Effect of Post Clearance Audit on Revenue Collection in Kenya: A Case Study of Customs Service Department in Mombasa County

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Abstract: *Customs Administrations 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 customs audit procedures, customs audit standards, customs audit visits and customs pre-arrival clearance on revenue collection in the Customs Services Department in Mombasa. This study used a descriptive research design. The target population of this study was 366 respondents; this included 320 heads of clearing and forwarding firms in Mombasa and 46 staffs working on Customs Services Department in Mombasa. This study used stratified random sampling to select the 30% of the target population. The sample size of this study was therefore 110 respondents. 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 audit visits were influencing revenue collection at customs services department most followed by customs pre-arrival clearance, post clearance audit procedures and post clearance audit standards. However, post clearance audit standards do not significantly influence revenue collection at customs services department. The study also established that post clearance audit procedures 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 also recommends that the management of the customs department should update the standards so as to enhance integrity and improve revenue collection. The study further recommends that the government of Kenya should formulate more policies to support and govern customs audit visits.*

Keywords: Customs audit procedures, Customs audit standards, Customs audit visits, Customs pre-arrival clearance, Post Clearance Audit, Revenue collection.

1. Introduction

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 [1]. 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) [2]

Post Clearance Audit (PCA) has been adopted in many countries all over the world. However, it is a new area for ASEAN Customs. The implementation of PCA in ASEAN has helped to strengthen enforcement and provide the necessary support and confidence in the implementation of trade facilitating measures and simplified procedures in cargo processing and valuation specifically [3].

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 [1]. 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, the survey 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 [1].

Japan Customs is formulating and implementing the appropriate and fair tax/tariff policies to realize a healthy national economy and robust public finance. Japan Customs collected customs duties and consumption tax totaling about 5.4 trillion yen (approximately $US47 billion) in the financial year 2006 [4]. This is about 10% of the total national tax revenue, which indicates that Japan Customs is working as an important revenue agency after implementing Post Clearance Audit. In partnership with the National Tax Agency, Japan Customs is collecting duties and taxes in a fair and appropriate manner with due consideration to the effectiveness of its operations. In order to ensure the fair and

appropriate collection, Japan Customs has implemented an 'Advance Ruling System' for correct import duty declaration, 'Post Clearance Audit' for appropriate duty taxation, and 'Criminal Investigation' to elucidate violations of Customs Laws [4].

Post-clearance audit allows reduction of control activities at a border 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 revenue collection, as PCA allows a more comprehensive and holistic evaluation of the particulars necessary for the 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 [4].

In addition, PCA can have the form of supporting transaction-based controls at the border by verifying the classification, valuation and origin of the goods after release through an audit of the supporting commercial documentation such as an invoice [5]. In this way, goods can be released upon arrival (usually against security or guarantee) and clearance be completed and duties paid after the PCA. This segregation of release and clearance is a very important measure to accelerate 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 stipulated in the ICC Customs Guideline [6].

1.1 Statement of the Problem

The growth in international trade, coupled with declining resources for Customs administrations worldwide relative to the increase in volume of international trade and the need for trade facilitation, has necessitated the adoption of risk management and audit-based controls [2]. These permit Customs authorities to release the vast majority of shipments and retain only consignments matching the risk profiles. Non-selected cargo is released immediately but may be subjected to Post Clearance Audit later.

Administrations 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 [6]. 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. In addition, 100% physical examination creates an enabling environment for corrupt practices. Audit-based controls are a prerequisite for administrations to successfully apply other trade facilitation measures, such as segregation of release and clearance, simplified procedures for authorized traders and AEOs or the WTO valuation rules [7].

Faster release of goods at borders is expected to reduce trade costs for businesses. A saving of one day in shipping manufactured goods would be equivalent to 0.8 percent of the value of goods [8]. Assuming that trade costs were reduced by 1 percent on average world-wide, it is estimated that world income would increase by about USD 40 billion [3]. Increased revenue collection remains a core role for

many Customs administrations. It is widely recognized that specific PCA measures potentially strengthen the capacity of Customs administrations to improve revenue collection. Firstly, revenue could increase as a result of a larger tax base (more imports) attracted by faster release of goods and lower trade costs as discussed above. Secondly, trade facilitation measures could reduce the incentives for "informal" cross-border trade, on which traders do not pay Customs duty and VAT [3]. Lastly, a specific Customs technique such as post-clearance audit could enhance revenue collection [9].

However, PCA requires an enabling environment such as a dedicated PCA organization within Customs, the legal powers to access commercial records and to enter traders' premises, properly trained staff, as well as the existence and proper application of accounting standards (e.g. based on the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board) based on which companies keep their records [10]. Only by following such accounting standards Customs were in a position to improve revenue collection. It is against this background that this study ought to establish the effect of post clearance tax audit on revenue collection in Kenya.

1.2 Research Objectives

The overall objective of this study was to establish the effect of post clearance tax audit on revenue collection in Kenya.
The specific objectives of this study were;
1) To determine the effect of customs audit procedures on revenue collection in the customs services department in Kenya
2) To establish the effect of customs audit standards on revenue collection in the customs services department in Kenya
3) To establish the effect of customs audit visits on revenue collection in the customs services department in Kenya
4) To determine the effect of customs pre-arrival clearance on revenue collection in the customs services department in Kenya

2. Theoretical Framework

Social rule system theory is an attempt to formally approach different kinds of social rule systems in a unified manner [11]. 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 [7].

On the other hand, the 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 [12]. 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 [13]. 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.

3. Conceptual Framework

This study sought to establish the effect of post clearance tax audit on revenue collection in the customs department. The independent variables were customs audit procedures, customs audit standards, customs audit visits and customs pre-arrival clearance. The dependent variable was revenue collection in the customs department. The study therefore proposed the following conceptual framework.
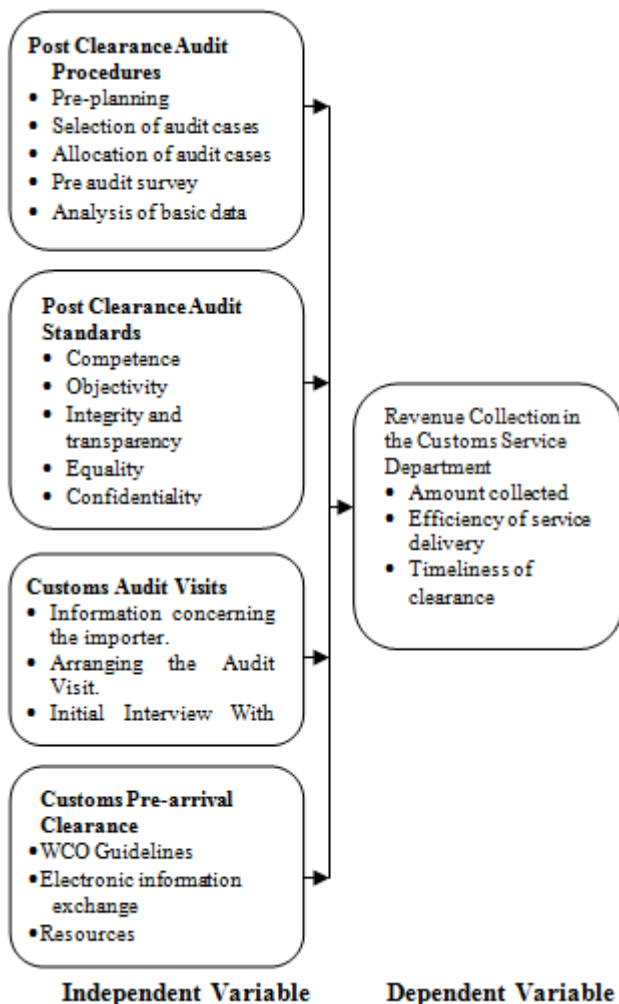
Figure 1: Conceptual Framework

4. Empirical Review

There are various studies that have been conducted in relation to revenue collection and Kenya Revenue Authority. For instance, a study was conducted on customer service as a competitive strategy for enhancing performance in the Customs Services Department, Kenya revenue Authority

[14]. 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 and twenty (20) clearing agents drawn from various clearing and forwarding companies. 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.

On the other hand, a study was conducted on the impact of automation as a structural change strategy on customs clearing procedures at Kenya Revenue Authority [15]. 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.

A study was conducted on the effects of revenue system modernization on revenue collection at Kenya Revenue Authority [16]. 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.

A study was conducted on the effects of tax audit on revenue collection with a case of Kenya Revenue Authority [13]. 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 the effects of internal controls on revenue collection with a case of Kenya revenue authority [10]. 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.

5. Research Gap

There is immense of 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 [17], a study was done on the effect of Strategic Response on Revenue Collection in Kenya Revenue Authority, Nairobi County, Kenya [18], a study was conducted on the effects of revenue system modernization on revenue collection at Kenya Revenue Authority [16] and a study was conducted on the effects of tax audit on revenue collection with a case of Kenya Revenue Authority [13]. However, none of these studies outline how post clearance audit influences revenue collection. In addition, none of these studies focused on the variables of this study: customs audit procedures, customs audit standards, customs audit visits and customs pre-arrival clearance. This study therefore sought to fill this research gap by looking at the effect of post clearance tax audit on revenue collection in the customs department in Mombasa.

6. Research Methodology

In addition, a research design is a blue print which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money [18]. This study used a descriptive research design. The target population of this study was therefore heads of 320 clearing and forwarding firms in Mombasa and 46 staffs working on Customs Services Department in Mombasa a total of 366 respondents.

This study used stratified random sampling to select the 30% of the target population. A sample size of 30% is a good representation of the target population [19]. For small populations ($N < 100$), there is little point in sampling and surveys should be sent to the entire population; for population size ≈ 500; 30% of the population should be sampled; for population size $\approx 1,500$, 20% should be sampled and at approximately $N = 5,000$ and beyond, the population size is almost irrelevant and a sample size of 400 is adequate [19]. The sample size of this study was therefore 110 respondents.

Table 1: Sample Size

Organization	Level of Management	Target Population	Sample Size (30%)
Custom Services Department	Top level management	2	1
	Middle level management	4	1
	Low Level management	40	12
Clearing and forwarding firms	Top level management	320	96
Total		**366**	110

This study mainly used primary data. Semi-structured questionnaires were used in this study to collect data. After developing the questionnaires, the researcher will conduct a pilot test to test the reliability and the validity of the instrument. The study used a drop and pick up later method to collect the data. When dropping the questionnaires, the researcher informed the respondents the data was for academic purposes only.

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. This was used to establish the relationship between the independent and the dependent variables. Data was then presented in a tables, bar charts and pie charts.

7. Results and Discussion

7.1 The Effect of Post Clearance Audit Procedures on Revenue Collection

The first objective of this study was to determine the effect of customs audit procedures on revenue collection in the customs services department in Kenya. The study established that post clearance audit procedures affect revenue collection at the customs department. The study also established that post clearance audit procedures help 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 clearance audit procedures, 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 customs audit procedures 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.

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 selection of audit cases 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. Lastly, 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.

In relation to the effects of post clearance audit procedures on revenue collection at the Customs Department, the study found that post clearance audit procedures guide PCA for the great effectiveness, it brings total compliance to prompt submission of taxes and it speeds up clearance and saves on time and storage cost. The study also found that post clearance audit procedures ensure clear guidelines for staff on how to carry out post clearance issues, enhances revenue collection, enhances compliance by traders, highlights risky areas, guides on tariffs, reduces release time and creates more efficient controls.

7.2 The Effect of Post Clearance Audit Standards on Revenue Collection

The second objective of this study was to establish the effect of customs audit standards on revenue collection in the customs services department in Kenya. The study established that post clearance audit standards affect revenue collection at the Customs Department to a great extent. The study also revealed that post clearance audit standards increase revenue collection, increases recovery of lost revenue, improves the level of integrity of the PCA and its objectivity, makes predictions adhere to tax payments thereby briefing increase in revenue, and increase

compliance. The study also found that audit standards enable custom department to determine if correct revenue has been collected, increase revenue collection as it ensures that all importers comply with custom standards, enhance integrity of officers hence work is done diligently therefore collection of revenue and reduces cost of compliance. However, some of the standards are outdated and need to be reviewed to enhance revenue collection.

The study also established that integrity and transparency affect revenue collection at the Customs Department to a great extent. In addition, the study revealed that competence affects revenue collection at the Customs Department to a great extent. Further, the study found that objectivity affects revenue collection at the Customs Department to a great extent. Additionally, the study found that confidentiality affects revenue collection at the Customs Department to a moderate extent. Lastly, the study revealed that equality affects revenue collection at the Customs Department to a moderate extent.

In relation to the effects of post clearance audit standards on revenue collection at the Customs Department, the study established that post clearance audit standards increase of revenue collection and recovery of lost revenues, enables customs to gain better information and understands client, leads to high integrity among officers, increases compliance and reduces release time and creates more efficient controls. The study also found that post clearance audit standards compliant trade is facilitated. Standards are important because they are used as a benchmark to improve and maintain procedures used in the PCA department, which affect the revenues we recover after audit.

7.3 The Effect of Customs Audit Visits on Revenue Collection

The third objective of this study was to establish the effect of customs audit visits on revenue collection in the customs services department in Kenya. The study found that customs audit visits affect the revenue collection at the customs department. The study also established that customs audit visits 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.

In relation to the effects of the customs audit visits on revenue collection at the Customs Department, the study found that customs audit visits increase revenue collection, helps in gathering vital information in regard to revenue payable, ensures the unpaid taxes are raised, enables the

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customs department collect the correct revenues as they are able to see the actual items imported, ensures importers comply with the set rules and standards thus no loss and helps in analysis of the policies and procedures in place. The study also revealed that customs audit visits improves the ability to analyze all transactional documents and asses extra revenue where due.

7.4 The Effect of Customs pre-arrival clearance on Revenue Collection

The fourth objective of this study was to determine the effect of customs pre-arrival clearance on revenue collection in the customs services department in Kenya. The study established that customs pre-arrival clearance affects revenue collection at the Customs Department. Modernization of Customs procedures so as to expedite the clearance and release are trade facilitation tools as they positively influence revenue collection.

The study also found that customs pre-arrival clearance encourages fraud, it encourages tax avoidance, causes under declaration of taxes hence reduces revenue collection. The study also revealed that with customs pre-arrival clearance, importers are able to clear their goods within a short period of time thus saving time, facilitating trade and leads to a high revenue collection, prepares the auditee to avoid only the necessary documents and information, shortens the time required to clear goods and helps to identify high risk cargo prior to arrival ensuring through verification of the same.

The study also found that electronic information exchange affects revenue collection at the Customs Department to a great extent. This is because electronic information exchange is a prerequisite for administrations to successfully apply other trade facilitation measures, such as segregation of release and clearance, simplified procedures for

authorized traders and AEOs or the WTO valuation rules. The study also found that resources affect revenue collection at the Customs Department to a moderate extent. In addition, the study established that WCO Guidelines affect revenue collection at the Customs Department o a moderate extent. Modern customs administrations may be in a position to grant release and clearance simultaneously upon arrival of the goods, as stipulated in the ICC Customs Guideline.

In relation to the effects of the customs pre-arrival clearance on revenue collection at the Customs Department, the study found that customs pre-arrival clearance enables maximizes revenue collection, enables customs to plan on budget and revenue estimates for the period, improves revenue collection and also gives the government an overview of expected revenue and promotes correct declaration since officers have adequate time to research the document and ensure correct taxes are paid. In addition, customs pre-arrival clearance ensures proper profiling and targeting, gives pointers to high risk cargo and passengers, cuts down on time for processing documents and ensures compliance. The study also found that with customs pre-arrival clearance it is easy to identify credible importers, there is more time for document analysis to enhance revenue collection. It was also found that customs pre-arrival clearance leads to an easy collection of revenue and quick turnover for importation.

8. Correlation Analysis

A correlation is a number between -1 and +1 that measures the degree of association between two variables. A positive value for the correlation implies a positive. A negative value for the correlation implies a negative or inverse association.

Table 2: Correlation

		Revenue Collection at Customs Services Department	Post Clearance Audit Procedures	Post Clearance Audit Standards	Customs Audit Visits	Customs pre-arrival clearance
Revenue Collection at Customs Services Department	Pearson Correlation	1	.216[*]	.039	.657[**]	.433[**]
	Sig. (2-tailed)		.042	.717	.000	.000
	N	89	89	89	89	89
Post Clearance Audit Procedures	Pearson Correlation	.216[*]	1	.451[**]	.208	.229[*]
	Sig. (2-tailed)	.042		.000	.051	.031
	N	89	89	89	89	89
Post Clearance Audit Standards	Pearson Correlation	.039	.451[**]	1	.278[**]	.398[**]
	Sig. (2-tailed)	.717	.000		.008	.000
	N	89	89	89	89	89
Customs Audit Visits	Pearson Correlation	.657[**]	.208	.278[**]	1	.383[**]
	Sig. (2-tailed)	.000	.051	.008		.000
	N	89	89	89	89	89
Customs pre-arrival clearance	Pearson Correlation	.433[**]	.229[*]	.398[**]	.383[**]	1
	Sig. (2-tailed)	.000	.031	.000	.000	
	N	89	89	89	89	89
*. Correlation is significant at the 0.05 level (2-tailed).						
**. Correlation is significant at the 0.01 level (2-tailed).						

From the correlation analysis in the table below, the study found that there is a positive relationship between Post Clearance Audit Procedures and Revenue Collection at Customs Services Department, where the correlation

coefficients was 0.216 and a p-value of 0.042. The study also found that post Clearance Audit Standards and the Revenue Collection at Customs Services Department correlate positively with correlation coefficients of 0.346.

However, the relationship is not significant as the p-value (0.717) is greater than the significance level (0.05). The study further established that there is a positive significant relationship between Customs Audit Visits and Revenue Collection at Customs Services Department with a correlation coefficient of 0.657 and p-value of 0.000. Lastly, the study found that there is a positive significant relationship between Customs pre-arrival clearance and Revenue Collection at Customs Services Department as shown by a correlation coefficient of 0.216 and a p-value 0.000.

This infers that Customs Audit Visits were influencing revenue collection at customs services department most, followed by customs pre-arrival clearance, post clearance audit procedures and post clearance audit standards. However, post clearance audit standards do not significantly influence revenue collection at customs services department.

9. Recommendations

The study established that post clearance audit procedures lead to an improvement in revenue collection and reduces the amount of time it takes to clear goods. This study therefore recommends that the management of the customs department should ensure that the post clearance audit procedures are followed to the letter. However, if there is corruption, post clearance audit procedures can lead to tax evasion since not all goods are inspected. The study therefore recommends that the management of the customs department should ensure that there is not corruption within the department. In addition, the government of Kenya should formulate more policies to deal with corruption.

The study established that that some of the standards at the customs department are outdated and need to be reviewed to enhance revenue collection. This study therefore recommends that the management of the customs department should update the standards so as to enhance integrity and improve revenue collection.

The study also found that custom audit visits improve 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 audit visits.

The study further established that pre-arrival clearance reduces goods clearance time at the customs department. However, this can lead to the clearance of the wrong goods, which may increase chances of smuggling. This study therefore recommends that more policies should be formulated to govern pre-arrival clearance.

10. Future Scope of the Study

This study was limited to the customs department at Mombasa. This study therefore suggests further studies should focus on other entry and exit points in Kenya like Busia, Malaba, Isebania, Lokichogio and JKIA. 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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