

Post Clearance Audit Implementation in Ethiopia Revenue and Customs Authority: Evidence from Addis Ababa Airport Customs Branch Office

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Abstract: Customs administrations especially those in developing countries increasingly look to post clearance audit as a means of implementing customs controls and allocating limited resources more effectively. This study therefore, sought to assess post clearance audit implementation of Ethiopia Customs and Revenue Authority (ERCA) with special focus at Addis Ababa Airport customs branch office. In particular, the study assesses extent of PCA (Post Clearance Audit) officers in adhering the outlined audit process and level of application of risk management techniques in PCA. To attain these objectives both qualitative and quantitative research approaches were used and data were collected from both primary and secondary sources. The primary data were collected through questionnaires, interviews and observation from PCA staffs and customs clearing agents. Secondary data were collected from performance reports and records of PCA department of the branch office. The result of the study revealed that, the PCA unit does not properly follow the outlined audit process and there is weak application of risk management techniques in PCA. To fill the gap and maintain the desired audit quality, the study recommends that, the PCA staff is required to properly follow the outlined audit process and apply effective risk management techniques.

Keywords: Risk Management, Post Clearance Audit, Compliance, Addis Ababa

1. Introduction

The growth in international trade, coupled with declining resources for customs administrations worldwide, has necessitated the adoption of risk management and audit based control [1]. Post clearance audit is proven means of balancing the need for facilitations and enforcement with demand for rapid clearance of imports and exports. By application of a post clearance, risk-based approach, customs are able to target their resources more effectively and work in partnership with the business community to improve compliance levels and facilitate trade [2].

Customs audit is regarded as one of the most effective measures for compliance verification with customs laws, regulations, procedures and trade facilitation through fast clearance. It is also a critical control methodology for customs as it enables them to move from a strictly transaction-based control environment to a stronger audit-based administration. Transaction-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 certificates, licenses and permits, etc [3].

As the import and export activity in Ethiopia began to diversifying in the recent years the customs administration has to deal with the growing number of imports and exports. On the other side, along with the economic globalization, the government and traders expect that the customs operations could be more efficient, have more simplified procedure and lower cost for all parties involved. To respond to the increased and diversified trade flows, the Ethiopian Revenues and Customs Authority had to process the imports and exports more quickly. The change in trade pattern together with the new ability to automate the customs operations, lead to changes in customs clearance approach; moving the clearance system away from physical inspection to more systematic risk based inspection using post clearance audit.

PCA properly implemented provides a clear and comprehensive picture of the transactions relevant to customs as reflected in the books and records of international traders. It will take on an increasingly important role in assisting importers/exporters to improve and sustain compliance with customs administered legislations [1].

Addis Ababa Airport customs is one of the branch of Ethiopian Revenues and Customs Authority in which the activities of customs audit is undertaken with common objectives of ensuring voluntary compliance and identifying non-compliance through effective and efficient customs audit programs. In spite of the efforts of ERCA in implementing a customs audit policy and procedures effectively; the practice of the unit in the indicated branch office faces inefficiency to meet the audit objectives as outlined in the ERCA's audit manual and international best practices.

Ineffective PCA hinders not only achievement of its objectives in Ethiopian customs service, but also attractiveness of trade development and the country's global competitiveness. Although few studies conducted in other branch office, researches have not been conducted on the same issues at the Addis Ababa Airport customs branch office. Therefore, this study designed to fill this gap in the area of the study. Hence, to address this issue the following questions are formulated.

1. To what extent the PCA officers follow the outlined audit process in implementing audit?
2. What is the level of application of risk management techniques in implementing PCA?

2. Objectives of the Study

The objective of this study is to assess post clearance audit implementation in ERCA focusing on the case of Addis Ababa Airport customs branch office. Specifically the following are the objectives.

1. To assess extent of PCA officers in following the outlined audit process in implementing audit.
2. To assess level of application of risk management techniques in implementing PCA.

3. Literature Review

Quality of the audit is important to the client, the audit officer and the customs administration. In the context of Post-clearance audit, quality, means ensuring that risks of non-compliance are addressed; process works effectively to avoid redo work; and the result demonstrates fairness to the client. Achieving these goals comes from a combination of an effective audit process, as well as the way in which the auditors and managers carry out the work, in relationship with the client [1].

Post clearance audit process consists of the following five steps which includes Pre-planning at the first phase, planning, execution, closure of an audit and, evaluation and follow up at the end of an audit.

In applying risk management techniques and audit-based

control, the customs authority is able to release the vast majority of shipments (up to 80–90 percent of total imports in most countries) and retain only consignments matching identified risk profiles. Non-selected cargo is released immediately but may be subject to post-clearance audit [4]. Risk indicators for PCA [1] include, Profile of Importers, Trade Data, Past Records and Information/Intelligence.

In modern customs control techniques, the process of risk management is an important aspect, because, it supports management decisions on how to allocate limited resources effectively and transform customs into “invisible customs” and turn them into “client-friendly” and “trade facilitating” entity. PCA driven by risk management techniques enables to identify national compliance priorities and opportunities for facilitation. This will help customs to shift resources to areas of greatest risk where importer non-compliance could cause potential harm either in health and safety, economically or politically. And also voluntary compliance is maximized in an environment where citizens are provided the tools to comply, the opportunity to comply, they perceive the law and the administration of the law to be fair and evenly applied and the consequences of noncompliance unacceptable, and this is attained through transparency at each stage of an audit [1].

Due to increase in volume and complexity of trade in the world, both in terms of goods being traded and conditions of trade makes it essential for administrations to provide simple, predictable, and efficient customs procedures for clearance of goods while simultaneously tackling increasingly complicated national and international requirements. Because of this, customs should selectively target the small number of high-risk consignments requiring detailed documentary scrutiny and/or physical inspection, while leaving the vast majority of low risk consignments to move/be released by customs with a minimum intervention or inconvenience. It enables speedier clearance of compliant cargo, and importantly assists customs administrations to ensure enforcement, security and trade facilitation at the same time [5].

Risk management is cornerstone for effective PCA implementation. Therefore, it must be emphasized that the efficiency and effectiveness of customs PCA to a large degree depends on the risk management processes operated at each stage of customs controls whether these controls operate on a pre-release or post-release basis [6]. Implementing risk management procedure in PCA activities will make it possible to focus attention on the high-risk areas, for a more cost-effective use of the available resources, detect irregularities more easily and perform fewer checks on companies which comply with the laws and regulations.

3.1. Types of Post Clearance Audit

According to [1] the following are among the common types of post clearance audit.

3.1.1. Desk Reviews

The review of a single customs program without an on-site audit. This option is designed to look at and test a single/number of areas of non-compliance but where the

client has either a limited number of transactions or few records. In these circumstances, a premises visit would not add significant value.

3.1.2. Limited Scope Audit

The on-site audit at clients' premises or without an on-site of a single customs program, this option is designed to look at and test a single area of non-compliance at the client's premises or without an on-site.

3.1.3. Comprehensive Audit

The on-site of audit of multiple customs programs to determine a client's compliance within a specific commodity area. This option is for use when conducting audits on big and small clients. The full and all aspects of the client's customs activities would be tested.

3.2. Different Countries Experience of PCA Implementation

Study by [7] reveals that Post Clearance Audit is a new and important area for the State Customs Service of Ukraine. On June 1, 2012 new Customs Code of Ukraine came into force. This document provides new opportunities for citizens and entities to facilitate foreign trade and greatly simplify existing customs procedures. Regional customs department combats smuggling, risk analysis and anti-corruption which within its competence provide comprehensive monitoring of compliance with customs legislation directs and coordinates the activities of other regional customs in combating smuggling and violations of customs regulations, analysis, control and verification of anticorruption.

Successful implementation of post-clearance audit in Ukraine helps 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. It is conducted focusing on targeted operators, selected on the grounds of risk analysis of a commodity and a trader, or in a planned, regular way, set out in an annual audit program. Furthermore, audit could also be used as criteria to offer special treatment to certain economic operators. It can be concluded that in recent years the process of implementing inspection after customs clearance of goods has improved. In particular, enhanced is the legal framework; founded are the appropriate verification agencies that already show the proper result of customs revenues from the post-clearance audit. But introducing an effective audit system requires not only legislative changes, but also to bring this idea to the public for a clear understanding [7].

The system of China Customs post clearance audit was established in 1994 to solve the contradictory problems resulting from the fast clearance and effective control. Now, Investigation Bureau of General Customs Administration is mainly responsible for audit, which consists of audit division, trade investigation division, specific audit agencies and professional staff under it [8].

The basic purpose of china post clearance audit is to

strengthen customs supervision and control, normalize import and export order, maintains the legal rights and interests of the persons concerned safeguard the state revenue and promote foreign trade. They conducts appraisal to the risk clues accuracy, enterprise compliance situation, relative policies and customs administration situation in order to enhance the audit quality. The period to conduct the post clearance audit is within 3 years from the date of the release of import and export goods or within the period of customs supervision and control over bonded goods and goods imported with duty reduction or duty exemption. The main working method is "risk-oriented post clearance audit". They select high risk enterprises and commodities for audit through collection and analysis of risk data with regard to import and export enterprises operation conditions as well [8].

Even though the system of China customs post clearance audit isn't a long history, it has made great achievements in regulating the import & export behavior of enterprises, preventing and striking the illegal smuggling activities, and protecting the national taxation. Their vision is keeping evolving and progressing in order to gradually establish the so called "four in one, consisting of risk analysis, enterprises auditing, trade investigation, enterprises management" new mode of Customs post clearance audit, they need to comply with the modern Customs system (carecprogram.org). From the above statements we can understand that china customs post clearance audit plays a great role in facilitating trade and in protecting national revenue.

3.3. The Ethiopian Experience of Post Clearance Audit Implementation

In Ethiopia, the legal framework proclamation No. 859/2014 article 121 stated that post clearance audit is carried out within five years from the date a goods declaration has been accepted. It may be carried out at the premises of the authority or at the premises of the person directly or indirectly involved in the import or export of goods. The post clearance audit manual [1], which is consistent with the international standards and best practices provides detailed operational guidelines for the implementation of PCA.

3.4. Empirical Review

Study by [9], on Gap Analysis and Implementation Roadmap for the Directorate General of Post Clearance Audit of Pakistan Customs examines that, many key areas relating to PCA were found to be in need of substantial modernization. The problem identified during the analysis was; current operation does not provide senior management with the necessary assurance that customs and associated revenues will be protected or legislative breaches will be detected. In addition, it does not provide the quality assurance required for Federal Board of Revenue Customs to successfully implement compliance management necessary to support the implementation of risk management principles in the new information technology (IT) system for cargo clearance.

Similarly, study by [10] reveals that, customs administrations, especially those in the developing countries, faces significant problems in balancing their responsibilities of revenue collection, national protection and trade facilitation. Consequently, customs administrations increasingly look to post-clearance control as a means of implementing customs controls and allocating limited resources more effectively. According to the authors, process of post clearance audit implementation in Ukraine faces imperfection of its regulatory framework and the lack of a clear methodology for conducting this form of checks. The multiplicity of views on the economic essence of post-clearance inspection leads to distorted determination of this concept. The study suggests that, effective program of design and implementation demand a range of responses – in legislation, in institutional reform, in building the capacity of customs and other relevant agents, and in monitoring project progress.

A study by [11] examines the challenge of PCA in customs administration in ERCA, the case of Mekele branch. The finding revealed that, the legal framework of ERCA has problem regarding long period audit coverage, PCA doesn't cover all customs regime and risk management is not applied in audit selection.

4. Research Methodology

4.1. Research Design

For this study descriptive type of research is employed to describe the basic characteristics of Addis Ababa Airport customs PCA department and to achieve the broad research objective through addressing the specific objectives of the study.

4.2. Research Approach

To address the general issues and to make comprehensive analysis of the research problem and interpret the overall result, concurrent mixed approach were used during the study (qualitative and quantitative approach). The reason for using mixed approach is to obtain information that cannot be gained through one approach.

4.3. Research Techniques

To assess implementation of post clearance audit in Addis Ababa Airport customs branch office, the study used survey techniques such as questionnaires, interviews and personal observation; which helps to obtain information on the existing PCA practices.

4.4. Source of Data

To make this study reliable and accurate, both primary and secondary sources of data were used. Data used were collected during 2017 and do not reflect the status of the office thereafter.

4.4.1. Primary Data

The three primary data collection instruments that were used in the study are the following.

(i). Questionnaire

To collect necessary information from the sample respondents, questionnaires containing both open-ended and closed ended types of questions was prepared and distributed to PCA auditor right at their office and to customs clearing agents of the branch. Both questionnaires were prepared in English.

(ii). Interviews

To gather information that cannot be collected through questionnaires and for those questions that need detail explanation, interviews was carried out through face-to-face contact with PCA process owner, purposively selected PCA staff and customs clearing agents.

(iii). Observation

Personal observation was made to see/observe the existing post clearance audit practices in the branch and to understand the gap with the implementation process.

4.4.2. Secondary Data

Secondary data was collected from published and unpublished written documents of the branch office. These data was used to analyze the implementation process of PCA and to give policy recommendation by identifying the problem.

4.5. Sample Design

Conducting a study on the complete enumeration of all population is difficult due to different constraints especially if the inquiry was large [12]. Sample design is a plan designed before any data are collected for obtaining a sample from a given population. A well-structured sample design could improve relevance and accuracy of research findings.

4.5.1. Population / Universe

The target populations of the study are Addis Ababa Airport customs post clearance audit department and customs clearing agent of the branch office. According to current information from human resource, PCA department has 16 employees and as per branch customer service business process data, currently 178 active clearing agents registered by the branch are found.

Table 1. Target Populations of the Study.

S.N	Sampling Frame	Target Populations
1.	Post clearance audit department	16
2.	Customs clearing agent /importers	178
	Total target population	194

Source: AA Airport customs, 2017.

4.5.2. Sampling Frame

Sampling frame for clearing agent is registration list of clearing agent at the branch. Whereas, for post clearance audit officers is employee registration list of branch office.

4.5.3. Sampling Unit

Sampling unit is the element considered in the study. For this study sampling unit are PCA officials and customs clearing agent.

4.5.4. Sampling Technique

The study employed both Probability and non-probability sampling techniques. From probability sampling technique simple random sample technique is used to select representative sample from customs clearing agent, because it provides equal chance to all units in the population. On the other hand, since the total number of PCA staff member in the branch office is only 16, the whole populations were considered for the study. From non-probability sampling technique the purposive sampling were used to determine sample for interview from customs clearing agent, and from senior officials in order to get appropriate information from the expert or knowledgeable officers.

4.5.5. Sample Size

In this study, to find representative sample size from customs clearing agent population of 178, personal judgment of the researcher at 95% confidence level and a sampling error of 5% were assumed. The Z-statistics value for 95%, is 1.96, and the estimate of a target population (P) was taken with an incidence rate of 0.5 (50%). Since previous information about the population parameter or standard deviation is not known for the variable under consideration, the formula for finite population [12], was considered as shown below. For finite population, $N < 10,000$ we have;

$$n = \frac{Z^2 P q N}{e^2 (N-1) + Z^2 P q}$$

Where, N = Population

n= Sample size

e =Sample error at (5%)

z = the 'z' value at confidence level of 95%=1.96

P= the proportion of Defective 0.5 and

q= 1-P= 0.5

$$\text{The sample from the customs clearing agent (n)} = \frac{1.96^2 * 0.5 * 0.5 * 178}{0.05^2 * (178-1) + 1.96^2 * 0.5 * 0.5} = 122.$$

Therefore, the sample size from the customs clearing agents is 122, which is approximately equal to 69% of the population suitable for analysis.

Since the total number of PCA staff member in the branch office is only 16, the whole populations were considered for the study. Purposive sampling was used to determine sample for interview from customs clearing agents (15) and from PCA senior auditors (7) in order to get detail information from the expert or knowledgeable officers.

4.6. Data Presentation, Analysis and Interpretation

To present good picture of the data, percentage and table were used so as to facilitate presentation and interpretation of the data. Data collected via different data collection techniques is analyzed using descriptive statistical method by using Statistical Package for Social Science (SPSS) version 20. Qualitative data is described by theme to simplify and easily handle the data. The rational to use this descriptive statistics is to describe the basic features of the data in a study and to provide simple summaries about the sample.

5. Result and Discussion

5.1. The Post Clearance Audit Process

Post clearance audit must be conducted by the outlined audit process in a manual so as to increase the audit quality [1]. To investigate these audit process, questions were forwarded to PCA auditors.

Key: SA= Strongly Agree, A= Agree, N= Neutral, D= Disagree and SD= Strongly Disagree through the paper.

Table 2. Response for PCA Process by Auditors.

No.	Statement	Response (%)				
		SA (5)	A (4)	N (3)	D (2)	SD (1)
1	Post clearance audit unit in the branch office follow the outlined audit process as stated on ERCA's manual	14.3	71.4	14.3		
2	Audit process of the branch is in line with international best practices		14.3	57.1	28.6	
3	Existing audit process enable to address risks of non-compliance		28.6	50	14.3	7.1
4	The audit process works effectively to avoid having redo work		21.4	71.4	7.1	
5	The PCA unit is staffed with appropriate number of auditors			7.1	71.4	21.4
6	At planning stage; notification to client, client profile updates and development of audit program are conducted properly		50	14.3	35.7	
7	There is strong evaluation and follow up systems		28.6	21.4	42.9	7.1
8	The current outlined audit process is suitable in conducting post clearance audit		35.7	28.6	35.7	
9	The auditor conduct initial audit conference with the auditee	7.1	71.4	14.3	7.1	
10	A formal exit conference is held with the auditee to present and discuss the conclusion and findings	21.4	71.4		7.1	

Source: Survey result, 2017.

Based on table 2 above; 14.3% of the respondents strongly agree, 71.4% of the respondents agreed and 14.3% of them were neutral with the idea that post clearance audit unit in the branch office follow the outlined audit process as stated on ERCA's manual. Even though majority of the respondents agree with the statements, using triangulation, the results

from open ended questions and interview indicate that the audit process they follow is planning, execution and closure of an audit. But, the standard audit process includes five steps (preplanning, planning, execution, closure of an audit, evaluation and follow up). This implies that, the unit does not properly follow all the outlined audit process.

Regarding similarity with international best practice, from the total respondents 28.6% of them disagree, 57.1% of them are neutral and only 14.3% of them agreed that audit process of the branch is in line with international best practices. Hence, the PCA officers of the branch are not familiar with the audit process of international best practices beyond following the accustomed audit process of the branch office.

The above table 2 also illustrates that, the majority of the staff members have neutral ideas about whether the existing audit process enable to address risks of non-compliance (50%) and works effectively to avoid having redo work (71.4%). Post clearance audit reference and implementation guide states that, risks to compliance can be mitigated if the audit process is used to identify enhancements to the trader's business systems and controls [13]. Customs needs to develop a mechanism to measure, assess and evaluate the success of its PCA program on the basis of additional revenue collected, improvement of compliance levels and cost/benefit analysis [2]. But, the result shows as the PCA department gives little attention in evaluating the effectiveness of audit process they follow to undertake their activities.

In addition, the interview result with selected team coordinators and from my observation, the department focuses more on control /revenue collection rather than creating balance between trade facilitation and control which hinders achievement of post clearance audit objectives. And that is why they don't know its success, the customers are complaining and the unit is unable to attain and maintain the desired results.

Regarding human resource, 71.4% of the respondents disagree, 21.4% of the respondents strongly disagree and 7.1% of the respondents are neutral with the statement that the PCA unit is staffed with appropriate number of auditors. Even though the structure requires 70 officers in different position, only 22.85% of them are fulfilled to respond to currently increasing and complex trade environment which is impossible. The interview result also identifies the problems related with lack of enough officers as; it forces them to breach the proper audit process and to postponed the intended plan to other period/ budget year. For example, in 2015/2016, 88 companies for desk audit, 20 companies for

comprehensive audit and 147 companies for limited audit were planned to be audited. But, only 3 comprehensive audits, 9 limited audits and 597 desk audits are done. Therefore, this shows that there is a critical problem in fulfilling adequate number of auditors according to the structure and the existing work load.

With regard to audit planning, 50% of the respondents agree, 14.3% are neutral and significant percentage (35.7%) disagree with the idea that at planning stage; notification to client, client profile updates and development of audit program are conducted properly. This implies execution gap with the statements. From total respondent majority (43%) of the respondents do not agree with existence of strong evaluation and follow up systems. Equal percentage (35.7%) of the respondents agrees and disagrees with the suitability of current outlined audit process and 28.6% of the respondents have neutral idea.

Moreover, the above table also indicates that, 71.4% of the respondents replied as PCA unit conducts initial audit conference to deal with administrative matters necessary for conducting the audit as well as formal exit conference to present and discuss the conclusion and findings with the auditee while conducting comprehensive type of audit. But, since majority of the audit type conducted in the branch office is desk audit there is no entry conference as well as exit conference with traders/operators.

By and large, the results from the collected data illustrates that the unit does not properly follow and implement all the outlined audit process of ERCA, there is no regular evaluation and follow up of audit process and as a result, the unit is unable to maintain the desired audit quality.

5.2. Application of Risk Management in Post Clearance Audit

For the successful implementation of PCA program, selection of potential subjects for audit requires risk profiles. A risk database is maintained for this purpose which is regularly updated and accessible only to authorized personnel [2].

In order to assess the selection of clients for audit in the branch office, questionnaires were forwarded to the PCA staff members. The collected data are summarized in the following table.

Table 3. Selection Criteria for Audit (Response of PCA staff).

No	Statement	Response (%)				
		SA (5)	A (4)	N (3)	D (2)	SD (1)
1	PCA is supported with risk management software for risk channeling	35.7	14.3	14.3	35.7	
2	PCA has developed its own risk profiles to maintain a database record of high-risk traders and other operators	35.7	14.3	42.9	7.1	
3	Risk profiles and risk indicators are constantly developed and updated regularly	21.4	21.4	50	7.1	
4	PCA has established automated selectivity criteria for identifying high-risk transactions and operators	21.4	14.3	42.9	21.4	
5	PCA uses ASYCUDA++ modules for risk based audit case selection	7.1	57.1	14.3	7.1	14.3
6	PCA unit uses intelligence / investigation information for audit case selection	57.1	21.4	21.4		

Source: Survey result, 2017.

As per the collected data in the above table 3, about 50% of the respondents assure that PCA is not supported with risk management software for risk channeling. In the case of developing risk profiles to maintain a database record of high-risk traders and other operators; about 43% of the respondent disagree, 7.1% of the respondent strongly disagree, 21.4% of the respondent are neutral and 35.7% of the respondents agree with the statements. In addition, the table shows that, majority (above 50%) of the respondents assure that risk profiles and risk indicators are not constantly developed and updated regularly as well as PCA unit do not established automated selectivity criteria for identifying high-risk transactions and operators. The 2015/2016 performance report also supports the above responses that, none of the audit type is selected using risk analysis.

Table 3 also illustrates that, 57.1% of the respondents agree that PCA officer uses ASYCUDA++ modules and intelligence / investigation information for audit case selection. But, significant proportion (21.4%) disagrees with the statements. This idea is supported by the data collected through interview with team leader which clarify that, though intelligence/ investigation information is used in the selection criteria, it is very limited.

Even though there is no compiled data of audited documents sorted with risk channels was found, from the interview result with selected interviewee, about 70% audit coverage is given to AEO (green) and manufacturers, and only 30% of the audit coverage is given to red (high risk traders) and others, which is inconsistent with principles of risk management. In addition, they identified tariff as the major problem that non-compliant taxpayers use to reduce their tax liability. The unit gives high coverage for the desk audit than other type of audit because of lack of experienced officer, lack of adequate resource, problem of proper documentation and it takes less time. For comprehensive type of audit, auditees are selected at head quarter and for desk and limited type of audit, case selection is done at branch level randomly by taking into account little selection criteria such as volume of transaction, new importer, business type and those close to five years.

Indeed, post clearance audit in [1] enhances the adoption of risk management techniques for effective post clearance audit since it is impractical to undertake 100% physical examination. But, the response indicate that adoption of risk management techniques of the branch is not at it is expected in supporting PCA implementation due to absence of organized and updated traders profile, lack of adequate automation system and absence of training. Thus, inefficient and ineffective risk management system in the branch office is one of the main challenges for proper implementation of PCA.

6. Conclusion

Based on the findings of the study, the following conclusions are drawn.

PCA unit of the branch office does not properly follow and implement all the outlined audit process of ERCA when they conduct an audit. There is also little evaluation and follow-up system at the business process as well as at branch level whether the PCA process they follow is effective and efficient in addressing risk of noncompliance.

In addition to this, compared to the existing trade volume, the PCA team has limited number of auditors with less experience which may force them not to follow the outlined audit process properly. Further, the department focuses on control/revenue collection than trade facilitation which opposes the intended objectives.

There is weak application of risk management technique for the selection of auditees and selection is performed manually using little selection criteria and auditors own experience which may lead to subjective judgment. The PCA unit does not use the ASYCUDA++ system for risk channeling and there is no risk profile for traders from which to select companies for audit. Therefore, risk management system of the branch office is not in a position to support the PCA unit to allocate resources to high risk areas. This in turn makes the unit inefficient in achieving its objectives of detecting the non-compliance and encouraging compliant traders.

Generally, corroborating with [9] finding, Addis Ababa Airport customs branch office is not properly implemented and is not efficient and effective to achieve its stated objectives due to ineffective and inefficient risk management techniques and the branch office does not properly follow all PCA process.

7. Recommendation

In spite of the efforts of ERCA in implementing customs audit policy and procedures efficiently and effectively; the study identifies some execution gaps that affect PCA implementation in the branch office. Therefore, based on the conclusions drawn above, the researcher suggests the following recommendations for future actions.

So as to ensure PCA process in practice is effective in addressing risk of noncompliance and maintaining the audit quality, the unit should properly apply all the outlined audit process as well as conduct regular evaluation and follow up system. In addition, the top management should assign enough and skilled human resource which enable them to properly follow the outlined audit process. This in turn enables to balance trade facilitation and control/revenue collection.

In order to conduct risk based-post clearance audit, the unit should develop and regularly update the risk indicators and risk profiles, and apply automated risk management system. Doing this, the unit can target high risk traders in order to allocate its scarce resources and facilitate for legitimate traders.

In general, if the branch office takes corrective action based on the above recommendations, it can achieve

effective and efficient PCA implementation, and facilitation, fairness and enforcement can be improved.

Finally, related studies by focusing on other determinants affecting effective implementation of PCA are suggested for future research.

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