

**EFFECT OF POST CLEARANCE AUDIT ON REVENUE COLLECTION IN
CUSTOMS AND BORDER CONTROL DEPARTEMENT IN KENYA**

CONRAD LUGONZO MASHALIA

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DECLARATION

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

Signature.....

Date.....

Conrad Lugonzo Mashalia

HDB335-C016-4523/2016

This proposal has been submitted for examination with my approval as the Supervisor

Signature

Date.....

Supervisor: Mr. Samuel Ominde

Kenya School of Revenue Administration

DEDICATION

I dedicate this work to my fellow Kenyans and to the entire Customs Department at Kenya Revenue Authority.

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LIST OF ABBREVIATIONS

AEO Authorized Economic Operator

IAASB International Auditing and Assurance Standards Board

IFRS International Financial Reporting Standards

JKIA Jomo Kenyatta International Airport

KRA Kenya Revenue Authority

PCA Post Clearance Audit

RKC Revised Kyoto Convention

SPSS Statistical Package for Social Sciences

VAT Value Added Tax

WCO World Customs Organization

WTO World Trade Organization

DEFINITION OF TERMS

Desk Audit: A desk audit is an evaluation of a particular position or procedure to determine whether duties and responsibilities correspond to the actual job classification or procedures. A desk audit primarily looks at current work assignments and duties. Desk audits may be requested for several reasons, one being a revised position description that cannot be properly processed.

Field audit: A systematic investigation by the Internal Revenue Service of a taxpayer's financial records and his or her tax return that is conducted at the taxpayer's place of business or at the office of the individual who prepared the return.

Post clearance audit: Post clearance audit (PCA) or audit-based controls are defined by the Revised Kyoto Convention as measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned

ABSTRACT

Customs and border control that do not use audit-based controls usually concentrate their controls entirely at the border and at the time of import, and often apply a 100% physical examination approach. This leads not only to unnecessarily long delays at the border but is also a very ineffective and inefficient use of the limited control and inspection staff at the border. This led to the adoption of post clearance audit (PCA) in Kenya Revenue Authority. This study therefore sought to establish the effect of post clearance tax audit on revenue collection in the Kenyan customs department in Mombasa. The study also sought to determine the effect of post-importation transaction verification, customs desk audit and customs onsite audit on revenue collection in the Customs Services Department at times tower and JKIA. This study used a descriptive research design. The population of this study was 500 respondents; this included staff of clearing and forwarding firms at JKIA and customs staff at times tower. This study used stratified random sampling to select the 30% of the target population. The sample size of this study was therefore 200 respondents of which 150 responded. Semi-structured questionnaires was used in this study to collect primary data. Content analysis was used to analyze qualitative data and the findings were then presented in a prose form. On the other hand, Statistical Package for Social Sciences (SPSS version 20) was used to analyze quantitative data. Using this program, quantitative data was analyzed using inferential and descriptive statistics. Descriptive statistics such as mean, standard deviation, frequency and percentages were used in this study. In relation to inferential statistics, the study used correlation analysis to establish the relationship between the independent and the dependent variables. Data was then presented in tables, bar charts and pie charts. The study established that customs field audit influences revenue collection at customs services department most followed by customs post-importation transaction verification and customs desk audit. The study also established that post importation transaction verification lead to an improvement in revenue collection and reduces the amount of time it takes to clear goods and hence recommends that the management of the customs department should ensure that the post clearance audit procedures are followed to the letter. The study further recommends that the government of Kenya should formulate more policies to support and govern customs field audit and audit visits.

CHAPER ONE

INTRODUCTION

1.1 Background of the Study

The trend by border agencies to adopt pre-arrival clearance and post clearance audit (PCA) reflects the many changes that are occurring in international trade today. Whilst the need to maintain high levels of compliance by traders has not changed, the volume of cargo moving in and out of our country, as well as the speed with which is expected to move through the borders, has changed significantly in recent times. As such, customs officers face the challenge of an environment where there is rapid growth in the number of transactions being generated and communicated to agencies by traders, and greater pressure on the agencies to clear cargo more efficiently and that is by reduced timeframes and costs for traders. Thus, compliance efforts have been shifting towards advance reporting, screening out high-risk cargo for immediate intervention, and undertaking PCA (WCO, 2005).

Pre-arrival clearance is a process that allows traders to submit data at an early stage in the transport of the goods for advance processing of that information by customs personnel and thereby provide for immediate release of the goods once they arrive at the border or port or prior to the arrival of the goods if deemed appropriate by the controlling agencies. The pre-arrival clearance process is particularly important to types of goods that are highly perishable or that in some other way require prompt handling upon arrival. However, pre-arrival clearance is not just about facilitation. It is also particularly useful for early identification of goods that may pose a health, revenue or security risk to the country. The effectiveness of the screening process is of course dependent on receipt of advance information, supported by the necessary

technology to enable agencies to analyze information from a variety of sources and to link it to risk ‘flags’ or alerts (IAASB, 2010).

Since the basis of pre-arrival clearance is early provision of information, it is necessary to combine it with a capacity to undertake more detailed analysis of the information and supporting documentation after the goods have arrived in the country. This is where the concept of PCA comes into play. Audits undertaken by PCA specialists can take a variety of forms, from random audits to verify compliance with regulatory requirements, to regularly scheduled audits with a focus on particular companies or industry sectors. What they all have in common is a legislative base that provides trained auditors with the power to enter premises and to inspect documents, either physically or electronically. PCA represents a move away from traditional approaches that focus on the physical inspection of cargo and the relatively ineffective documentary checks that restrict auditors to reviewing a very small percentage of a trader’s overall transactions.

PCA rather is a focus on the business systems of the trader that generate and communicate transactions to the regulatory agencies, recognizing that good business systems with adequate controls will lead to high levels of regulatory compliance. In this context, risks to compliance can be mitigated if the audit process is used to identify enhancements to the trader’s business systems and controls, thus working with the trader to improve future compliance, a concept that is often referred to as ‘compliance improvement.

The World Customs Organization (WCO), in recognition of this need to adapt to the growing world economy, has spelt out in the Revised Kyoto Convention the need for Customs agencies to move towards post clearance controls to facilitate trade, which

includes transitioning towards ‘control based audit’, which represents the auditing of traders’ internal systems and controls as they relate to Customs requirements

The Revised Kyoto Convention (RKC) is an international agreement that provides a set of comprehensive Customs procedures to facilitate legitimate international trade while effecting Customs controls including the protection of Customs revenue and society (WTO, 2009). It deals with key principles of simplified and harmonized Customs procedures, such as predictability, transparency, due process, maximum use of information technology, and modern Customs techniques (e.g. risk management, pre-arrival information, and post-clearance audit) (Wulf & Sokol, 2005).

Post Clearance Audit (PCA) has been adopted in many countries all over the world. However, it is an upcoming area for ASEAN Customs. The implementation of PCA in ASEAN has aided in strengthening enforcement and providing the necessary support and confidence in the implementation of trade facilitating measures and simplified procedures in cargo processing and valuation specifically.

In addition, the New Zealand Customs Service made a commitment to itself that an application for both import and export permission is to be processed within 0.5 hour by EDI and within 24 hours by non-EDI (WTO, 2009). Low-risk goods identified by Customs risk management systems are less likely to be subject to Customs physical examination at borders. Furthermore, a series of surveys by Japan Customs on the time required for the release of goods showed that release times have been reduced by the introduction and improvement of various Customs procedures and techniques.

With pre-arrival information, for example, through a survey carried out in March 2009 indicated that the average release time for sea-cargoes was 1.7 hours, which was

about 60 percent shorter than 4.1 hour average in cases without pre-arrival information (WTO, 2009).

Post-clearance audit allows for the reduction of control activities at a border point and at the time of arrival of goods to only those necessary to determine the admissibility of the goods. This can lead to a significant increase in the collection of revenue, because PCA allows for a more comprehensive and holistic evaluation of the particulars necessary for the compilation and calculation of duties and taxes. In Japan, for example, the increased use of PCA generated more than twice as much revenue in 2009 than in 1999 (Aoyama, 2010).

PCA can have the form of supporting transaction-based controls at border points by verifying the classification, origin of the goods and valuation of the goods after release through an audit of the supporting commercial documentation such as a commercial invoice (Goyal & Goya, 2004). In this kind of way, goods can be released upon their arrival at the port and clearance be completed and duties paid after the PCA.

This segregation of release and clearance is a very important measure to speed up the movement of goods across borders. Modern Customs administrations may be in a position to grant release and clearance simultaneously upon arrival of the goods, as stated in the ICC Customs Guideline (Cheng, 2006).

1.1.1 Revenue Collection

Revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Two common accounting methods, cash basis accounting and accrual basis accounting, do not use the same process for measuring revenue. Corporations that

offer shares for sale to the public are usually required by law to report revenue based on generally accepted accounting principles or International Financial Reporting Standards.

Government revenue includes all amounts of money (i.e. taxes and/or fees) received from sources outside the government entity. Large governments usually have an agency or department responsible for collecting government revenue from companies and individuals. Government revenue may also include reserve bank currency, which is printed. This is recorded as an advance to the retail bank together with a corresponding currency in circulation expense entry, that is, the income derived from the Official Cash rate payable by the retail banks for instruments such as 90-day bills. There is a question as to whether using generic business-based accounting standards can give a fair and accurate picture of government accounts, in that with a monetary policy statement to the reserve bank directing a positive inflation rate, the expense provision for the return of currency to the reserve bank is largely symbolic, such that to totally cancel the currency in circulation provision all currency would have to be returned to the reserve bank and cancelled. (Bringham et al, 2008)

1.1.2 Post Clearance Audit

PCA affects revenue collection in that it promotes voluntary compliance of taxpayers which increases revenue. It also determines the accuracy of returns to ensure the right taxes are submitted. With Post Clearance Audit, liability can be easily declared and matters that need adjustment are identified. It also helps in collecting tax interests and penalties which thereby increase revenue collection. PCA also helps to implement changes to eradicate evasion. Thus, Post Clearance Audit is positively related to revenue collection.

Against a background of rapidly increasing volume of imports and exports, and the need to expedite customs clearance while ensuring compliance of traders, an ad hoc task was set up specifically to scrutinize declared customs values and clearance codes after the release of imported goods. Any false declaration found would result in the imposition of monetary penalties on the alleged importers. This permits customs authorities to release a vast majority of shipments and retain only consignments matching the risk profiles. Non selected cargo will be released immediately but may be subjected to post clearance audit later.

1.1.3 Customs and Border Control Department

Customs and Border Control Department previously known as Customs Excise Department, was established by an Act of Parliament in 1978. It is the largest of the four revenue departments in terms of manpower, revenue collection, and countrywide operational network. The primary function of the department is to collect and account for import duty and VAT on imports. The Customs Service department is also responsible for facilitation of legitimate trade; and protection of society from illegal entry and exit of prohibited goods.

The Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1st June 1995. The authority is charged with the responsibility of collecting revenue on behalf of the government of Kenya. The main purpose of the authority is assessment, collection, administration and enforcement of laws relating to revenue. KRA is divided into departments that are headed by commissioners. Among those departments is the Customs Service Department.

1.2 Statement of the Problem

Customs is a necessary institution to any country with regard to income, business facilities and society security. Governments require effective customs facilities so that they so that they could implement their financial, economic and social policies in a proper manner. This department would manage good transfer issues in an international level. As for the increase in transit, export and import rate, accurate pricing and proper good classification in customs as well as exact inspection plays as significant role in government income.

Moreover, due to the new passed laws for taxes, a drastic change in customs systems along with more accuracy and speed in customs activities would play an important part in the implementation of this role. Post clearance audit enables the examining of books, records, systems trade and customs related information maintained by a person or company that are directly or indirectly involved in international trade statements carefully reviewing the submission. Audit after discharge means audit based controls after the customs clearance of the accuracy of merchant statements and control data, as well as covering business, financial offices system trades and customs related information. Audit after discharge allows for more comprehensive control after the clearance so that more comprehensive image can be reached in the long run.

It has not been fully followed up in our country and no study has been carried out to investigate the fact. With respect to custom duties, which are important, therefore, to improve the performance of customs, following the implementation of risk management audit review is in evitable. Since the change in customs laws in this country, as well as future impacts on imports and exports of the country, is to facilitate trade and prosperity, it can also be effective therefore, it is that the

implementation of audit after clearance with the full knowledge and to identify the impacts are to be made. Authorities can use it to modify the rules and customs in order to improve performance as well as to achieve customer satisfaction.

Therefore, this study will consider both viewpoints (the staff and the merchants). Due to the importance of the issue, the researcher attempts to investigate the effect of post clearance audit on revenue collection. Proposals are also made to increase the positive impact and reduce the negative impact on the rate of clearance while developing the necessary controls.

1.3 Research Objectives

1.3.1 General objective

The main objective of the study was to establish the effect of post clearance audit on revenue collection in Kenya.

1.3.2 Specific objective

- i. To determine the effect of post-importation transaction verification on revenue collection in the customs department in Kenya
- ii. To establish the effect of desk audit on revenue collection in the customs department in Kenya
- iii. To determine effects of field audit on revenue collection in the customs department in Kenya

1.4 Research Questions

- i. How does post-importation transaction verification affect revenue collection at the customs department in Kenya?

- ii. What is the effect of desk audit in revenue collection at the customs department in Kenya?
- iii. What is the effect of field audit on revenue collection at the customs department in Kenya?

1.5 Justification

The Customs Service Department of the Kenya Revenue Authority is the largest of the four revenue departments in terms of manpower, revenue collection and countrywide operational network. Its primary function is to collect and account for import duty and VAT on imports. This study enabled us understand the effects of post clearance audit on revenue collection in Kenya. Its findings will be helpful to the customs service department by ensuring that customs officers adhere to the right clearance procedures and that the right amount of duties are collected. To the students of customs administration this will aid in their course work and for reference purposes. The study shall also add value to the existing literature.

1.6 Scope

The study was be limited to Customs and Border Control Department operations at Jomo Kenyatta International Airport (JKIA) Nairobi and it will involve the Customs Department staff at the airport because Jomo Kenyatta International Airport mostly handles high value cargo and cargo that need quicker clearance. The study will also be limited to JKIA and the cargo sheds at the airport due to logistical factors. Post clearance audit is a critical control methodology for customs and other border regulatory authorities as it enables them to apply a multi-layered risk based control

approach by moving from a strictly transactional-based control environment to a stronger audit based administration. Transactional-based controls are those controls applied to each individual shipment at the time of crossing the border, such as physical examination, verification of value, origin and classification of goods, sampling, verification of licences and permits. All these activities are carried out in different cargo sheds at JKIA.

1.7 Limitations of the Study

In pursuit of this study, several limitations were experienced. First is the cost in term of time and finance to carry out an extensive and exhaustive research. Second is the ‘confidential’ nature of the organization that is very reluctant to give out any information. Thirdly, the study relied on qualitative data collected through structured questionnaire of which collection, analysis and interpretation is not free from human errors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discussed the literature on the factors that affect the collection of tax revenue. Literature review is essential to the scholarly background for a subject in any research that is being undertaken (Kabiru & Njenga, 2009). The literature under review for this study sought to narrow down on three factors of post clearance audit that contributed to efficiency of revenue collection in Kenya. These are: post-importation transaction verification, desk audit and field audit systems of the customs department. This section presented a review of all the literature under study relating to the research problem itself and the purpose of the study. It delved into the details of how each of these factors contributed - either positively or otherwise, to the efficiency of revenue collection in Kenya. It was organized according to the factors mentioned and a summary concluded the chapter.

2.2 Theoretical Review

Awe (2008) defines auditing as an independent examination of the books and accounts of an organization by a duly appointed person to enable that person give an opinion as to whether the accounts give a true and fair view and comply with relevant statutory guidelines. The American Accounting Association (1971) in its Statement of Basic Auditing Concepts in Hayes, Schilder, Daseen and Wallage (1999) described auditing as: a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users. Akinbuli (2010), Hayes et al (1999) reported that several theories of

auditing were made to specify and determine the audit functions. The theories discussed include; Resource Based Theory, Social Rule System Theory, Policeman Theory, Lending Credibility Theory, Agency Theory

2.2.1 Resource-Based Theory

Resource-based theory as a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible, tangible resources at the firm's disposal (Gillis, Combs & Ketchen, 2014). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile.

Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns (Nyakamba, 2013). One of the challenges that may be facing post clearance tax audit in The Customs Services Department is availability of resources. Its implementation requires resources like skills, information technology systems transport for custom audit visits among others.

2.2.2. Social Rule System Theory

On the other hand, the Social rule system theory is an attempt to formally approach different kinds of social rule systems in a unified manner (Harris, Johnson & Souder, 2013). Social rule system theorists point to three major power mechanisms of rule system reproduction and change to explain the evolution of social rule systems and institutional arrangements: the selective action of the environment; the constraining and facilitating conditions of institutional arrangements with their technologies, available resources, and participants; and creative/destructive human

agency. In the customs services department there are post clearance audit procedures that are supposed to be followed by all Custom Auditors. These procedures dictate the selection criteria of audit cases and allocation of audit cases (Weru, Kamaara & Weru, 2013).

2.2.3 Lending Credibility Theory

This theory of auditing regards the primary function of auditing to be the addition of credibility to the financial statements. Akinbuli (2010) who states that audited financial statements can enhance stakeholders' faith in management's stewardship assumed that for one to be sure that the financial statements are true and fair then an independent person has to go through the statement, substantiate them then produce a report. It was asserted that shareholders and stakeholders trust the report of the auditor and feel secure. The theory was modified from the initial by Hayes et al (1999) that stated that it was through financial statements that the revenue authorities are able to ascertain the amount to be collected. The factor of credibility was added to the theory of auditing.

2.2.4 Agency Theory

This theory is associated with conflicting interests of shareholders and management of organizations, suggesting that the less informed party will have to demand for information that monitors the behaviour of better informed manager (Akinbuli, 2010). According to Hayes et al (1999), assumptions are made that agency theory can be used to explain the supply side of the audit market. The contribution of an audit to third parties is determined by the probability that the auditor will detect errors in the financial statements and the auditor's willingness to report these errors. Then independence is emphasised in auditing.

2.3 Conceptual Framework

A conceptual framework is a graphical or a diagrammatic model of presentation of the relationship between variables in the study (Orodho, 2012). It's a roadmap that the study intends to follow with the aim of looking for answers to the problems raised by the research questions. The figure 2.1 bellow illustrates the relationship between independent and dependent variables.

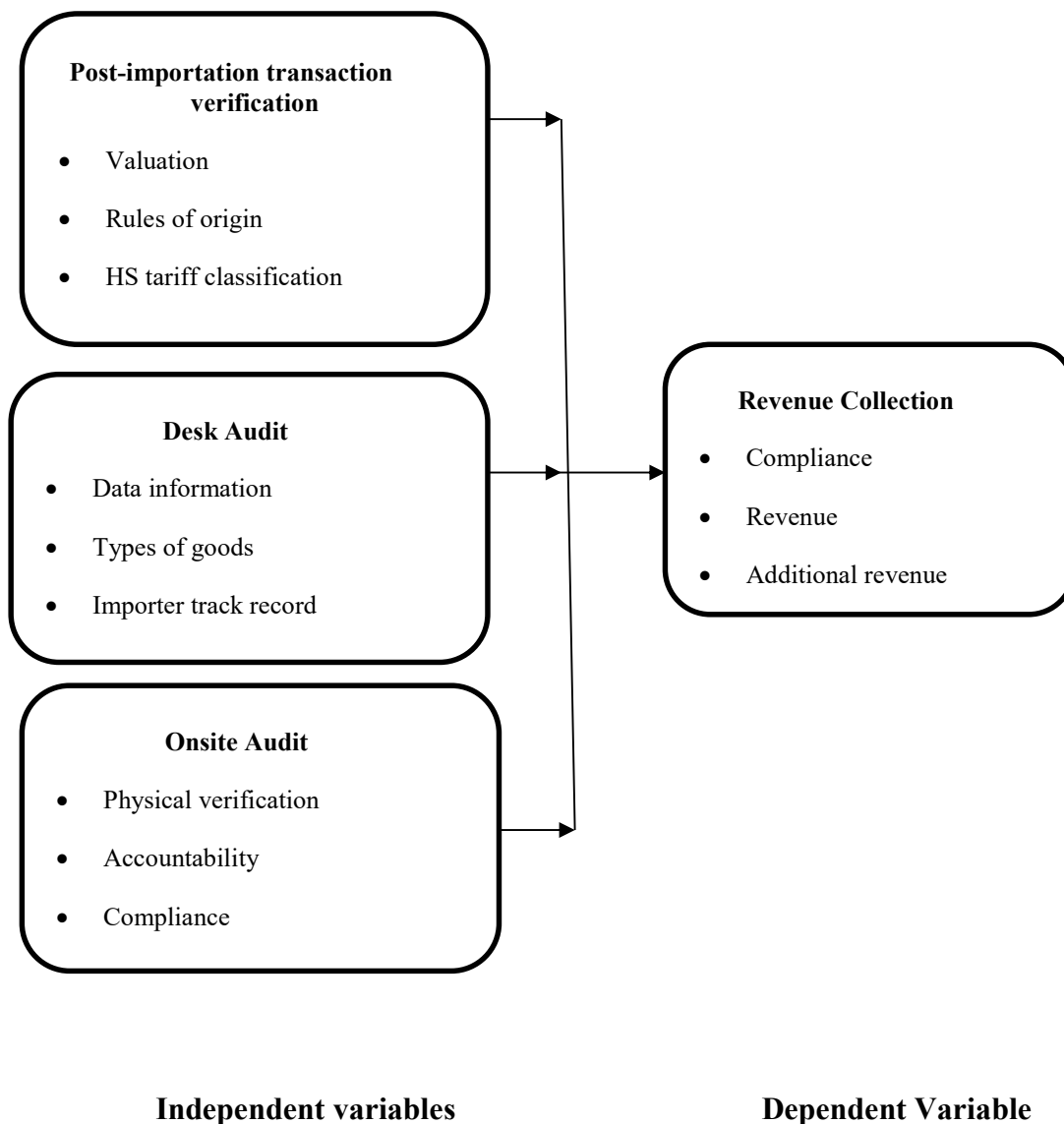


Figure 2.1- Conceptual Framework

2.4 Empirical Review

The empirical review gives an insight of the present situation of the cases that include revenue collection, post importation documents verification, desk audit and field audit. The empirical literature can offer an efficient method of building a professional knowledge base, identify potential interventions and measurements methods, providing a foundation of asking the right questions in a project, and defining common practices in organizations. (Kothari & Garg, 2011). Sources that can be included in a review are primary and secondary. Primary sources are direct descriptions of research studies or other events written by an individual who actually carried out the study or witnessed the events. Secondary sources are documents written by an author who did not directly observe or participate in the described events.

2.4.1 Post-importation Document Verification

Various studies have been conducted in relation to revenue collection and Kenya Revenue Authority. For instance, a study was conducted on the impact of automation as a structural change strategy on customs clearing procedures at Kenya Revenue Authority (Sigey, 2010). The target population of the study consisted of licensed customs clearing agents. Respondents of the study involved 101 licensed customs clearing agents based in Nairobi and Mombasa. Interview guides were used to collect data from the agents. Quantitative and qualitative analysis techniques were used to analyze the data. The findings emerging from the analysis were used to compile this report. The research study established that with the introduction of the Trade X-Simba system in the customs department, there has been improved efficiency, improved effectiveness, improved staff skills, reduced costs and improved governance. This study only focused on only one aspect of structure change in KRA and hence did not look at how customs audit procedures, customs

audit standards, customs audit visits and customs pre-arrival clearance influence revenue collection.

2.4.2 Desk Audit

On the other hand, a study was conducted on the effects of tax audit on revenue collection with a case of Kenya Revenue Authority (Nyakamba, 2013). From the t-statistics results the parametric Pearson correlation or “r” value is significant for tax paid before audit and tax paid after audit as it clearly indicates there is an increase in the tax paid after audit, this is clear for random tax audit, cut-off tax audit and conditional tax audit. The study also found that tax collected from a certain firm two years prior to the audit and two years after the audit, there is an increase in tax collected after the audit. Thus, it is right to say that tax audit is directly related to revenue collection. Therefore it is clear that the more tax audits conducted the more revenue collected in the audit and in the subsequent years as the companies are better informed. However, the study focused on general tax audit and hence did not outline how various components of post clearance audit influence revenue collection.

A study was conducted on customer service as a competitive strategy for enhancing performance in the Customs Services Department, Kenya revenue Authority (Mutema, 2013). The respondents for the study were eight (8) senior managers, two (2) customer service desk staff and ten (10) customs officers drawn from various divisions of Customs Services Department. Secondary data was obtained from review of Kenya Revenue Authority documented publications such as corporate plans, Tax payer charter internal memos among others. The study found that the main tasks of customer service in Customs Services Department involve processing of declarations, release of cargo resolving public complaints and provision of focused taxpayer

education. Further, findings indicate that service delivery in the department has not been satisfactory because of poor working conditions and unfriendly customer attitudes. The study also found out that customer service in the department can be improved through improvement in the work environment in addition to staff motivation through training, promotions, rewards and recognition. This will enhance faster clearance of cargo and cost savings leading to increased revenue collection and minimizes corruption thus enhancing a positive image of the department. However, the study did not look at how post clearance tax audit influences revenue collection.

Another study was conducted on the effects of revenue system modernization on revenue collection at Kenya Revenue Authority (Muthama, 2013). This study employed descriptive study design. The study used secondary data collection. The study utilized KRA Customs data for four financial years before and after Simba System. The period selected was from July 2001 to June 2009. The study established that that the number of transactions and the revenue collected increased after the implementation compared to the years before the implementation. The study findings also established that the revenue collected was directly related to number of transaction but inversely related to inflation, operating costs and exchange rates and that there was a strong relationship between system modernization and revenue collection at the Kenya Revenue Authority in Kenya with regard to the Simba System. From the study it was evident that System modernization enhances Revenue Collection and thus it should be encouraged. Nevertheless, the study focused on only one aspect of customs services department and hence does not show whether post clearance audit influences revenue collection at the Custom Services Department.

2.4.3 Field Audit

A study was conducted on the effects of internal controls on revenue collection with a case of Kenya revenue authority (Mwachiro, 2013). The research was conducted using both qualitative and quantitative approaches. Questionnaires were used on a population of 38 respondents in gathering primary data for the study. The data collected was then analyzed and findings have revealed that the five components of control environment, risk assessment, control activities, information and communication and monitoring must be available for internal controls to work. The study established that weak internal controls have encouraged collusion to fraud, loss of revenue and embezzlement of collected revenue. The study therefore concludes that internal controls do function although with hiccups and that there is a significant effect between internal controls and revenue collection in KRA. Nevertheless, the study did not outline how customs audit procedures, customs audit standards, customs audit visits and customs pre-arrival clearance influence revenue collection.

Niu (2010) in a study found a positive association between the audit and the voluntary compliance. The finding suggests that the audit productivity may be under estimated in many studies in the literature. It reminds us that when considering the productivity of the audit work. Besides the direct audit collections, we should also take the audit impact on the voluntary compliance into consideration. For this reason, the finding may provide tax professionals and tax authorities with incentives to strengthen the audit power and to better structure their audit organization to generate more revenue for the state. Niu (2010) Historical population data of a New York State economic sector were used in this study instead of experimental data or randomly selected sample data often used in the literature. The results of both Ordinary Least

Squares (OLS) and Time Series Cross Section (TSCS) autoregressive modeling methods. The results of both methods suggest that after an audit, a firm would report a higher sales growth rate.

Alm and McKee, (2006) investigates the application of experimental methods to examine the individual compliance responses to a “certain” probability of audit, and conclude that the compliance rate rises if an individual knows he will be audited and the rate falls if he knows he will not be audited. Slemrod et al, (2000) examines randomly selected taxpayers and inform them that their filling will be “closely examined” and found evidence of taxpayers’ behaviour changes in response to an increased probability of audit, although the responses are not uniform among different groups of taxpayers.

2.5 Critique of the Literature Theory

The role of Customs and Border Control Department in the economy is to collect and account for import duty and VAT on imports in accordance with the law. To advise on matters pertaining to the administration or and the collection of revenue underwritten laws. To enhance efficiency and effectiveness of customs operations and procedures. To eliminate duty evasion by simplifying and streamlining procedures and improving duty payer service and education thereby increasing the rate of compliance. Further reported that post clearance audit is a process where the customs service department tries to confirm compliance to procedures and the right amount of duty remitted. The process of post clearance audit involves specific importer transactions that are selected for audit. Thereafter, the underlying import documents and records of the selected importers are examined critically to relate them to the duty and VAT remitted. Post clearance audit is important because it assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by importers.

2.6 Research Gaps

There is vast literature on revenue collection in Kenya Revenue Authority. For instance, a study was conducted a study on the effectiveness of revenue collection strategies at Kenya Revenue Authority in Nairobi (Awitta, 2010). The study found out that reforms and modernization at KRA were effective on revenue collection strategies. It also found out that staff trainings enhance employee skills, knowledge and professional capacity though the research didn't look into the effects of post clearance audit on revenue collection thus adding on to the need for this research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the various methods used to out the study. It outlines the research design, area of study, population of the study, sampling size and procedures, data sources, data collection instruments that will be used , data analysis, data presentation and ethical considerations. Research methodology is intended to provide a roadmap for the data collection exercise. According to Sekaran (2010), a central part of research is to develop an efficient research strategy.

3.2 Research Design

This study employed quantitative research, and used a research design that was descriptive in nature. The research also employed a correlation design. Correlation research design is whereby, the researcher gathers information and examines the presence of relations between the variables, as well as the extent of these relations (Kabiru and Njenga, 2009). Correlation refers to the degree of relationship between two or more variables. The study aimed at employing correlation design in-order to study the relationship between revenue collection and post-importation transaction verification, desk audit and field audit. This study therefore aimed at establishing the degree of relationship between revenue collection and post-importation transaction verification, desk audit and field audit at the customs department. A positive correlation would indicate that the two variables tend to change in the same direction while a negative correlation indicates that the two variables tend to change in the opposite direction (Nachmias and Nachmias, 2000).

3.3 Target Population

Engel, Holford and Helena (2010) defined a population as all the items under consideration in any field of inquiry. The population in this study constituted customs officers at times tower and JKIA. This definition was relied upon as it offered ready data from the KRA database for the customs officers in Nairobi. For this study, the sampling frame was drawn from 400 customs officers at times towers and JKIA.

3.4 Sampling Technique and Sampling Size

In the formation of a sample, stratified random sampling technique was used since it offered the participating elements in each of the Districts, equal opportunity of being selected (Mugenda & Mugenda, 2003). This ensured less sampling bias and errors.

For this study, a sample (n) of 200 was selected. This was arrived at by use of the Slovin's Formula:

Where: $n = N / (1 + Ne^2)$

n=Number of samples

N = Total population (400)

e = Error tolerance (0.05)

Thus: $n = 400$

$1 + (400*(0.05)^2)$

$n = 200$

$n = 200$

Profiling was then conducted for the purpose of spreading this number across the various sheds that had customs officers at KJIA. This sample was seen as an adequate and sufficient representative of the population of 400 customs personnel.

3.5 Data Collection Instrument

Data was collected from primary sources. This was done by use of structured questionnaire. The questionnaires had an introduction, instructions for the respondents to follow, as well as questions that were directed towards addressing each of the research questions. Information from the primary source was used to address all the research questions. Questionnaires were used because they are easy to administer and analyze. Closed ended questions were employed for finding out the common aspects in the discussions whereas the open ended questions were for personal information from respondents that added value to the research. Five point likert scales were also used in the questionnaires

3.6 Data Collection Procedure

Creswell (2013) defines data collection as a means by which information is obtained from selected subjects of an investigation. The primary research data was collected from 150 customs employees (respondents) out of the selected 200 customs employees. The questionnaires was administered by drop and pick method. Kothari (2011) states that primary data is information gathered directly from respondents.

3.7 Pilot Testing

Pilot testing enabled the researcher to collect valid and reliable data and evaluate the questionnaire for objectivity and efficiency of the process. The questionnaire will be pilot tested to ascertain the suitability of the tool before actual administration. Mugenda and Mugenda (2012) suggests that pre-testing allows errors to be discovered as well as acting as a tool for training a research team before the actual collection of data begins. Pre-testing will be done by

administering the questionnaire to a fewer respondents who will be selected randomly from the target population

3.7.1 Validity Test

It refers to the extent to which a research instrument measures what it is aimed to measure. It is the degree to which study evidence and theory support the meaningfulness or interpretation of the study scores. . Evarretta (2014) describes Validity as the accuracy and meaningfulness of inferences in a test based on the results from a research, the extent to which the instrument measures what it was designed to measure. Ways to approach validity include content validity, construct validity Research instruments are out of content and face validity (extent of a procedure appearing effective in terms of its underlying aims).

3.7.2 Reliability Test

Reliability refers to the ability of the instruments of research to consistently and continuously measure characteristics of interest over time. A measure is said to have high reliability if it produces' similar results under consistent conditions (Trochim,2013). That is if the testing process were repeated with a group of test takers, then essentially the same results would be obtained. Reliability is centred in consistency, stability and dependability of a test. In this case study, the researcher will administer questionnaires to the officers at JKIA to find out if their feedback will be a match to those of the study sample. Testing reliability is influenced by two sorts of factors, those that contribute to consistency and those that contribute to inconsistency (Davidshofer, 2016). The goal of estimating reliability is to determine how much of the variability in test scores is due to errors in measurement and how much is due to variability in true scores. A true score is the part of the observed score that could repeatedly occur across

different measurement occasions whereby there is no influence of error. Errors of measurement are composed of both random error and systematic error. It represents the discrepancies between scores obtained on tests and the corresponding true scores.

3.8 Data Analysis and Presentation

One collected, data was analyzed and organized in a way that was easy to understand and interpret. Data analysis refers to the process of rearranging and reducing data so that it can be easily utilized (Kabiru & Njenga, 2009). The main methods of organizing data are frequency tables, graphs and pie charts (Cooper & Schindler, 2006). The information gathered in this study was organized into frequency tables and graphs and this was facilitated by the use of statistical package for social scientists version 20 (SPSS V.20). The data collected was further analyzed using SPSS (V.20) to obtain descriptive statistics. Pearson's Correlations Analysis and Regression analysis and ANOVA were used to support the deductions in the study. Regression analysis is suitable for this study. Regression analysis refers to the statistical processes used to estimate relationships among dependent and independent variables in a study; Scott (2013).

The multiple regression model applied was if the form;

$$Y = B_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where:

Y= Revenue collection (Dependent Variable)

X₁=Post-importation transaction verification(Independent Variable)

X₂= Desk audit (Independent Variable)

X₃=Field audit (Independent Variable)

B_0 = constant of regression (Independent Variable)

$\acute{\epsilon}$. = error term

B_0 = constant of regression

$\acute{\epsilon}$. = error term

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The main objective of this study was to analyze the effects of post clearance audit on revenue collection at the customs department of Kenya Revenue Authority. Findings from the study showed that post importation transaction verification, desk audit and field audit were the key determinants influencing revenue collection performance at Kenya Revenue Authority.

4.1.1 Response Rate

The study targeted a population of 400 customs officers at times towers and JKIA cargo sheds as described in section 3.3.1 of this research. A sample size of 200 was arrived at using Slovin's formula as calculated in section 3.4 of this research. The sample size was arrived at as follows:

Where: $n = N / (1 + Ne^2)$

n=Number of samples

N = Total population (400)

e = Error tolerance (0.05)

Thus: $n = 400$

$1 + (400*(0.05)^2)$

$n = 200$

$n = 200$

Out of 200 questionnaires distributed, 150 results were obtained, representing 75 percent response rate. Respondent's satisfaction index was computed based on five point scale measurements; e.g. strongly agree, agree, neutral, disagree strongly or disagree. Mean score

was computed in each measurement variable for all levels of satisfaction and agreement. This was converted into percentages and results were presented in frequency tables and graphs. Data was analyzed using SPSS (V. 20).

Table 4.1 Response rate

Category	Frequency	Percentage
Questionnaires Distributed	200	100
Questionnaires Completed	150	75
Uncompleted Questionnaires	50	25

4.1.2 Results of Pilot test

A correlation coefficient measures the direction and strength of a relationship. A coefficient close to 1 shows that a strong relationship exists, and one close to 0 shows that the variables under consideration are not linearly related (Kothari, 2013). The correlation coefficient is +0.992 which shows a positive relation between revenue collection and post importation transaction verification, desk audit and field audit.

4.2 General Information

The respondents were required to provide some general background information about their specific industry affiliation, the range of duration of employment in the organization and their level of employment in the organization. This information was significant as it described the targeted sample group and this would then facilitate data collection in the study.

4.2.1 Demographic Information

The demographic information was captured in order to determine the gender, age, education level, marital status, employment period and the job group of the respondents. This was important because it enhanced reliability and gave the basic understanding of the respondents who took part in the study. They were important issues since they have an effect on reception of education and sensitization of revenue payers towards enhancement of efficiency in revenue collection.

4.2.2 Gender

This was to establish the number of female and male respondents who took part in the study.

Table 4.1 below shows the distribution of respondents by their gender.

Table 4.2 Gender of Respondents

Category	Frequency	Percentage
Male	100	68
Female	50	32

Table 4.2 shows that majority (68%) of the employees respondents were males while 32% were females. Even though the study could not achieve a 50/50 percent gender representation, the views of both genders were well represented in this study.

4.2.3 Marital Status

This section sought to determine the marital status of the respondents under study. This was to show those employees respondents who were single, married or divorced. The findings are presented in the figure below.

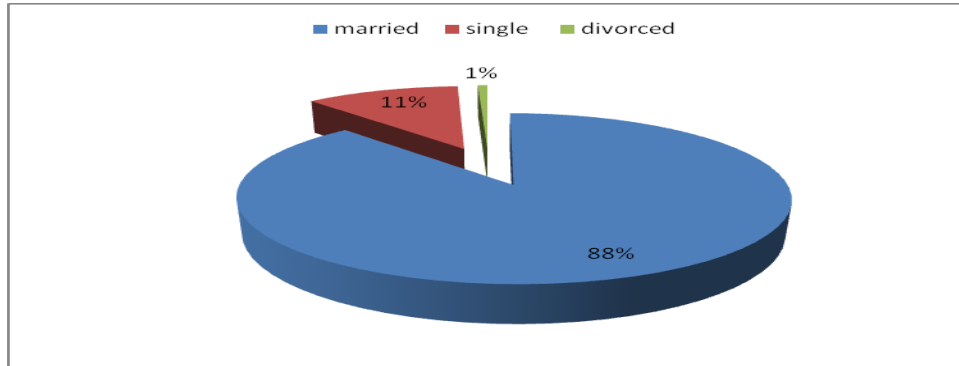


Figure 4.1 - Marital status of respondents

Figure 4.1 above shows that majority (88%) of the employees respondents were married, 11% were single while 1% of the respondents were divorced

4.2.4 Age of Respondents

Figure 3 below shows the age of the respondents. This was captured in the first section of the questionnaire which was designed to show respondents ages in different age brackets.

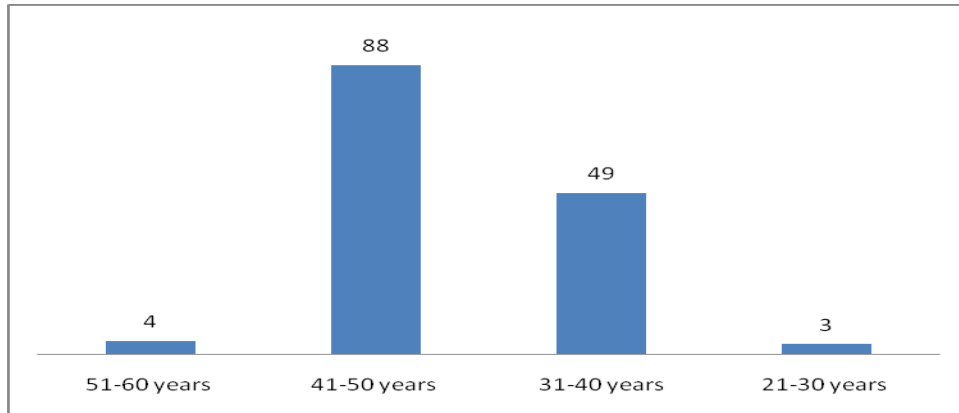


Figure 4.2 - Age of respondents

The study shows that 61% of the respondents were between the ages of 41-50 years while 34% were between 31-40 years of age. Majority of the respondents fell in these two age brackets, this shows that the employees are experienced in carrying out customs operations and post clearance audit for the enhancement of efficiency in revenue collection. Only 3% of the respondents were between 51-60 years of age while 2% were between 21-30 years of age.

4.2.5 Educational Qualification

This section sought to show the educational qualification/ highest level of education reached by the respondents. Table 5 below therefore shows the distribution of respondents by their educational qualification, that is, those who had reached Secondary, Diploma, University 1st Degree and Masters Degree as their highest level of education.

Table 4.3 - Educational Qualification

Educational Qualification

Category	Frequency	Percentage
Secondary	0	0
Diploma	53	35
Degree	74	51
Masters	23	14

Table 4.3 shows that majority (51%) of the respondents had a first degree from the university while 35% had a diploma. Further, 14% of the respondents revealed that they had had masters while 0% had secondary qualification. This shows that majority of the staffs at KRA are highly educated and qualified in their jobs, hence capable of improving revenue collection at Kenya Revenue Authority.

4.2.6 Employment Period at KRA

This section sought to show the duration the respondents had been working/ employed at KRA. Figure 4 below therefore shows the duration of employment of respondents from those who had been employed for less than 1 year to those who had been employed for a period of over 21 years.

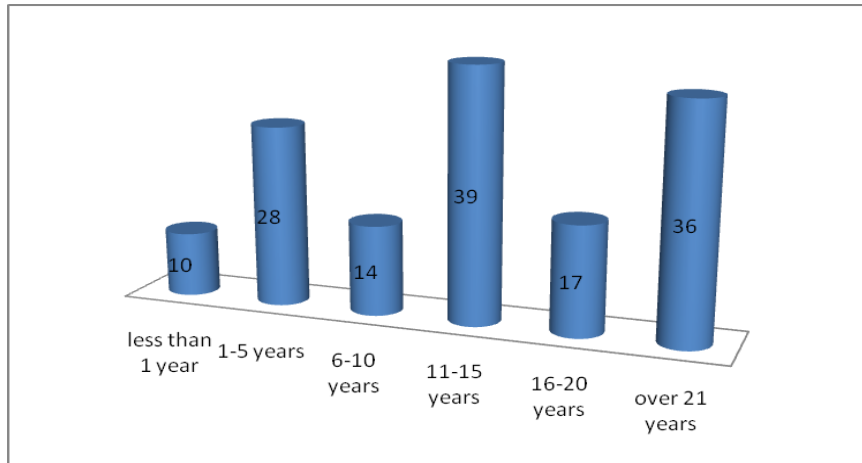


Figure 4.3 - Employment Period at KRA

The study found out that 27% of the respondents have been employed at KRA for 11-15 years, 24% have been employed for over 21 years while 20% had been employed between 1-5 years. Only 7% of the respondents had been employed for less than 1 year while 12% revealed that they had employed for 16-20 years. This shows that majority of the respondents had been employed for over 10 years meaning that majority of the employees are well experienced in their jobs; this not only shows the capability they have to improve revenue collection strategies through the skills and experience that they have but it also improves the reliability of the data collected from them.

4.3 Descriptive Analysis

The objective of the study was to find out the effects of post clearance audit on revenue collection considering the variables post importation transaction verification, desk audit and onsite audit. The table below shows the extent to which the respondents agree to various aspects of post clearance audit in relation to revenue collection.

4.3.1 Revenue Collection at Customs Department

Table 4.4 - information on Revenue Collection at Customs Department

Revenue collection	Strongly Agree		Agree		Not Sure		disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Compliance has increased revenue generation	42	27%	52	34%	7	3%	24	17%	25	17%
Compliance has made clearance time quicker	32	20%	60	41%	12	7%	24	15%	22	15%
Penalties on importers lead to additional revenue	70	47%	40	22%	4	1%	13	9%	23	14%

The study established that 34% of the employees agreed that compliance has increased revenue collection while 27% strongly agreed compliance to have a positive impact on revenue collection. Forty one percent agreed that compliance has made clearance time quicker, further 20% of the respondents strongly agreed to this. Moreover, 47% of the respondents strongly agreed while a further 22% agreed that penalties on imports lead to additional revenue.

4.3.2 Aspects on Post-importation Transaction Verification

Table 4.5 - Aspects on Post-importation Transaction Verification

Aspects on post importation Transaction verification	Strongly Agree		Agree		Not Sure		disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Correct valuation allows for proper revenue collection	92	63%	52	34%	4	1%	2	1%	0	0%
Penalties due to under-valuation lead to additional revenue	50	35%	60	42%	22	14%	12	7%	6	3%
The correct rules of origin are usually followed by importer	70	49%	42	28%	11	6%	20	14%	7	3%
Accurate HS tariff classification allows for the right revenue generation.	82	56%	30	20%	24	14%	14	10%	0	0%

The study established that majority of the respondents 63% strongly agreed while 34% agreed that the aspect of correct valuation allows for proper revenue collection. Fourteen percent disagreed on if the correct rules of origin are keenly followed by importers. Moreover 56% of the respondents strongly agreed that the accuracy of HS classification allows for the correct amount of revenue generation.

4.3.3 Aspects on Desk Audit

Table 4.6 - Aspects of Desk Audit

Aspects on desk audit	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Gathering of relevant information about importer aids ensure compliance	60	41%	40	28%	22	14%	18	11%	10	6%
Information on types of goods imported aids in revenue generation	30	20%	70	47%	17	10%	25	16%	8	6%
False declaration leads to penalties thus additional revenue collection	82	54%	50	34%	11	6%	5	3%	2	2%
Track record of importer helps ensure compliance is always met	15	9%	17	10%	50	35%	40	26%	28	19%

Majority of the respondents 61%strongly agreed that gathering of information about the importer is vital to a desk audit and aids in ensuring compliance whereas 11% disagreed. Information on the types of goods imported aids in revenue generation was agreed by 47% and strongly supported by 20%. In addition, 54% strongly agreed that false declaration leads to hefty penalties thus an addition to revenue collected where as 26% disagreed that the track record of an importer helps ensure that compliance is always met.

4.3.4 Aspects on Field Audit

Table 4.7 - Aspects of Field Audit

Aspects on Onsite Audit	Strongly Agree		Agree		Not sure		disagree		Strongly Disagree	
	F	%	F	%	F	%	F	%	F	%
Physical verification of importer goods ensures compliance was followed	60	42%	42	27%	12	7%	20	13%	16	10%
Visit to importer premises aids in ensuring that the importer is accountable of the declared goods	40	27%	82	55%	15	9%	10	7%	3	1%
Field audit allows for importer books to be evaluated for more information	50	35%	80	55%	12	7%	4	1%	4	1%
Field audit has enhanced importer compliance, accountability and additional revenue.	70	48%	50	35%	15	9%	8	4%	7	3%

The table above shows that 42% of the respondents strongly agreed and 27% agreed that physical verification of importer goods helps ensure that compliance was followed in time of a post clearance audit. Moreover, 35% strongly agreed that onsite or field audit allows for a closer look of the importers books and invoices for more information to aid in the audit. Forty-eight percent agreed that a field audit has enhanced importer compliance, accountability and additional revenue.

4.4 Inferential Analysis

4.4.1 Regression Analysis

The study regression model in table 4.4.1 shows that the coefficient of determination (R^2) is 0.798 and R is 0.637 at 0.05 significance level. This is an indication that the four independent variables notably; (X_1) post importation transaction verification, (X_2) desk audit and (X_3) Field significantly determined the dependent variables (Y) revenue collection. The coefficient of determination ($R^2, 0.798$) indicates that 79.8% of the variation on revenue collection is determined by post importation transaction verification, desk audit and field audit. The remaining 21.2% of the variation on revenue collection is determined by other variables not included in the study model. This shows that the model has a good fit since the value is above 75%. This concurred with Graham (2002) that (R^2) is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains all the variability of the response data around its mean. In general, the higher the (R^2) the better the model fits the data.

Table 4.4.1 Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798	.637	.619	.35064
a. Predictors: (Constant), x1, X2, X3				

The results of Analysis of Variance (ANOVA) in table 4.42 shows that the independent variables notably; (X₁) post importation transaction verification, (X₂) desk audit, (X₃) field audit as the major effects of revenue collection, since the P value is actual 0.00 which is less than 5% level of significance. Also in table 2, the high value of F statistics (33.841) with significant level of 0.00 is large enough to conclude that all the independent variables significantly determine revenue collection.

Table 4.4.2 ANOVA

<i>ANOVA</i>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.643	4	4.161	33.841	.000
	Residual	9.467	77	.123		
	Total	26.110	81			
a. Dependent Variable: Y						
b. Predictors: (Constant) X2, X3, X1						

The test of beta coefficients presented in table below shows the extent to which each independent variable determines revenue collection. A positive significance has a t value of 2 or more. As presented in the table below, (X1) post importation transaction verification coefficient of 0.281 was found to be positive at significant level of 0.001 and this indicates that post importation transaction verification positively determines revenue collection. (X2) desk audit coefficient of 0.349 was found to be positive at significant level of 0.000 this indicates that desk audit coefficient positively determines revenue collection. (X3) field audit coefficient of 0.767 was found to be positive at significant level of 0.000 and this indicates that field positively determines revenue collection. This clearly demonstrates that all the independent variables significantly determine revenue collection and thus the regression equation was;

$$Y=172 + 281X_1 + 098X_2 + 767X_3 + e$$

Table 4.4.3 Coefficients

<i>Model</i>	<i>Un-standardized Coefficients</i>		<i>Standardized</i>	<i>t</i>	<i>Sig.</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Coefficients</i>			
1	(Constant)	.172	.340	Beta	3.445	.001
	X1	.281	.101	.293	2.781	.005
	X2	.349	.092	.381	3.808	.000
	X3	.767	.091	.789	8.460	.000

a. Dependent Variable: Y

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section of research provides a summary on the findings of the research, the conclusions of the study and the recommendations on the effects of post clearance audit on revenue collection in Kenya.

5.2 Summary

The purpose of the study was to determine the effects of post clearance audit on revenue collection in Kenya.

The type of research design adopted was descriptive design. The target population of this study comprised of customs staff of Kenya Revenue Authority (KRA) in at times tower and at selected cargo shed at JKIA, here the study targeted the customs employees and importers who are conversant with the customs procedures. The population that took part in the study comprised of 150 customs at importers/exporters at different cargo sheds at JKIA. The study employed stratified random sampling technique. Questionnaires were used as data collection instruments for this study which were both open ended or closed. Data was analyzed using Statistical Package for Social Sciences (SPSS). Descriptive statistics was used to summarize the data and the findings were presented in form of frequency distribution tables, pie charts and bar charts.

5.2.1 The Effect of Post-importation Transaction Verification on Revenue Collection

The first objective of this study was to determine the effects of post-importation transaction verification on revenue collection. The study established that post-importation transaction verification affects revenue collection.

The study also established that post-importation transaction verification helps the customs department to collect undervalued revenue, which importers do not include in their invoices. In the event of underpayment of duties or revenue collected, PCA will identify revenue collected hence enhancing revenue collection. The study also found that with post-importation transaction verification entries which had pending payments are noted and amounts collected, it minimizes fraud, it speeds up clearance process and reduces costs such as storage. The study also revealed that post-importation transaction verification helps to ensure compliance since importers know if they do not declare the correct tariffs, they may face audit queries requiring them to pay the unpaid taxes with interest.

5.2.2 The Effect of Desk Audit on Revenue Collection

The second objective of this study was to establish the effect of a desk audit on revenue collection in Kenya. The study established that a desk audit affects revenue collection at the customs department to a greater extent.

The study also established that analysis of basic data affects revenue collection at the Customs Department to a great extent. Further, the study revealed that pre-planning influences revenue collection at the Customs Department to a great extent. In addition, the study found that the type of goods an importer has acquired affects

revenue collection at the Customs Department to a moderate extent. Additionally, the study found that pre-audit survey affects revenue collection at the Customs Department to a moderate extent. The study revealed that allocation of audit cases affects revenue collection at the Customs Department to a moderate extent. These procedures help to select cases that need to be audited and hence a reduction in time used in clearance of goods. Lastly, In relation to the effects of post clearance desk audit on revenue collection at the Customs Department, the study found that post clearance desk audit brings total compliance to prompt submission of taxes and it speeds up clearance and saves on time and storage cost.

5.2.3 The Effect of Onsite/field Audit on Revenue Collection

The third objective of this study was to establish the effect of customs onsite audit on revenue collection in the customs services department in Kenya. The study found that customs onsite audit affects the revenue collection at the customs department. The study also established that customs onsite audit create integrity of revenue collection by the custom department, challenge tax avoidance, helps discover any unpaid tax and ensures all declarations are collectively done and full taxes paid as required by customs laws. It was also revealed that customs audit visits enhance compliance by importers and helps review polices to ascertain which are the most effective tools. The study also revealed that information concerning the importer affect revenue collection at the Customs Department to a great extent. The study also established that initial interview with the importer affects revenue collection at the Customs Department to a moderate extent. Further, the study found that arranging the audit visit affect revenue collection at the Customs Department to a moderate extent. The study also revealed

that customs audit visits improves the ability to analyse all transactional documents and asses extra revenue where due.

5.3 Conclusion

Post Clearance audit actually has an effect to revenue collection as according to the above analysis there is significance in the correlation between duty collected before the audit and after the audit. This clearly indicates that post audit increases revenue collection. That in essence means that the more the audit conducted the more revenue is collected. Thus, it is right to say that post clearance audit is directly related to revenue collection. All the audits are important because they add something to revenue and thus should be encouraged as it assists the government in collecting appropriate duties necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the importers, to organize the degree of duty avoidance, to ensure strict compliance with tax laws by importers and stake holders, to improve the degree of voluntary compliance by importers and to ensure that the amount due is collected and remitted to government.

5.4 Recommendations

The study established that post-importation transaction verification leads to an improvement in revenue collection. This study therefore recommends that the management of the customs department should ensure that the post-importation transaction verification is carried out to the letter. However, if there is corruption, it can lead to tax evasion since not all goods are inspected or valuation is done wrongly. The study therefore recommends that the management of the customs department should ensure that there is no corruption within the department. In addition, the government of Kenya should formulate more policies to deal with corruption.

The study also found that custom onsite audit helps in gathering vital information in regard to revenue payable and enables the customs department collect the correct revenues as they are able to see the actual items imported. This study therefore recommends that the government of Kenya should formulate more policies to support and govern customs onsite audit and customs audit visits.

5.5 Recommendations for Further Studies

This study was limited to the customs department at different cargo sheds in JKIA. This study therefore suggests further studies should focus on other entry and exit points in Kenya like Busia, Malaba, Isebania, Lokichogio and Mombasa port. The study also recommends further studies on the factors affecting the implementation of Post Clearance Audit in the customs departments in Kenya.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Date.....

Human Resource Manager

Kenya Revenue Authority

Nairobi – Kenya

Dear Sir/Madaam,

RE: REQUEST FOR PERMISSION FOR DATA COLLECTION

I am a postgraduate student of the Kenya School of Revenue Administration pursuing a Post Graduate Diploma in Customs Administration. I wish to conduct a research titled *effects of post clearance audit on revenue collection in Kenya Revenue Authority*. A questionnaire has been developed to assist gathering relevant information for this study. I wish to seek your permission to be allowed access to your members of staff who will be selected randomly and issued with a questionnaire.

Your grant of permission to conduct the study in your organization will be highly appreciated. I wish to guarantee you that all information will be treated with utmost confidentiality and high ethical standards will be observed.

Yours Sincerely,

Conrad Lugonzo

HDB335-C016-4523/2016

APPENDIX II: QUESTIONNAIRE

Introduction

This questionnaire intends to gather information on your views regarding the effects of post clearance audit on revenue collection at Kenya Revenue Authority. Your participation in this study is highly welcome and your responses and statements will be handled confidentially and ethically and your identity will be concealed in the final research report.

SECTION 1: BACKGROUND INFORMATION - EMPLOYEES

1. Gender
- a. Male
- b. Female
2. Marital status
- a. Single
- b. Married
- c. Divorced
- d. Widowed
3. Age
- a. 21-30years
- b. 31-40years
- c. 40-50years
4. Education qualification
- a. Secondary
- b. Diploma
- c. University 1st degree
- d. Masters
5. Job description
6. Department of work.....

7. How long have you been at KRA?

- a. Less than 1 year
- b. 1-5 years
- c. 6-10 years
- d. 11-15 years
- e. 16-20 years
- f. Over 20 years

SECTION 2: REVENUE COLLECTION IN CUSTOMS DEPARTMENT

1. The table below presents the various aspects on Revenue Collection by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree 4 = Agree 3 = Not Sure 2 = Disagree 1 = Strongly Disagree

Statement	5	4	3	2	1
a) Compliance has increased revenue generation					
b) Compliance has made clearance time quicker					
c) Penalties on importers lead to additional revenue					

2. The table below presents the various aspects on Post-importation transaction verification by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree 4 = Agree 3 = Not Sure 2 = Disagree 1 = Strongly Disagree

Statement	5	4	3	2	1
a) Correct valuation allows for proper revenue collection					
b) Penalties due to under-valuation lead to additional revenue					
c) The correct rules of origin are usually followed by importer					
d) HS tariff classification allows for the right revenue generation.					

3. The table below presents the various aspects on Desk Audit by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree 4 = Agree 3 = Not Sure 2 = Disagree 1 = Strongly Disagree

Statement	5	4	3	2	1
a) Gathering of relevant information about importer aids ensure compliance					
b) Information on types of goods imported aids in revenue generation					
c) False declaration leads to penalties thus additional revenue collection					
d) Track record of importer helps ensure compliance is always met					

4. The table below presents the various aspects on Onsite Audit by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree 4 = Agree 3 = Not Sure 2 = Disagree 1 = Strongly Disagree

Statement	5	4	3	2	1
a) Physical verification of importer goods ensures compliance was followed					
b) Visit to importer premises aids in ensuring that the importer is accountable of the declared goods					
c) Onsite audit allows for importer books to be evaluated for more information					
d) Field audit has enhanced importer compliance, accountability and additional revenue.					

THANK YOU FOR YOUR RESPONSES