the effect of risk targeting/selectivity on customs declaration violations at the port of Kilindini, Mombasa?

1.5 Significance of the Study

The study will benefit many factions inside the Port and the Broader EAC spectrum. Government/KRA will get to know of how efficient and effective risk management systems are in enhancing the collection of revenue and ensuring of safety of goods and people inside their territories. The clearing agents and public will also benefit as the study seeks to explore the efficiency of the risk management systems in relation to customs declaration violations at the port. Scholars and researchers with a view or study work on the same or related topic on risk management systems and declaration violations will also benefit from this study.

1.6 Scope of the Study

The research assessed the effects of the risk management system in customs declaration violations, which comprised of the risk assessment, risk profiling and risk targeting, addressing the various risks and supervision and reviewing the procedure mostly through the measurement of compliance at the port of Kilindini, Mombasa. The period covered was KRA fiscal year of 2016/2017. The study was conducted on the KRA customs Kilindini port in Mombasa and for a period of six months. The KRA staff at the port of Kilindini were considered for this study.

1.7 Limitations of the study

The respondents filled the surveys at their own pace, and thus took a great deal of time. Therefore, the analysis was finished utilizing the prepared filled polls that were gathered in light of time limitations. This influenced response reaction rate not to be 100%. The respondent were likewise not free to give individual data as they considered it of private nature, but the researcher guaranteed them the data would be dealt with discreetly and only for scholastic purposes. The study confronted both time and money related constraints. The span that the investigation study was to be done was restricted thus thorough and to a great degree extensive research could not be carried on factors influencing the execution of logistics administration. Because of restricted funds, the investigation could not be widely. The study, however, limited these by directing the meeting at customs office at Kilindini port, Mombasa. Notwithstanding the difficulties mentioned above, the researcher attempted all the best, overcame these difficulties, and came up with solid conclusion

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a succinct and comprehensive appraisal of relevant literature to the study on the effects of risk management system and customs declaration violations at Kilindini Port, Mombasa .Risk assessment, profiling, and targeting as initiatives to enhance customs risk management. The review in this chapter will also focus on the relevant theories and a justification of that which is applicable within the context of this study, a summary of relevant studies to the research, the conceptual framework, a critique of the literature, and research gap.

2.2 Theoretical Review

This section is about studies and theories thereof related to the concepts on this research. For the purposes of this study, the preferred strategy to measure the application of risk management on goods declaration at the port of Kilindini is the decision-making theory. The theory has measurable variables that would present a comprehensive analysis of the study and a further presentation of results. Besides, it is highly relevant to the study by supporting a robust risk management framework. These justify the choice of the decision-making theory for use in this study.

2.2.1 Decision Making Theory

This model adopts a risk matrix to analyse, identify, and rate the risks. A risk matrix is a tool used to evaluate the probable risks based on their likelihood of occurrences and the severity of their consequences. A risk assessment process precedes the development of a risk matrix. A risk assessment involves a chain of activities including risks determination, risk data gathering, determination of the probability plus the impact levels of the identified risks, understanding consequences of the risks, allocating priorities and developing diverse risk prevention strategies (Thakur and Edwards, 2015). There are two criteria used to assess risks: the likelihood of occurrence and probable consequences. The likelihood can be graded as 'Definite,' 'Likely,' 'Occasional,' 'Seldom,' and 'Unlikely.' 'Definite' implies almost certainty (over 80%), 'Likely' implies there is 60-80% chance of occurrence, 'Occasional'

implies a 50/50 probability of occurrence, 'Seldom' implies low probability (10-50%) but cannot be absolutely disregarded, 'Unlikely' implies rare and less than 10% chance of occurrence (Thakur and Edwards, 2015).

The consequences of a risk can be classified as 'Insignificant' [may cause near negligible consequence], 'Marginal' [May result in some level of damage, though not too significant], 'Moderate' [do not result to a great threat, although it might be sizable], 'Critical' [risk of significantly serious consequences and large losses] and 'Catastrophic' [Top priority risks that can jeopardize the program].

Placing the risks in a matrix will reveal their appropriate likelihood and appropriateness. Extreme risks, 'E,' are those that are exclusively critical, of highest priority and which must be addressed promptly. High risks 'H' require immediate action or deployment of strategies of risk management to eliminate. Medium risk 'M' require reasonable strategies but not highly extensive resources. Low risks 'L' do not have serious or immediate strategies because of their insignificant consequences.

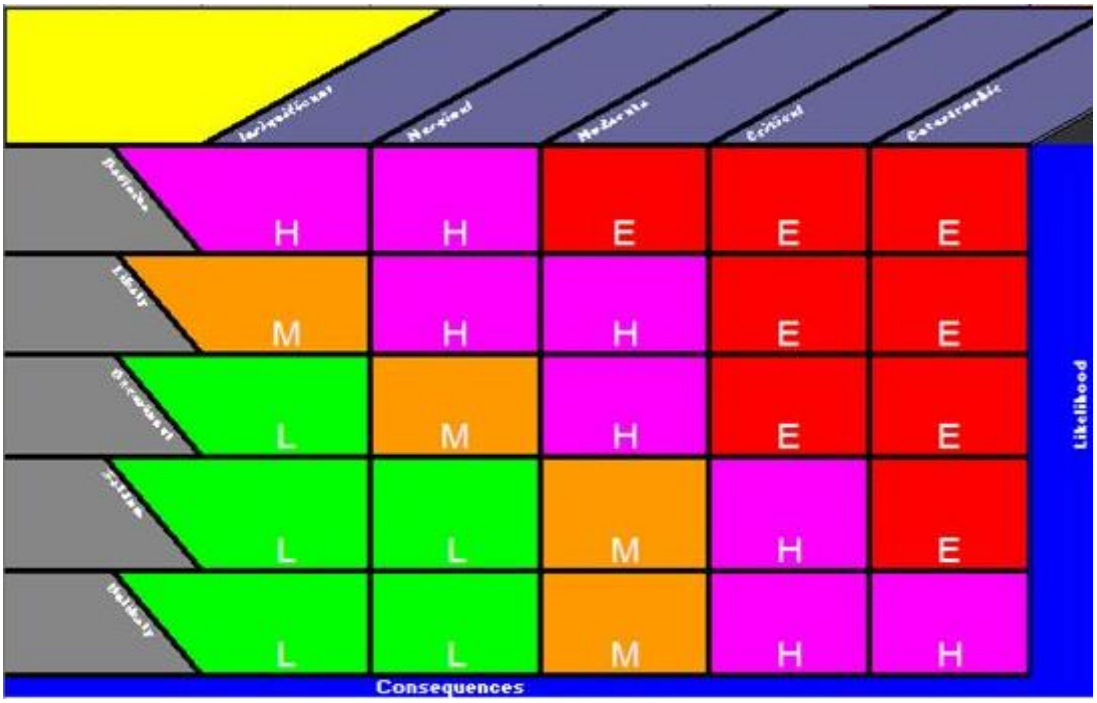

Figure 2:1 Risk Matrix

Source: Thakur and Edwards (2015)

The level of risk determines the decision to address it or mitigate.

Risk filtering strategy

A risk filtration strategy involves sorting based on identified parameters. They can be sorted based on known threats that require high priority interventions. This is based on the probability of the risks' occurrence. Risk can as well be filtered for new traders whose history is unknown. High-risk traders can be filtered in cases where there is record of non-compliance or low compliance. Risks can be filtered using random rule regardless of whether it presents low, medium, or high risks. Traders having robust compliance record can as well be filtered Werling and Eads (2017). Transaction profiles can be applied based on criteria defined on the customs risk management system.

Figure 2:2 Customs risk filtering strategy

Source: Werling & Eads (2017).

2.2.2 Probability Theory

This school of thought explains the nexus between the concepts of risk, uncertainty, and probability. There are generally acceptable principles that associate risks to uncertainty. The probability theory explains that a pattern may arise when random experiments are repeatedly

conducted an in which their outcomes are uncertain. Probability implies an anticipated result that is based on past patterns. It is, therefore, probable that a risk may occur when uncertainty in outcomes is observed repeatedly. This management is vital when there is uncertainty, a situation that increases the probability of a risk occurring. Risk management involve an array of policy measures that include, but not limited to, analysis, evaluation, and mitigation. This theory has been applicable, though in limited scope because of its complexity, to undertake risk management. The theory has been applicable in informing decisions aimed at mitigating risks (Hassett and Stewart, 2006).

2.2.3 Deterrence Theory

Between 1738- 1794 Cesare Beccaria, came up with deterrence theory, which states that crime or violations can be decreased through the utilization of deterrents (Tibbetts and Hemmens, 2015). The deterrence is basically based on the notion that criminals or rather potential criminals will think warily before violating any laws or rules if the prospect of getting caught and or the fright of swift and severe punishment is existent. As a rule, crime deterrents are both of a specific and general nature. General deterrence theory indicates that delinquency can be thwarted by the threat of a severe and prompt punishment. If people live in fear of being arrested, they will not commit any criminal act. Special deterrence theory, on the other hand, holds that the punishments or penalties for acts of crime should be amply severe that the convicted delinquents will never repeat their unlawful acts. (Lyman and Potter, 2007)

This theory is applicable to the study because it points out the approaches to dealing with violations. In the EACCMA, part xvii provides for the offences, penalties, forfeitures and seizures in customs.

2.3 Conceptual Framework

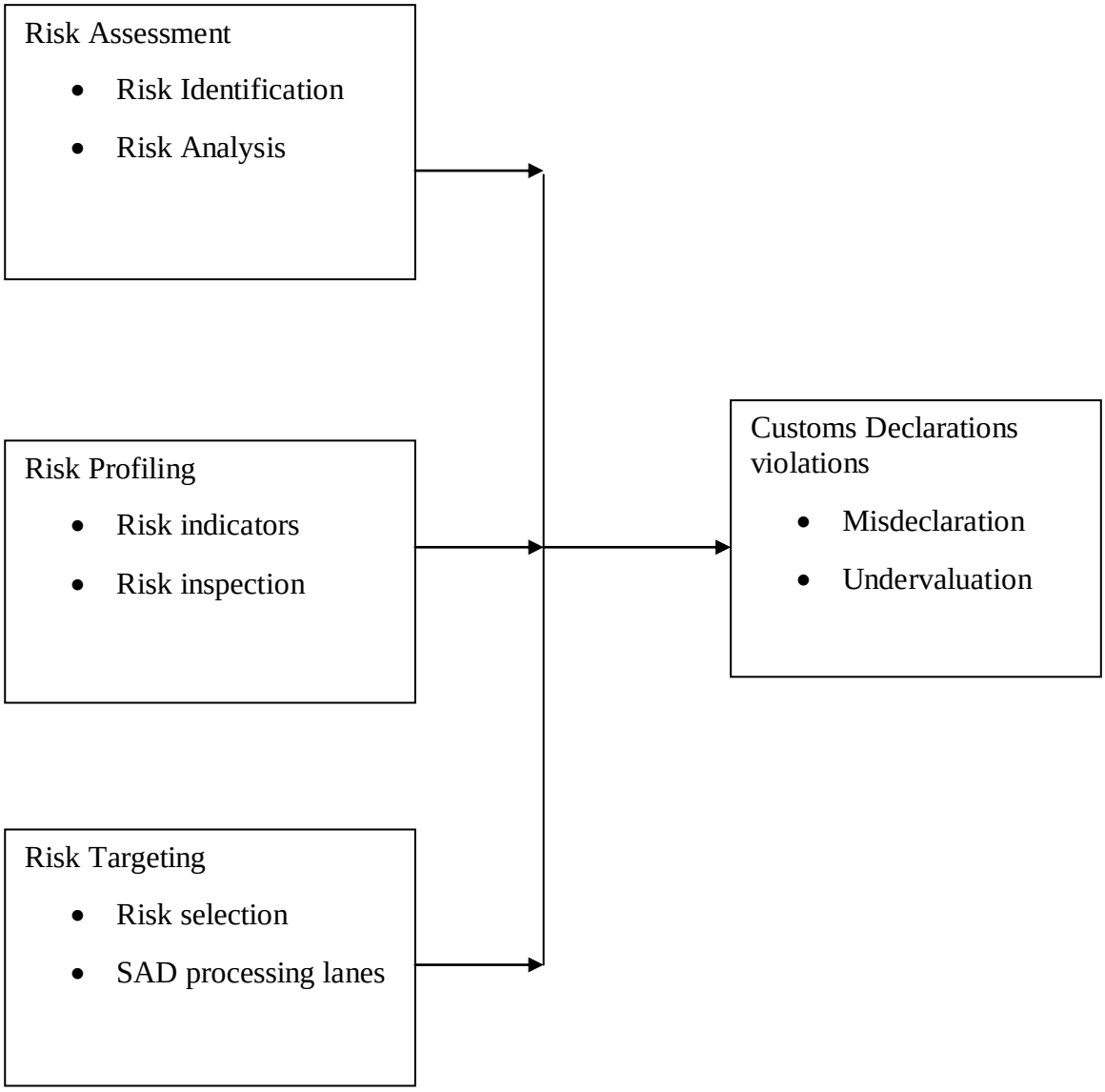

Figure 2:3 Conceptual Framework

Source: Researcher (2018)

2.4 Review of variables

2.4.1 Risk assessment

Risk assessment is defined as the whole process of risk identification, analysis, evaluation and prioritization of risk (WCO Risk management compendium, 2017).

Risk identification is geared towards identification of the likely sources and impact of risks that threaten the objectives of the organization. It is important that all identified risks be documented. Steps in risk identification are as follows, Identification of the clients/stakeholder who share the risk, Determination of potential damage the risk may cause to customs, strengths and weaknesses of the control systems in place to determine gaps, determine of availability of data and its reliability (JICA, 2012). Risk analysis, likelihood and consequences of the identified risks are determined and analysed (JICA, 2012).Risk evaluation & prioritization, levels of each risk are considered to evaluate and prioritize the major risks that may require further analysis. (JICA, 2012)

Studies reveal that enhanced trade-related customs services can most likely encourage worldwide trade prompting proficiency in customs clearance processes (Gani, 2015). The findings show that efficiency of customs clearance process was both productive and statistically substantial for both the import and export models, proposing that enhanced customs clearance can control trade. The on-going rise of global trade and the yearning by different nations to position themselves in a coordinated international trading framework will rest on continuously enhancing efficiency in customs clearance process as well as keeping up an open worldwide financial framework. These are both critical elements in terms of easing and enabling greater trade volume.

All cargo containers at the port undergo screening, where diverse security devices scan them. Port security tasks involve a multi-layer of security screening framework. Prior to any containers leave a foreign port, the Automated Targeting System (ATS) is utilized to pre-screen and arrange the risk related with the individual container (Strohm, 2006). At the point when a compartment confers at the local port, it experiences routine essential screening methods. Port security screening gadgets for atomic material are regularly dangerous isotope ID gadgets (RIIDs), radiation entryway screens (RPMs), and X-beam imaging gadgets (McNicholas, 2008).

Primary screening can comprise of a few such gadgets, which in combination produces a primary screening caution, recommending that a risk thing may occur inside the container, or the container is cleared, where it proceeds with its course. Containers that produce a primary screening caution are sent to optional screening, where they are additionally investigated for atomic material. The auxiliary screening result are again either alert or clear, where the compartments that produce an optional screening caution are postponed as they are physically reviewed with more meddling screening techniques, for example, manual identification. These postponements have extreme monetary expenses since they disturb the stream flow of international trade (Dreiding and Mclay, 2013).

Manual customs processes are prone to manipulation and loss of audit trail. Because there are no audit trails, customs administration officers have a challenge determining the priority of processing and following up on errors. Consequently, it is challenging to trace individual transactions through manual records or a paper-based audit follow-up. Audit evidence may be deliberately missing or subject to improper storage. Signatories might manipulate the paper-based audit trail to erase evidence. These can be averted through the adoption of an electronic audit trail. The implementation of systems as the SIMBA 2005, ACMS and ICMS therefore, serves to mitigate the risks presented by having manual processes.

2.4.2 Risk Profiling

According to WCO Risk profile is the depiction of any category of risks, including a foreordained combination of hazard pointers, based on data that has been assembled, analyzed and sorted. Profiling, on the other hand, is identifying those qualities, data or risk pointers, which describe a likely group of targets who are associated in illicit exercises, and furthermore, is a method by which customs puts management of risks into practice. It is said to replace 100 Percent inspection or arbitrary examination of documents and merchandise with an arranged and focussed working method, by making greatest usage of custom resources (JICA, 2012).

Risk profiling can, therefore, be done through information derived from customs declaration through commodity code, country of origin and declared items amongst many other fields in the form. Stages of risk profile involves data collection, gathering of information, analysing data, distribution of the profile, obtaining a feedback and finally maintaining and reviewing to make sure that only genuine targeted that fit the criteria are profiled.

2.4.3 Risk Targeting/Selectivity

Targeting is the selection for examination/review of a specific dispatch, traveller, and methods for transport, transaction or entity based on risk investigation, profiling, record audit, observation and questioning strategies.

The Electronic lodgement of Customs Declaration (Single Administration Document-SAD) through new computerized or digitized customs handling framework called Automated System on Customs Data (ASYCUDA) is utilized as demonstrated as follows. If the declaration is under Red and Yellow paths, the officer might confirm criteria for selection that affirmed the paths.

Single Administrative Document (SAD) Processing Lanes are explained as follows. When SAD is perfectly checked, the officer evaluates it by utilizing the system. Using these risk management criteria, the officer assigns a processing lane to every SAD. RED processing lane, SAD must be investigated (checked against documents). The merchandises are subject to physical check before re-directing the SAD to GREEN path and appraisal by Customs. YELLOW processing lane, SAD must be investigated before re-routing to GREEN path and further appraisal, GREEN processing lane, SAD is surveyed and clearance documents issued and may be likely to be subjected to post-clearance audit (PCA).BLUE Lane, SAD is subjected to post-clearance audit.

Risk-based acquiescence management begins with strong enactment that joins regions, for example, affirmation of the individual obligations of government and industry, incorporates regulations for electronic communication, gives sanctions for non-compliance and provisions to break the nexus between physical movements and handling, reporting and income risk, and, lastly, considers adaptable and tailored business solutions (WCO, 2005). Unscrupulous traders tend to subvert the law by engaging in customs fraud because of stringent customs laws to do with risks control. Risk management is a provision in the Revised Kyoto Convention, Standards 6.2 and 6.3 of the General Annex.

2.5 Empirical Review

Other studies have been conducted with regards to risk management and customs declarations. Komarov (2016) notes that risk management in customs has been necessitated by the transformations and adaptations to changes in customs services. Notably, there are new economic and trade conditions that necessitate risk management. In response to the

international trade is increasingly becoming complex and speedy, the Ukraine customs administrations have adopted disciplined and structured framework on managing risks (Komarov, 2016). A reliable system of risk management is imperative to enhance the integration of Ukraine into the global economic community. A robust risk management framework in Ukraine is imperative to promote the facilitation of lawful appropriate trade and guaranteeing enforcement of and compliance consistency with applicable legislative requirements. It further supports measures to promote efficient, transparent, and simplified procedures for customs procedures at the borders of Ukraine.

Being a WTO contracting party, Ukraine is bound by the provisions of the WTO Trade Facilitation Agreement (Komarov, 2016). Article 7, sub-paragraph 4 of the WTO TFA outlines as follows; Every WTO contracting party should, to the possible extent, adapt a risk management system for implementing customs control. ; Every WTO contracting party should design and implement risk management in a manner that is free of arbitrary or unwarranted discrimination that might be restrictive to international trade. ; Customs control should be concentrated, to the extent possible, to high-risk consignments but allow the release of consignments deemed as low risks, as part of risk management; and every member should apply an appropriate criterion of selection, which informs risk assessment. The criteria of selecting consignments should be appropriate.

Komarov (2016) notes that customs work is characteristic of high volume of transactions render it practically impossible for officers to conduct checks on all forms. This is evident in the case of Ukraine. Customs administrations in Ukraine, therefore, are faced with the challenge of facilitation the movement of voluminous cargo while fulfilling the interest of detecting customs fraud. The risk management system in Ukraine, therefore, serves to adopt technologies in customs control using measures of selectivity.

In another study, Han and Ireland (2014) maintain that risk management is imperative in maintaining a balance between regulatory control and trade facilitation. Han and Ireland (2014) conducted a study to measure the performance levels of Korean Customs Service (KCS) selectivity system. Furthermore, it is important that customs departments adapt approaches to risk management that are appropriate to address the concern of evolving risks and exponential increase in trade volumes. The study highlights non-compliant or illegitimate trade transactions as the most prominent risks that should be mitigated to attain customs'

objectives. Han and Ireland (2014) emphasized on the effectiveness of selection methods and techniques applied by the Korean customs service, with a view to evaluating their performance levels. Customs declarations are subjected to selection to determine their legitimacy for admissibility or acceptance as authentic. Selection aims to detect offences. Han and Ireland (2014) define selection is a decision making tool to hold back declarations and reports acceptance. It should be conducted regularly and can be computerized or manual as conducted by customs officers. Computerised selection can be either random or rule-based (which accounts for 80 percent of that used by the Korean Customs Service).

Rule-based selection is conducted based on identified risk indicators. Indicators grade risks as low or high, which are recorded in the import selectivity system (Han & Ireland, 2014).

In practice, regulations in trade are integrated with the selectivity framework through selection standards set through rule-based selection. Should a trader fail to comply with the regulations in the selectivity system, using a criterion, the declaration is selected for inspection and further examination. It was ascertained as an effective and efficient method of selection.

In a study titled, Strategic Risk Management Practice by Kenya Revenue Authority, Lubano (2011) sorts to establish the strategic risk management practices adopted at the Kenya Revenue Authority. The customs and border control department is mandated to conduct risk management of all imports and exports to conform to regulations and attain revenue targets. In the study, Lubano (2011) emphasizes that organizations should formulate risk management practices in order to mitigate innumerable risks facing them.

According to Kersnar (2009), formal risk management practices entail; risk identification, risk analysis and risk evaluation and control (as cited in Lubano, 2011, p. 16). There must be efforts to identify and document all known as well as anticipated risks to an organization. In risk analysis, risk priorities are mapped and internal controls set up. In risk treatment, a range of options must be set to inform the implementation plan. Essentially, risk analysis is vital to the functioning of an organization.

2.6 Critique of Existing Literature Relevant to the Study

The study by Komarov (2016) relates to the case of Ukraine's risk management system. It outlines initiatives by the Ukrainian government to facilitate legitimate trade by adopting a functional risk management framework. The framework of risk management in Ukraine is aimed at ensuring efficient, transparent, and simplified procedures for customs procedures. It conforms to the provisions of WTO's TFA Article 7, sub-paragraph 4 on the need to set up a robust risk management system as well as customs control. The study encourages the use of a perfect selection criterion. The study, however, does not highlight the processes of detecting the level of consequences of risks identified.

Han and Ireland (2014) recommend the rule-based criterion of selecting risk by grading them on a scale of high to low. According to the study by Han and Ireland (2014), the rule-based criterion of risk selection is most appropriate for current customs administrations in an attempt to respond to the advancing technology and challenges of verification of falsified documents. It works based on a predetermined selectivity system. Although this study is relevant to informing risk selection in Kenya, its implementation would require the setting up of a robust risk selectivity system that is not currently in use.

The study by Lubano (2011) regards risk management measures adopted by the Kenya Revenue Authority. It recommends stringent measures to address risks that are inherent to the functions of the Kenya Revenue Authority. The study supports strategic measures to identify and document all known as well as anticipated risks that might compromise efforts by the Kenya Revenue Authority to attain its goals. Although this study is useful to inform risk management, it presents a simple generalization of risk management to all departments at the Authority. It is notable that the different departments at the Authority experience different risks. Customs and border control departments' risk factors may differ from that of the Domestic Taxes Department. This necessitates measures that are responsive to the customs and border control department at the Authority.

In a study that outlines diverse statistical methods used to reduce intrusive inspections on cargo, Laporte (2011) notes the fundamental role of an effective risk management system used by customs administrations in developing countries. Particularly, the study highlights diverse measures by developing countries' customs administrations to limit intrusive customs

inspections through risk analysis. It recommends risk analysis as the core concept and a priority by developing countries' customs administrations towards modernizing their processes. Among the recommended risk management systems are statistical scoring techniques (Laporte, 2011). Developing countries need to invest in the modernization of their risk management systems to limit the number of first-line inspections as a measure to improving efficiency in revenue collection alongside other important role of customs.

2.7 Research Gaps

A study on, "Risk Management Implementation in Africa, lessons learned," reflects current empirical and experience-based conclusions and expounds the challenges that face any African Customs administration in introducing a risk management system in its environment, and recommends a practical strategy of implementation (Kafando, Baranga and Zramdini, 2014). Hintsa (2011) notes that the implementation of risk management in practice is met with varied levels of success, thus no administration appears to have risk management as a masterpiece of their management system, mostly due to lack of appropriate customs infrastructure and inadequate trade-oriented policies. In another study, "Modern Approaches to Risk Management and Their Use in Customs", Afanasieva, Ivanov and Yanushkevych (2017) examines the issues concerning the application and adoption of present day risk management methods in customs procedures subject to the necessities of global standards ISO for the quality administration framework and risk management centered on risk-based thinking. These studies address risk management; however, do not mention about it in customs declaration violations.

The overview of related literature on risk management system and customs declaration violations is a critical area; it is through information found in the declaration through data mining that will inform the decision of risk selection, profiling, targeting and treatment. Most studies reviewed do not examine SAD (C17B) as the basis of crucial information for risk management.

2.8 Summary

Based on the evaluation of literature, it is ascertained that the study by Lubano (2011) is relevant to this research in the context of its relevance to inform the measures to set up risk management in customs and border control department of the Kenya Revenue Authority. The study by Han and Ireland (2014) is relevant to this study because it outlines the diverse

methods of techniques of selection of declarations to detect fraud as a basis of making assessments and examinations, this is pinned to probability and deterrence theories. Research by Komarov (2016) is important to this research because it informs the need for conducting risk management and its legal justifications, based on the provisions of the WTO ATF. Analysis by Laporte (2011) is significant because of the risk management systems and statistical scoring model for efficiency. Based on the conceptual framework, this study adopted the decision-making theory. The theory is particularly relevant to this study because of the parameters set out in its variables. It will present a robust theory and framework upon which to conduct the study satisfactorily.

The next indicates the reorganization of chapter 3 indicates which is the model used in the study, chapter 4 is the analysis of results and chapter 5 the conclusion and recommendation of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines research methods for this study. It highlights applicable research design and data gathering instruments, as well as techniques to be utilized in the study. In addition, this chapter outlines the intended methods of data analysis and presentation of results. This study adopts a quantitative design.

3.2 Research Design

Research refers to the search of knowledge or any information. During the process, a certain approach or strategy has to be adopted, and this depends on what is to be researched. The significance of having a research approach as an effective strategy in order to increase the rationality and validity of social research. There are three different most common approaches of research, and they include qualitative, quantitative and mixed methods. This study is by large quantitative.

The study adopted descriptive design in examining selected staff. Galt (2008) further states that quantitative approach of research utilizes different analyses and studies as tactics of inquiry and gathers information on foreordained instruments that yield factual information. ACET Inc. (2013) additionally showed that this research approach is an amazingly proficient accumulation information technique, particularly for expansive gatherings of individuals.

3.3 Population

Ary, Jacobs, Irvine and Walker (2014) refer to the target population as all individuals or objects the researcher is interested in and to which the study results are applied. In this study, the population comprised of the 534 customs & Border Control staff working within the port and its surroundings, the data was obtained from the Human Resources office Southern Region Mombasa

Table 3:1

Table 3:1 Target Population

Category	Target Population	Percentage (%)
Managers	11	5
HVO(Supervisors)	20	9.4
VO (Officers)	59	28
BCO(Supervisors)	67	32
BCA (Support)	54	25.6
Total	**211**	**100**

Source: KRA Human Resource Southern Region (2017)

3.4 Sampling Frame

Ary et al. (2014) note that once the population has been determined, the researcher must obtain and construct a list of all individuals in the population. This list is called the sampling frame. In this study, the sampling frame is informed by the selectivity criteria set out in Article 7, sub-para 4 of the WTO ATF and explain in chapter two of this paper. The sampling frame for this study is based on the East African Community Single Administrative Document Form C17B, criteria under the columns, 40 (c) HS code, 40 (b) nature and description of the goods, 40 (m) country of origin, 9 country from which the goods were shipped, 38 value of the goods, and 15 type of means of transport.

3.5 Sample and Sampling Technique

From the above population of two hundred and eleven (211), a sample of 30% of the population study was chosen. This produced a sample of 63 respondents which the study will acquire information. Out of the 211 representatives of Kenya Revenue Authority Customs and Border Control Department Southern Region, the sample size will be figured utilizing an extent of 30%, which according to Mugenda & Mugenda (2008) a sample size of 30% is adequate representation for the target population to conduct the study.

$S = 30\% \times N$

S = required sample size

N = the population size

$S = 30\% \times 211 = 63$

Because it may be a practical challenge for a research to involve a general survey an entire population, a sample is selected that will provide results similar to that which would have been obtained from the entire (Ary et al., 2014). It is, therefore, imperative to adopt a sampling procedure that would result to a representative sample.

Table 3:2 Sample Size

Category	Target Population	30% Sample size	Percentage
Managers	11	3	3
HVO	20	6	9.4
VO	59	18	28
BCO	67	20	32
BCA	54	16	25.6
Total	**211**	**63**	**100**

Source: KRA Human Resource Southern Region (2017)

3.6 Data Collection Instruments

A structured online questionnaire on a likert scale of 1-5 was used to collect data from KRA officers of various ranks within Kilindini. Besides questionnaires, a sample of the forms will serve as important source of primary information for this study. A questionnaire was ideal because it is easy to administer and to analyse using Spss. Besides, the targeted respondents are experts in customs services and highly likely to give accurate information. Accuracy of

the response further reduces error in the research. This, therefore, is an ideal data collection instrument.

3.7 Data collection procedure

According to Cooper and Schindler (2014), a questionnaire is a primary data collection technique that involves questioning people and recording their responses for analysis.

Both secondary and primary data will be used in this study. Secondary data was sourced from KRA Customs and Border Control Department both online and manual records for instance the number of customs declarations (SAD) Form C17Bs that was profiled among those selected by the officers during the 3 months period. For primary data questionnaires was used as the collection instrument.

Questionnaires were administered at the Kilindini KRA offices. This involved a review of customs processes, management practices and legislative framework on penalty files, risk management registers, risk management data mining system etc. It made an inquiry of the number of declarations that were targeted among those profiled by the officers at the Kilindini KRA offices. The questions was based on the study's objectives, and modified to suit the target sample.

3.8 Pilot Testing

Kothari (2004) defines pilot testing as a field observation undertaken by a researcher as a preliminary survey. Then the researcher can him/herself point out the problem or he can either seek the assistance of the guide or the expert in that subject to accomplish his/her task. Pilot studies are studies conducted in advance before the planned research. They are normally executed as planned for the intended study, but on a littler scale. Despite the fact that a pilot contemplate cannot expel every single startling issue or methodical blunders, it lessened the likelihood of making a Type I or Type II mistake. These mistake writes make the primary investigation a misuse of exertion, time, and additionally money.

Validity of the instrument was tested by comparing the questionnaire against similar surveys conducted in studies in related topics in Kenya. A pilot study was conducted for 10% of the questionnaires to determine whether the potential respondents understand and can interpret it.

3.8.1 Reliability

According to Abbott and McKinney (2013), Reliability is the degree to which to an examination measure gives a steady assessment of an idea. In order to ascertain the reliability of the questionnaires, the researcher conducted a pilot study on the questionnaires by administering it to some customs officers from whom data was not be collected during the actual time of undertaking the research.

3.8.2 Validity

Validity is the degree to which a researcher measure actually captures the importance of the idea it is expected to quantify (Abbott and McKinney, 2013). Validity can be measured by the extent the data obtained accurately reflects the theoretical or conceptual concepts; that is if the measurements gotten are consistent with the expectations. The validity of this was determined by asking a series of questions. This investigation utilized both construct validity and content validity. For construct validity, the poll was separated into a few segments to guarantee that each area surveyed data for a particular target, and furthermore guaranteed that the same was firmly attached to the applied structure for the study. To guarantee content validity, the poll was subjected to careful examination by 3 arbitrarily selected customs officers at the Port of Kilindini.

3.9 Data Analysis

Mugenda and Mugenda (2008) states that data analysis involves a succinct interpretation of information collected. The study generated quantitative data; hence, descriptive statistics was used to analyze the data obtained. Correlation analysis was also used to determine the significance of effect of independent variable to dependent variable. The analysis was systematically presented in charts and graphs. The information assembled through the questionnaire was examined utilizing the Statistical Package for Social Science (SPSS) programming edition 25. The relationship of the variables is expressed as a linear regression model:

3.9.1 Linear Regression Model

According to Gould and Ryan (2013), a statistical model is an arrangement of highlights that we anticipate that our information will have. The nearer the model fits reality; the better will be the induction from the model reality.

$$\mathbf{Y = B_0 + B_1X_I + B_2X_2 + B_3X_3 + \varepsilon}$$

Where; **Y** = Customs Declaration violations

$\mathbf{B_0}$ = Constant $\boldsymbol{\varepsilon}$ = error term

$\mathbf{B_1}$ = Coefficient of variable 1 $\mathbf{X_1}$ = Risk Assessment

$\mathbf{B_2}$ = Coefficient of variable 2 $\mathbf{X_2}$ = Risk Profiling

$\mathbf{B_3}$ = Coefficient of variable 3 $\mathbf{X_3}$ = Risk targeting

$\mathbf{B_0}$- **Y** intercepts the constant. The level of risk when $\mathbf{X_1, X_2, X_3 = 0}$

$\mathbf{B_1}$, $\mathbf{B_2}$, $\mathbf{B_3}$-Coefficients determining the levels of $\mathbf{X_1}$, $\mathbf{X_2}$ **and** $\mathbf{X_3}$ on how they affect **Y**

$\boldsymbol{\varepsilon}$- Other factors outside the model, which the researcher did not look into but can, affect efficiency(**Y**)

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section focuses on analysis, presentation and interpretation of the findings. The study intended to investigate effect of risk assessment, risk profiling and risk targeting in customs declarations violation at customs Kilindini Port Mombasa. In particular, information examination was in accordance with specific objectives. Information was analysed using figures, tables and diagrams. The researcher tested reliability and regression model outcomes were given.

4.2 Response Rate

The sum of survey questionnaires administered to respondents was 63. A sum of 60 were filled and recovered from KRA customs staff, who were the respondents. This represented a response rate of 95.24%. Mugenda and Mugenda (2008) note a reaction rate of half or more is sufficient. This is additionally in accordance with Babbie (2004) discoveries that arrival rates of half are satisfactory to examine and publish, 60% is good, and 70% is great.

Table 4:1 Questionnaire Response Rate

	Frequency	**Percentage**
Respondent	60	95.24%
Non-respondent	3	4.76%
Total	**63**	**100%**

4.2.1 Reliability and Validity

This is the ability of a research instrument to give a constant or consistent, and stable measurement. As stated by Lee Cronbach (1951) and cited by Mohsen (2011), this instrument is used to measure internal consistency of a scale usually expressed as numbers between 0 and 1. This instrument is mostly preferred where there are many response options. In this case response ranges from **1= strongly disagree** to **5= strongly agree**. SPSS was applied to establish the Cronbach's coefficient alpha (α), and the results were as shown in table 4.2 below.

Table 4:2 Reliability Results

Scale	Cronbach's Alpha	Comments	Number of Items
Risk Assessment	0.711	Accepted	8
Risk Profiling	0.767	Accepted	5
Risk Targeting	0.745	Accepted	7
Customs Declaration violations	0.733	Accepted	5

As indicated by Amin (2005), the instrument is viewed as solid if the normal record is 0.70 or above. From the Table 4.2 above, it demonstrates that every one of the recognized elements; risk assessment, risk profiling, risk targeting and customs declaration violations were 0.850 well over the lower limit of acceptability of 0.70. This infers the questionnaire utilized as a part of the examination had acceptable level of dependability that each factor identifies with the distinguished factor and that the coefficient alpha estimation of the recognized factor will increase if any of the variables is overlooked.

4.3 Demographic characteristics of the respondents

To discover respondents' demographic characteristics wanted to explore how they affect risk management system at KRA customs at Kilindini port, Mombasa. Results were as shown in figure 4.1 below.

4.3.1 Education Level of the Respondents

Education level was in five levels. The secondary school level, diploma, bachelor and master's level. Respondents were solicited to demonstrate their level from education and the outcomes were as appeared in the figure 4.2 beneath.

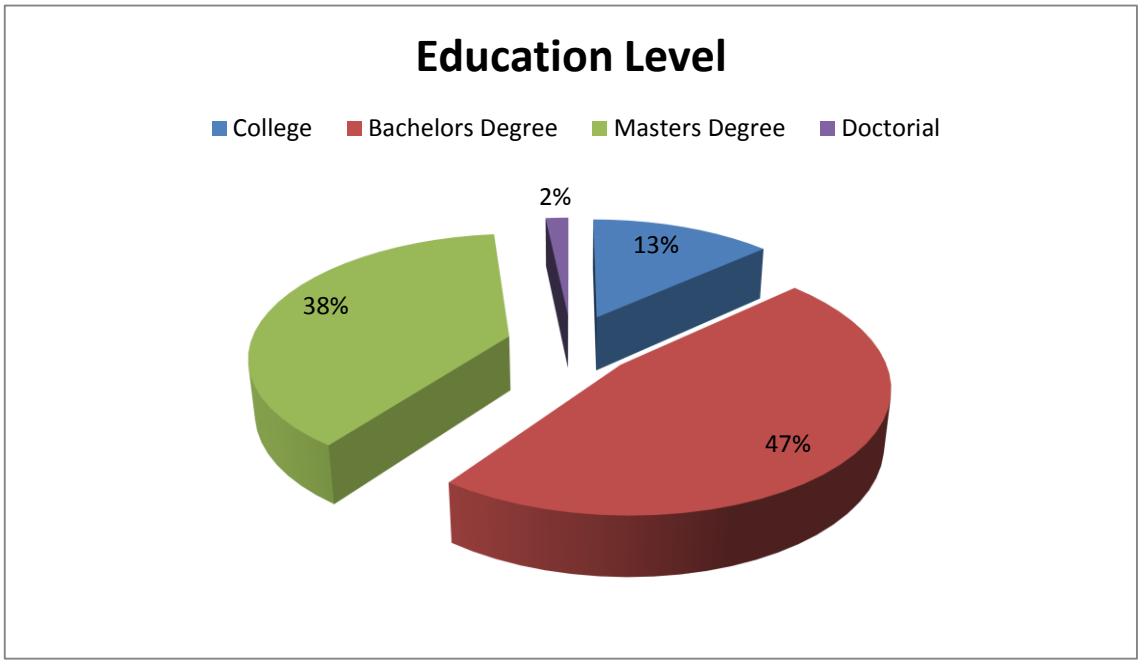

Figure 4:1 Education Level

The findings as indicated in figure 4.2 above, demonstrates that most of the respondents were holding bachelor degree 46.7%, followed by masters holders at 38.3%, college 13.3%, and doctorate level 1.7%. From the findings, many of the respondents are degree holders, and most of the respondents are relatively educated and were able to understand the effect risk management system in customs declaration violations at Kilindini Port, Mombasa.

4.3.2 Respondents experience

According to respondent's involvement, 58.3% of them had worked 10 years and below, 11 – 21 years were 33.3%, 20 years and above were 8.3%. as shown in Table 4.4 which is a positive indication that majority of the respondents have had good work experience.

Table 4:3 Respondents Work Experience

		Frequency	Percentage
Valid	10 and below	35	58.3
	11-21 years	20	33.3
	22 and above	5	8.3
	Total	**60**	**100.0**

4.3.3 Level of Service

Respondents indicated their service levels at customs in Kilindini port, Mombasa. Results showed that 3.3% were managers, 6.7% were HVO, 26.7% were VO, 38.3% were BCO, and 25.0% were BCA.

Table 4:4 Level of Service

		Frequency	Percentage
Valid	Manager	2	3.3
	HVO	4	6.7
	VO	16	26.7
	BCO	23	38.3
	BCA	15	25.0
Total		**60**	**100.0**

4.4 Discussion of Descriptive Analysis

4.4.1 Risk Assessment

The key goal of this investigation was to find out the effects of risk assessment on customs declarations violations at Customs Kilindini Port, Mombasa. They responded to a set of inquiries related to risk assessment and outline their alternatives. Respondents were in agreement with the statement as demonstrated with a mean score of 3.98 and standard deviation of 0.948, that risk assessment influences and determines customs declaration

violations. With a mean of 3.85 and standard deviation of 0.820, respondents were in agreement that statement that states technical limitations of the system hinders risk identification at customs. Respondents were in agreement with a mean of 3.75 and standard deviation of 1.035 that customs risk management system includes a central office responsible for controlling risk assessments. As to whether high risks identified are handled through termination of the trader's operations, suspending the clearing agent and gazetting the good as prohibited or restricted had a neutral response as indicated with a mean of 3.35 and standard deviation of 1.287. On whether customs risk management system includes,scanners as integrated part of inspection protocol (that is, a Blue channel). Repondents unanimously agreed as shown by a mean of 4.33 and standard deviation of 0.542.The respondents were to indicate their views on the statement related to customs risk management system that includes a random selection of declaration by customs officers for physical inspection or verification. From analysis, results findings showed that respondents agreed with this statement as indicated with a mean of 3.83 and standard deviation of 1.137. Respondents, with a mean score of 3.68 and standard deviation of 0.833, were in support of statement that customs risk management system includes a system for tracking shipper behaviour and periodically updating risk profiles. Finally, on whether the process of contrasting the consequences of risk analysis with risk criteria, respondents concurred with this statement as indicated with a mean score of 3.62 and standard deviation of 0.958. This is in agreement with Kersnar (2009) as cited in Lubano, (2011) that there ought to be a formal risk management practice that entails risk identification, analysis, risk evaluation and control. This effort helps to identify priorities, map and document all known as well as anticipated risks to an organization to set up internal controls.

Table 4:5 Risk Assessment

Statements	N	Mean	Std. Deviation
Risk assessment influences and affects customs on declaration violations	60	3.98	.948
Technical limitations of the system experienced hinder risk identification	60	3.85	.820
Customs risk management system includes a central office responsibility for controlling risk assessments	60	3.75	1.035

High Risks identified are handled through termination of the trader's operations, suspending the clearing agent, gazetting the good as prohibited or restricted	60	3.35	1.287
Customs risk management system includes scanners as integrated part of inspection protocol (that is, a Blue channel)	60	4.33	0.542
Customs risk management system includes a random selection of declaration by customs officers for physical inspection or verification	60	3.83	1.137
Customs risk management system includes a system for tracking shipper behaviour and periodically updating risk profiles	60	3.68	.833
There is a way of equating the outcomes of risk analysis with risk criteria to decide if the risk magnitude is satisfactory or tolerable	60	3.62	.958
Valid N (listwise)	**60**		

4.4.2 Risk Profiling

The study sought to establish to the effect of risk profiling in customs declarations violations at Kilindini Port, Mombasa. The respondents were requested to rate the degree to which they agree with the statement based on the scale options of; 1 (strongly disagree) to 5 (strongly agree). Questions arranged at random with the aim of analysing the employee's view on risk profiling. The results were summarized using mean scores, where the mean score represents the overall rating on the extent of agreement with the statement on risk profiling. A mean score of 3 or above indicates high extent of agreement with the statement in that given aspect.

As indicated in Table 4.8, most respondent that participated in the research had an insight on risk profiling. A mean score of 4.02 and standard deviation of .792. Respondents agreed that one needs information, gathering, systematic chatting and analysis of information to develop a risk profile. This concurs with (Kafando, Baranga and Zramdini, 2014) findings that to

enhance a successful implementation of risk management system, analysis, configuration, and monitoring is very important. Statement in agreement that customs risk management system includes risk profiles exporters, importers, shippers, forwarders, and clearance agents had a mean of 4.12 and standard deviation of .640. The statement that a consignment requires customs attention has high, medium and low perceived risk had a response mean score of 3.97 and standard deviation of 0.688. The statement that there is a single window for submission of all documents related to clearing cargo had a mean of 3.88 and a standard deviationof 0.865.Majority of the respondents agreed that the principal source of discrepancies in declarations is misclassification, undervaluation, contraband, prohibited goods or intellectual property violations. This is depicted by a mean score of 4.23 and standard deviation of 0.745.

Table 4:6 Risk Profiling

Statements	N	Mean	Std. Deviation
To develop a risk profile one relies on, information gathering, systematic chatting and analysis of information	60	4.02	.792
Customs risk management system includes risk profiles for exporters, importers, shippers, forwarders, and clearance agents	60	4.12	.640
A consignment that requires customs attention has high, medium and low perceived risk	60	3.97	.688
There is a single window for submission of all documents related to clearing cargo	60	3.88	.865
The principal source of discrepancies in declarations is misclassification, undervaluation, contraband, prohibited goods or intellectual property violations	60	4.23	.745
Valid N (listwise)	**60**		

4.4.3 Risk Targeting

The third goal of the study was to investigate the effects of risk targeting in customs declaration violations the port of Kilindini, Mombasa. According to Gerald (2014), risk target is the level of risk an individual acknowledges with a specific end goal to expand the

general expected advantage from an action. Respondents were required to react to set inquiries identified with risk target and give their opinion. Respondents were neutral on statement that risk targeting on customs declaration violations is satisfactory at the port as shown by a mean of 3.25 and standard deviation of 0.985. With a mean score of 3.90 and standard deviation of .775, respondents agreed that selection for examination/audit of a specific consignment, passenger, and transport methods, transaction or entity based on risk analysis, profiling, document audit, observation and addressing strategies. Respondents were neutral as indicated by a mean of 3.48 and standard deviation of 1.000 that SIMBA selectivity engine provides the means of implementing decisions on processing channels red, yellow, green to determine the treatment of risk. The response on whether the department has a risk treatment action plan, had mean score of 3.58 and standard deviation of .907. Majority of respondents disagreed to a statement that risk treatment action plan at customs and corrective action to respond to an identified risk are efficient. A mean score of 3.03 and standard deviation of 0.974 demonstrates this. Termination of risk as a corrective action, to respond to an identified risk had a mean of 3.70 and standard deviation of 0.889.

Table 4:7 Risk Targeting

Statements	N	Mean	Std. Deviation
The Risk targeting/Selectivity on customs declaration violations is adequate at the port	60	3.25	.985
The selection for examination/audit of a certain consignment, passenger, and means of transport, transaction or entity is based on risk analysis, profiling, document review, observation and questioning techniques	60	3.90	.775
The SIMBA selectivity engine provides the means of implementing decisions on processing channels red, yellow, green to determine the treatment of risk	60	3.48	1.000
The department has a risk treatment action plan	60	3.58	.907
The risk treatment action plan is very efficient one can	60	3.03	.974

tolerate the risk, as a corrective action to respond to an identified risk			
One can terminate the risk as a corrective action to respond to an identified risk	60	3.70	.889
Valid N (listwise)	**60**		

4.4.4 Customs Declaration Violations

Many of the respondents agreed as demonstrated by a mean of 4.20 and standard deviation of 0.777 that customs misdeclarations might lead to dodging any condition or confinement relating to import or export treated as a risk. This is in line with Han and Ireland (2014) observation that risk management is imperative in maintaining a balance between regulatory control and trade facilitation. Respondents were in concurrence with a mean score of 4.32 and standard deviation of 0.770 that, customs misdeclarations in respect to value, type, number, weight, estimation or origin, wrong tax/tariff may prompt the loss of the customs taxes 'duties' through misdeclarations as per the provisions of EACCMA and EACCMA Regulations. With a mean score of 3.85 and standard deviation of 0.899 respondents agreed that customs declaration (exportation, re-exportation) could prompt to benefiting from shortcomings or completion of the impermanent confirmation methodology for temporarily conceded merchandise without a legitimate ground. The unjustified increment/lessening of the merchandise compared to that stated in the manifest is a potential risk threat. The respondents were in agreement with this statement as indicated with a mean of 4.18 and standard deviation of 0.748. Finally, the statement that discrepancies in form SAD or C17B are declaration violations informs decisions for risk. Many of the respondents concurred with a mean of 4.17 and standard deviation of 0.785 that discrepancies in form SAD or C17B are declaration violations informs decisions for risk.

Table 4:8 Customs Declaration Violations

Statements	N	Mean	Std. Deviation
Customs misdeclarations may lead to evading any condition or restriction relating to import or export, which may be treated as a risk.	60	4.20	.777

Customs misdeclaration in respect to value, type, number, weight, estimation or source, erroneous tariff may prompt the loss of the customs taxes'duties' through mis-declaration as per the provisions of EACCMA and EACCMA Regulations	60	4.32	.770
The customs declaration (exportation, re-exportation) that could lead to profiting from shortcomings or finalization of the temporary admission process for temporarily conceded products without a lawful ground is treated as a risk	60	3.85	.899
The unjustified increament/reduction of the goods contrasted to that stated in the manifest is a possible risk threat	60	4.18	.748
Discrepancies in form SAD or C17B are declaration violations informs decisions for risk	60	4.17	.785
Valid N (listwise)	**60**		

4.5 Correlation Analysis

The researcher carried out correlation analysis, which included coefficient of correlation and coefficient assurance with a specific end goal to set up the relationship between independent variables and dependent variables in the study.

4.5.1 Pearson's Coefficient of Correlation

This is to establish the connection between the independent variables and the dependent variable. The study conducted correlation analysis and as indicated in the Table below, risk assessment and customs declaration violations had a positive correlation of value 0.954. Risk profiling was found to be positively correlated to customs declaration violations with a correlation value of 0.966. Risk targeting and customs declaration violations show a correlation figure of 0.924. This shows that there was a higher correlation in risk assessment and customs declaration violations. No negative correlation was noted, p-value is less than the threshold of 0.05 hence indicating the effect of risk assessment is significant in determining customs declaration violations.

Table 4:9 Pearson's Coefficient of Correlation

		R_Assessment	R_Profiling	R_Targeting	D_Violation
R_Assessment.	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	60			
R_Profiling	Pearson Correlation	.681	1		
	Sig. (2-tailed)	.000			
	N	60	60		
R_Targeting	Pearson Correlation	.814	.813	1	
	Sig. (2-tailed)	.000	.000		
	N	60	60	60	
D_violations	Pearson Correlation	-.881	-.514	-.363	1
	Sig. (2-tailed)	.000	.000	.000	
	N	**60**	60	60	60

** Correlation is significant at the 0.01 level (2-tailed).

The study conducted correlation analysis and as indicated in the Table below, risk assessment and customs declaration violations had a negative strong correlation of value -0.881 implying that they are inversely correlated. Risk profiling was found to be negatively correlated to customs declaration violations with a correlation value of -0.514. risk targeting and customs declaration violations show a correlation figure of -0.363. This shows that there was a weak correlation in risk assessment and customs declaration violations. The negative correlations noted in the independent variables to the dependent variables indicated the inverse correlation whereby; an increase in Risk Assessment results to a corresponding decrease in the Customs Declaration Violations, similarly an increase in Risk Profiling leads to a decrease in Customs Declaration Violations, Risk Targeting has a weak inverse correlation, an increase in the Risk Targeting would lead to a decrease in Customs Declaration Violations.

All the independent variables (Risk Targeting, Risk Profiling and Risk Assessment) are positively related while the independent to the dependent variable are negatively related. The

study indicates that, all independent variables have a negative effect on customs declaration violations at Kilindini Port, Mombasa as shown by value of 0.881 at significant level of 0.00. The p-value obtained is 0.000, which is less than 0.05. This implies that at 95% confidence level, the positive relationship is statistically significant.

4.6 Regression Analysis

4.6.1 Coefficient of Determination

In Table 4.12 below shows regression model calculated at 95% level of significance. Coefficient of determination explains the dependent variable (Custom Declaration Violations) can be clarified by the change in the independent variables. From the discoveries, The R Square being 0.943% infers that 94.3% of the relationship is explained by the identified independent variables of the study while 5.7% can be explained using other factors not under the study. This meant that 94.3% of variance is attributed to combination of the three independent factors explored in this study that is, Risk assessment, risk profiling and risk targeting.

Table 4:10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.971[a]**	**.943**	**.940**	**.917**

a Predictors: (Constant), Risk Targeting, Risk Profiling, Risk Assessment

4.6.2 Analysis of Variance (ANOVA)

The study utilized ANOVA to set up the significance of the regression model. Statistical significance. The model is viewed as critical if the p-value was less or equivalent to 0.05. The criticalness of the regression model has a P-value of 0.000, which is under 0.05. This demonstrates that the regression model is measurably critical in anticipating the effects of risk management system on customs declaration violations at Kilindini port, Mombasa.

The ANOVA outcomes shows that the model was substantial at $F = 307.235$, with $p<0.05$. At 95%, confidence level the analysis demonstrates high reliability of the outcomes obtained thus indicating that the study was statistically determined

Table 4:11 ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	775.091	3	258.364	307.235	.000b
	Residual	47.092	56			
	Total	822.183	59			

a Dependent Variable: Customs declaration violations

b Predictors: (Constant), Risk assessment,Risk profiling, Risktageting

4.6.3 Multiple Regression Analysis

The researcher engaged the use of multiple regression analysis as shown in Table 4.14 below to check and determine the main objective of the research determinants of risk management system on customs declaration violation at customs Kilindini Port, Mombasa. This section presents a summary of regression analysis between the independent variables including; risk assessment, risk profiling, and risk targeting and customs declaration violations.

Table 4:12 Multiple Regression Analysis

Model		Unstandardized Coefficients	Standardized Coefficients		t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.890	.825		8.347	.000
Risk	Assessment	-.725	.145	-.779	-5.690	.000
Risk	Targeting	-.169	.131	-.271	-1.872	.000
Risk	Profiling	-.133	.121	-.162	-1.273	.000

a Dependent Variable: Customs_Declaration_Violations

From the table above, regression equation can be established as follows;

The general regression Model arrived at was $Y = 6.890 - .725X_1 - .169X_2 - .133X_3$

Where,

Y= Customs declaration violation, X_1= Risk assessment, X_2 = Risk profiling, and X_3= Risk targeting

Hence;

Customs declaration violations (Y) =6.890- 0.725 Risk assessment – 0.169 Risk profiling- 0.133 Risk targeting.

The Beta Coefficients in the regression model shows that all of the tested variables had inverse relationship with customs declaration violations at Kilindini Port, Mombasa, with all the variables tested being statistically significant with p-values less than 0.05.

The Customs Declaration Violations are still high given by the value of 6.890 which is the y intercept when the variables under the study are zero.

The findings imply that a unit change of X_1(Risk assessment), will result to -0.725 changes in customs declaration violations at Kilindini Port, Mombasa. A unit change in the risk assessment will result to an inverse change in Customs Declaration Violations by 72.5%, meaning if an improvement in the Risk assessment will result to a decrease in Customs Declaration Violations by 72.5%.

A unit change of X_2 (Risk profiling), will result in -0.169 changes in customs declaration violations at customs. Meaning a unit change in the Risk Profiling will result to a 16.9% inverse change in the Customs declarations violations, therefore if Risk profiling is improved by a unit, it will result to the reduction or decrease in Customs Declaration Violations by 16.9%.

Unit change of X_3 (Risk targeting), will result in 0.133 change in customs declaration violations at customs Kilindini Port, Mombasa. In case of a unit change in Risk Targeting will result to a corresponding inverse change in Customs Declaration Violations by 13.3%, if the Risk Targeting is improved by a unit it will result to a 13.3% decrease in Customs Declaration Violations.

All the four variables significantly predicted the effects of risk management system on the customs declaration violations at customs Kilindini Port, Mombasa. This is a clear indication

that when all independent variables studied, are checked, filtered and proper enforcement done the customs declarations violations will significantly reduce by traders adhering to rules and regulations as stipulated in the EACCMA and Regulations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This section summarizes the topic of research to establish effect of risk management system in customs declaration violations at Kilindini Port, Mombasa. It includes a summary regarding the results of data collected, conclusion that finalizes the topic of research in line with the objectives, draws conclusive and finally makes necessary recommendations on further study to establish other factors that could be affecting customs declaration violations at Kilindini Port.

5.2 Summary of Findings

5.2.1 Risk Assessment

From the analysis, it can be deduced that risk assessment influence and determines customs declaration at customs Kilindini port, Mombasa. Respondents' high mean score of 3.81 evidence this. Ports are critical hubs in local transportation networks and importantly affect the economy. Amid ever-increasing demand for the unchecked flow of freight throughout the world, the intense activities at port, has turned it to be "a place of risk", where harm can be persons (crew/passengers/others), environment (nature) and/or property, i.e., ships/port facilities etc. Chlomoudis (2012). Safety at the port is now emerging as a critical factor. There is therefore need to establish a proactive approach towards addressing the associated risks to keep away from death toll, destruction of infrastructure, and money related misfortunes because of halted or deferred business).

5.2.2 Risk Profiling

Risk profile serves as a basis for prioritization of hazards for risk assessment and further risk management. The analysis presented above. Respondents strongly agreed that development of risk profile depends on information gathering, systematic charting and analysis of information. Respondents mean score of 4.02 evidence. According to WCO, Risk profile is the depiction of any set of dangers, including a foreordained blend of risk markers or pointers relies on data, which has been assembled, examined and classified. The introduction of is a single window for submission of all documents related to clearing cargo

has contributed significantly in to reduction of trade transaction costs; delays and inefficiencies. It has improved space and capacity utilization and simplified trade information exchange among other benefits. Respondents mean score of 3.88 evidence this. This underlines the effect of risk profile on customs declaration violations at customs Kilindini port

5.2.3 Risk targeting

The prospects of dealing with the multitude of risks can be overwhelming. There is need to identify "the perceived" and "real" risk. That stands between the gaps that matter to the organization's objectives and those that do not. According to RIMS report (2011), risk target is a coveted level of hazard that the firm accepts is ideal to meet its objectives. Respondents however were neutral with a mean score of 3.25 that risk target on customs declaration violations is neither adequate nor inadequate at port; This is evident that management are effectively monitoring and implementing risk management decision at the port but more training and awareness is required. Respondents support that SIMBA selectivity engine is capable in providing the means of implementing decisions on processing to determine the treatment of risk and the presence of action plan, is assurance of transparency and consistency in the decision-making process in risk management. This in agreement with (Gerald, 2014) observation that risk target is the level of hazard an individual acknowledges keeping in mind the end goal is to boost the general expected advantage from an activity.

5.3 Conclusion

The study's goal was to survey the effect of risk assessment, risk profiling and risk targeting on customs declaration violations at customs Kilindini port, Mombasa. The study concludes that;

5.3.1 Risk assessment

This is evidenced by the model in which the coefficient explaining risk assessment has an inverse relationship of -0.133.The organization can profit from risk assessment by settling on better decisions in light of accurate information. From realistic gauging and a comprehension of sensitivity, and management can make better choices by taking into account the best

current knowledge without bounds. In itself, the process of risk assessment performance can give a project a more noteworthy chance of achievement and increment in profitability.

5.3.2 Risk profiling

Risk profiling plays a critical role in customs declaration violations. This is evidenced by the model in which the coefficient explaining risk profiling is -0.725. Analyzing risk profile organization is able to capture attitude to risk, financial goals and capacity for loss. A range of risk-based (or risk-graded) investment options aligned with clearly defined and quantified risk targets reflects the needs of defined customer segments, investment term, capital accumulation or income, etc. In profiling dangers, it showcases market space parameters for the association in which it wants to take an interest (e.g., lines and classes of business) and the corresponding management choices (i.e., risk selection, claims taking care of processes/back office, circulation channels, cost structure, and strategic execution). The firm will likewise have the capacity to assess how much benefit potential is available and the cost of moderating vulnerability to create it. This contributes substantially to minimization of losses.

5.3.3 Risk targeting

From a fore going analysis, it is observed that the prospects of dealing with the multitude of risks can be overwhelming and costly to an organization. Hence, there is need for organization to identify real risk. That stands between the gaps that matter to the organization's objectives. To maximize on the overall expected benefit, organization ought to choose to the accept level of risk (Gerald, 2014). This is clearly reflected by the model in which the coefficient explaining risk targeting is -0.169

5.4 Recommendations

1. The study recommends that for customs declaration violation to be effective, the management invest more in risk assessment.

2. In order for organization to succeed in undertaking of project. It ought to focus on profiling of risks. This will increase chances of success and profitability. The concept of risk targeting ensures minimizations of cost, which highly recommended for any organization venturing into business.

3. That management should formulate risk management framework geared towards facilitating trade in compliance with applicable legalizations and ensure risk mitigation strategies and goals are developed.

5.6 Areas of Further Research

This study focused on effect of risk management system on customs declaration violations a case study of Kilindini port, Mombasa. Since 94.3% of the findings were expounded by the study's independent variables, the researcher recommends that further research study on other aspects such as training, government stringent policies and corruption that affects customs declaration violations at customs Kilindini port, Mombasa as well as.

Further studies can be conducted on other causes of declaration violations not covered in this research for example the scope of general customs operations on valuation, harmonised systems, rules of origin, audit and customs laws and procedures etc. Future research may try to focus on wider area of coverage e.g the East Africa territory.

REFERENCES

Abbot, L. M., & McKinney, J. (2013). *Understanding and applying research design.* New Jersey: John wiley & Sons.

ACET, Inc. (2013). *Selecting an evaluation: qualitative, quantitative, and mixed method approaches*_[online]._Available_at:_http://www.acetinc.com/assets/EvalTakeAways/ACET_QQMM%2012-21-12.pdf (Accessed 3 October 2017).

Afanasieva, V., Ivanov, L., & Yanushkevych, D. (2017). Modern Approaches to Risk Management and Their Use in Customs. *Traektoriâ Nauki = Path of Science, 3*(4), 6.1-6.14.

Amin, M.E. (2005) *Social Science Research: Conception, Methodology and Analysis*. Makerere University Press, Kampala.

Ary, D., J.L, I.C, & W.D. (2014). *Introduction to research in education* . Cengage Learning.

Babbie, E. (2007). *Conducting qualitative field research. In The practice of social research (11th ed.)*. U.S.A.: Thomson ads worth.

Bagozzi R.; Edwards; Psychological P., (2000). "*On the nature and direction of relationships between constructs and measures*. *Methods*, Vol 5(2), 155-174.

Biljana, j., & T. A. (2012). Risk management and Customs performance improvements: The case of the Republic of Macedonia. *Social and Behavioral Sciences,44,301-313.*

Chlomoudis, C. I., Kostagiolas,P, P. A., and Pallis, L. P. (2012). Tangible Assets Threats and Hazards: Risk Assessment and Management in the Port Domain 278. "An Analysis for Formal Risk and Safety Assessments for Ports: Empirical Evidence from Container Terminals in Greece." *Journal of Shipping and Ocean Engineering 2 (1): 45-5.*

Cooper, D., & S. P. (2014). *Business Research Methods. 12th ed.* McGraw-Hill International.

Creswell, J. (2006). *Understanding mixed methods research [pdf]*. Retrieved October 4, 2017, from http://www.sagepub.com/upm-data/10981_Chapter_1.pdf

Davis, C. S., Powell, H., & Lachlan, K. A. (2013). *Straight talk about communication research methods* (2 ed. ed.). Texas: Kendall Hunt Publishing Company.

Dreiding, R., & M. L. (2013). An intergrated model for screening cargo containers. *European Journal of Operational Research*.

Galt, K. (2008). *Qualitative, quantitative and mixed methods approaches to inquiry [pdf]*._. Retrieved October 3, 2017, from http://spahp2.creighton.edu/OfficeOfResearch/share/sharedfiles/Userfiles/file/Galt_SPAHP_Methods_Presentation_082609.pdf

Gani, A. (2015). The Efficiency of Customs Clearance Processes Can Matter for Trade. *European Journal of Operational Research Volume 220, Issue 2, 16 July 2012, pg.522-529.*

Gerald J.S. (2014). *Target Risk 3*. Retrieved from https://is.muni.cz/el/1423/podzim2016/PSY540/um/64998189/64998284/targetrisk3_1.pdf

Gould, R., & Ryan, C. (2013). *Introductory statistics: exploring the world through data.* Boston: Pearson.

Han, C., & I. R. (2014). Performance measurement of the KCS customs selectivity system. *Risk Management, 16(1), doi:10.1057/rm.2014.2.*

Hasset, M., & S. D. (2006). *Probability for risk management.* Actex Publications.

Hintsa, J., M. T., H. A., T. C., S. J., & T. V., et al. (2011). Customs Risk Management (CRiM): A survey of 24 WCO Member Administrations. *Cross-border Research Association, EPFL & HEC UNIL Lausanne,*. Switzerland.

Houser, R. (2014). *Counseling and educational research: Evaluation and application.* Sage Publications.

IFRC. (2017). *Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedure.* Retrieved July 20, 2017, from http://www.ifrc.org/Docs/idrl/1273EN.pdf

Institute of Economic Affairs. (2006). *Trade Facilitation: Issues for Kenya and Kenya's position at the WTO.IEA Research Paper Series No. 5.* Nairobi, Kenya.

Japan International Cooperation Agency. (2012). *Intelligence Analysis (IA) Handbook for Customs Administrations in East Africa Region. (2012 Ed.).* Nairobi: Kenya.

Kafando, I., Baranga, A., & Zramdini, A. (2014). Risk Management Implementation in Africa, Lessons Learned. In C. Msemburi, & L. Liza, *Trade Facilitations in East and Southern Africa*: *Research papers presented at the 1st ROCB ESA Research Conference Harare, Zimbambwe 4th-5th June 2014* (pp. 20-34). Nairobi: World Customs Organization.

Kenya Bureau of Standards (KEBS). (2017). *The role of kebs in facilitating trade*. Retrieved from https://www.kebs.org/about/files/download.php?file=Facilitating_trade.pdf

Kenya Ports Authority. (n.d.). *History of the Port of Mombasa*. Retrieved July 20, 2017, from https://www.kpa.co.ke/AboutUs/Pages/KPA-History-introduction.aspx

Kenya Revenue Authority. (2015). *Sixth Corporate Plan 2015/16-2017/18.* Nairobi: KRA.

Kenya Revenue Authority. (2017). *Customs and Border Control Profile*. Retrieved from http://www.kra.go.ke/index.php/about-kra/customer-service-directory/customs-services

Kersnar, J. (2009), "Warning signs: why risk management is letting down companies and what to do about it", *CFO Europe Magazine*, No.2 February, pp.25-30.

Komarov, O. V. (2016). Risk management systems in customs:the Ukrainiancontext. *World Customs Journal*, 35-44.

Kothari, C. (2004). *Research methodology:methods and techniques.* New Age International.

KPA. (2016). *About us*. Retrieved October 3, 2017, from Kenya Ports Authority: https://www.kpa.co.ke/AboutUs/Pages/default.aspx

Laporte, B. (2011, September). Risk management systems: using data mining in developing countries' customs administrations. *World Customs Journal, 5*(1), 17-28. Retrieved February 24, 2018, from http://worldcustomsjournal.org

L. M., & G., P. (2007). *Organized Crime. 4th Ed. Prentice Hall.* Retrieved from http://wps.pearson.pearsoncustom.com/wps/media/objects/6904/7070214/CRJ455_Ch02.pdf

Lubano, M. (2011). *Strategic risk management practice by Kenya Revenue Authority.Masters thesis,University of Nairobi, November 2011*. Retrieved September 17, 2017, from http://bit.ly/2fnaFqg

McLinden, G., & D. A. (2013). *Corruption in Customs.World Customs Journal, 7(2), 3-10.*

McNicholas, M. (2008). *Maritime Security*. New York: Elsevier Inc.

Mugenda, O., & M. A. (2008). *Research methods: Quantitative and Qualitative Approaches.* Nairobi: Acts Press.

Organization for Security and Co-operation in Europe (OSCE). (2010, May 25). *The Revised Arusha Declaration, WCO*. Retrieved 20 July, 2017, from http://www.osce.org/eea/68126?download=true

RIMS (2011) *Annual Conference & Exhibition.* Retreived from http://www.gotofirm.com/events/rims-2011-annual-conference-and-exhibition/

Strohm, C. (2006). *Investigator Call Cargo Security Program Unreliable.* Retrieved from GovExec.com

Thakur, S., & E. G. (2015, June 13). *A Critical Tool for Assessing Project Risk.* Retrieved from http://www.brighthubpm.com/risk-management/88566-tool-for-assessin-project-risk/

The National Council for Law Reporting. (2009). *The East African Community Customs Management Act, 2004.* Retrieved July 20, 2017, from http://kenyalaw.org/kl/fileadmin/pdfdownloads/EALA_Legislation/East_African_Community_Customs_Management_Act_2004.pdf

Tibbetts, S. G., & Hemmens, C. (2015). *Criminological theory : a text/reader*. Los Angeles: SAGE.

Truel, C. (2012). *A Short Guide to Customs Risk.* Gower Publishing Ltd.

United Nations Economic Commission for Europe (UNECE). (2012). *Revised Kyoto Convention_(RKC)_*. Retrieved July 20, 2017, from http://tfig.unece.org/contents/revised-kyoto-convention.htm

United Nations Statistics Division. (2010). *International Merchandise Trade Statistics: Compilers Manual, Revision 1 (IMTS 2010-CM): Chapter 8 B.Data processing and database management at customs.* Retrieved July 20, 2017, from https://unstats.un.org/wiki/display/I2CG/Preface

Werling, M., & E. M. (2017). *Customs and Border Modernization, Trade FAcilitation and Technology*. Retrieved from http://slideplayer.com/slide/6294103/

World Bank. (2005). *Guidelines for Risk Management in Customs.* Retrieved from http://siteresources.worldbank.org/INTCUSTOMPOLICYANDADMIN/Resources/Risk_Management_Public_Letter.pdf

World Customs Organization (WCO). (2007). *WCO SAFE Framework of Standards.* Retrieved from http://www.un.org/en/sc/ctc/docs/bestpractices/wco/safe_framework_en_2007.pdf

World Customs Organization (WCO). (2010). *Kyoto Convention General Annex Guidelines Chapter 6: Customs Control, WCO, Brussels,*. Retrieved from http//www.wcoomd.org/~/media/wco/public/global/pdf/topics/wto-atf/dev/rkc-guidelines-ch-6.pdf

World Customs Organization (WCO). (2015). *WCO SAFE Framework of Standards to secure and facilitate global trade,June,WCO*. Brussels.

World Customs Organiztion. (2003). *Risk Management Guide*. Retrieved July 21, 2017, from http://bit.ly/2ui6krj

World Customs Orgnization. (2005). *Managing risk in the customs context.Customs Modernization Handbook,91-99*. Retrieved from htttp://bit.ly/2zlVilY

World Economic Forum. (2009). *The Global Enabling Trade Report.* World Economic Forum.

World Trade Organization (WTO). (2013). *Trade Facilitation Agreement*. Retrieved from https://www.wto.org/english/thewto_e/minist_e/mc9_e/desci36_e.htm#art7

Wulf, L., & Sokol, J. (2005). *Customs Modernization Handbook.* New York: World Bank Publications.

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Kenya School of Revenue Administration

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

KRA/KESRA/MSA/002 **30TH OCTOBER, 2017**

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST TO COLLECT RESEARCH PROJECT DATA

This is to certify that Ms. Winnie Ondiek of admission number HDB335-C016-2509/2016 is a bona fide student of the Kenya School of Revenue Administration (KESRA), Mombasa Campus. She is in her final year of study and is currently conducting a research project in partial fulfilment of the requirements leading to the award of a Postgraduate diploma in Customs Administration. Ms. Ondiek is in the process of gathering data that will strictly be used for academic purposes only. Regarding this issue, the School would like to seek your permission to allow her to collect information that relates to her research from your organization.

Thank you for your support and cooperation.

Yours sincerely,

KENYA SCHOOL OF REVENUE ADMINISTRATION (KESRA) PRINCIPAL 30 OCT 2017 P.O. BOX 95707 - 80106 MOMBASA

Winfred Shilani

Ag. Principal – KESRA, Mombasa Campus.

ISO 9001 BUREAU VERITAS Certification UKAS

Tulipe Ushuru Tujitegemee !

KENYA VISION 2030

APPENDIX II: QUESTIONNAIRE

This questionnaire is intended for use in a study on the Effect of Risk Management System in Customs Declaration Violations at Kilindini Port, Mombasa. Kindly participate and support this study by responding to the items given in the various sections to the best of your knowledge. Information provided will be private and solely used for the research.

PART A: DEMOGRAPHICS (TICK AS APPROPIRATE)

Section A: Personal Information

1. Years of service in KRA Customs & Border Control

   ☐ 10 and below ☐ 11-21 years ☐ 22 and above

2. Highest qualification:
   - ☐ Secondary
   - ☐ College
   - ☐ Bachelor's Degree
   - ☐ Master Degree
   - ☐ Doctoral Degree

3. Level of service:

   ☐ Manager ☐ HVO ☐ VO ☐ BCO ☐ BCA

Section B: Effect of Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis, risk evaluation and prioritization.

Please tick/indicate the box that represents the extent to which you agree with the statements provided on the five-point type Likert scale.

Key: 5=Strongly Agree 4=Agree 3=Neutral 2=Disagree 1=Strongly Disagree

	Statements	1	2	3	4	5
6a	Risk assessment influences and affects customs declaration violations					
6b	Technical limitations of the system experienced hinder risk identification.					
6c	Customs risk management system includes a central office responsibility for controlling risk assessments					
6d	High Risks identified are handled through termination of the trader's operations, suspending the clearing agent, gazetting the good as prohibited or restricted					
6e	Customs risk management system includes scanners as integrated part of inspection protocol (that is, a Blue channel)					
6f	Customs risk management system includes a Random selection of the declaration by customs officers for physical inspections/verification					
6g	Customs risk management system includes a system for tracking shipper behaviour and periodically updating risk profiles					
6h	There is the process of comparing the results of risk analysis with risk criteria to determine whether the risk magnitude is acceptable or tolerable					

Section C: Effect of Risk Profiling

Risk profiling is a group of common characteristics or combination of risk indicators based on information that has been gathered, analysed and categorized.

Please tick/indicate the box that represents the extent to which you agree with the statements provided on the five-point type Likert scale.

Key: 5=Strongly Agree 4=Agree 3=Neutral 2=Disagree 1=Strongly Disagree

	Statements	1	2	3	4	5
7a	To develop a risk profile one relies on, information gathering, systematic chatting and analysis of information					
7b	Customs risk management system includes risk profiles for exporters, importers, shippers, forwarders, and clearance agents					
7c	A consignment that requires customs attention has high, medium and low perceived risk					
7d	There is a single window for submission of all documents related to clearing cargo					
7e	The principal source of discrepancies in declarations is misclassification, undervaluation, contraband, prohibited goods or intellectual property violations					

Section D: Risk Targeting/ Selectivity

Risk Targeting/Selectivity is the selection for physical examination/documentary check for cargo, passengers or conveyance based on risk analysis and profiling.

Please tick/indicate the box that represents the extent to which you agree with the statements provided on the five-point type Likert scale.

Key: 5=Strongly Agree 4=Agree 3=Neutral 2=Disagree 1=Strongly Disagree

	Statement	1	2	3	4	5
8a	The Risk targeting/Selectivity on customs declaration violations is adequate at the port.					
8b	The selection for examination/audit of a certain consignment, passenger, and means of transport, transaction or entity is based on risk analysis, profiling, document review, observation and					

	questioning techniques					
8c	The SIMBA selectivity engine provides the means of implementing decisions on processing channels red, yellow, green to determine the treatment of risk					
8d	The department has a risk treatment action plan					
8e	The risk treatment action plan is very efficient					
8f	One can tolerate the risk, as a corrective action to respond to an identified risk					
8g	One can terminate the risk as a corrective action to respond to an identified risk					

Section E: Customs Declaration Violations

Custom Declaration violations refer to contravention of customs laws and procedures by failing to fill correctly the form C17 B or the Single Administrative Document (SAD) in order to evade paying duties and taxes.

Please tick/indicate the box that represents the extent to which you agree with the statements provided on the five-point type Likert scale.

Key: 5=Strongly Agree 4=Agree 3=Neutral 2=Disagree 1=Strongly Disagree

	Statements	**1**	**2**	**3**	**4**	**5**
9a	Customs misdeclarations may lead to evading any condition or restriction relating to import or export, which may be treated as a risk.					
9b	customs misdeclaration in respect to value, type, number, weight, measurement or origin, wrong tariff may lead to the loss of the customs taxes 'duties' through mis-declaration according to the provisions of EACCMA and EACCMA					

	Regulations.					
9c	The customs declaration (exportation, re-exportation) that could lead to benefiting from drawback or finalization of the temporary admission procedure for temporarily admitted goods without a legal ground is treated as a risk.					
9d	The unjustified increase/decrease of the goods compared to that stated in the manifest is a potential risk threat.					
9e	Discrepancies in form SAD or C17B are declaration violations informs decisions for risk					

Thank You

APPENDIX III: (SAD) – SIMBA FORM C17B

EAST AFRICAN COMMUNITY

C.17 B
CUSTOMS
Page 1 of .....

SINGLE ADMINISTRATIVE DOCUMENT (SAD) - SIMBA

1 Exporter /Consignor TIN/PIN	2. Processing Office	3. Frontier office	4. Regime code	FOR OFFICIAL USE Entry Number and Date
	5. Voyage/Flight/Vehicle No.	6. Date of arrival/departure.		
	7. Manifest Number	8. AWB/BL/RCN No.		9. Country of Consignment
10. Importer / Consignee TIN/PIN	11.Ctry of last Consign / 1st Dest.	12.Country of final Destination		13..Port of Destination
	14. Place of discharge/Loading	15.Mode of transport		16. Nationality of Transport
	17.Vehicle owner/Driver	18. Seal Number(s)		19.Country of Transit
	20.Total Number of Items	21.Total Packages		22.Total Gross Weight
23. Declarant / Agent TIN/PIN	24. Location of Goods	25. Warehouse code		26. Period in W/hse/Transit
	27.Valuation method	28. Total F.O.B Value		29.Terms of Delivery
	30.Terms of Payment	31. Account Number .		32.Bank / Branch Reference
Declarant Ref. No.	33. Bond Security Number	34. Bond/Cash Amount		35. Total Freight
36. Total Insurance / 37. Total Other Charges	38. Total Customs Value	39. Other information		

Item 01					
40. (a) Shipping Marks & Nos./Container Nos.		(c) Commodity code	(d) C.P.C	(e) Gross Weight	(f) Net Weight
(b) Goods Description		(g) 1st Supp. Qty.	(h) Units 1st Supp Qty	(i) 2nd Supp. Qty.	(j) Units 2nd Supp Qty
		(k) Type of packaging	(l) No. Packages	(m) Country of Origin	(n) Preference code
(o) License Number	(p) License Value / Qty	(q) Value/Qty Deducted	(r) FOB Value	(s) Freight	(t) Insurance
(u) Other Charges	(v) Currency Code	(w) Exchange Rate	(x) CIF Value	(y) Customs Value	

41. REVENUE INFORMATION				43. Attached documents		44. Preceding Documents Ref.
(aa) Tax Type	(bb) Tax Base. / Value	(cc) Rate	(dd) Tax Due	45a. Code	45b. Number	
I						
Ii						
Iii						
Iv						
V				(ee) Total Tax due on this item		

46. SUMMARY TOTALS	i	ii	iii	iv	v	47. Other Charges	
						47a. Code	47b. Amount
This Page							
Other Pages							
Totals							

48. Grand Totals (Duties, Taxes and Other charges)

49. Declaration

I/We .....the undersigned of. ..... (Company name)
Being the Agent/Principal of. ..... (Importer/Exporter) do hereby declare that the information and particulars declared herein are true and complete.

Signature and Stamp..... Place..... Tel/Fax.....

FOR OFFICIAL USE	
PROPER OFFICER	CASH /CHEQUE Amount Paid ..... Receipt Number and Date ..... Cashier's Signature and Stamp .....