

## **FEATURES OF THE POST-CLEARANCE AUDIT IN UKRAINE**

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### **1. Introduction**

XXI century characterized by a considerable strengthening of the role of globalization and integration in the world, because the orientation of many economic systems in building a market economy requires the development of comprehensive international economic relations to realize the economic potential in international markets.

As a result of close cooperation between the countries the volume of international trade each year steadily increasing. Therefore, Customs administrations all over the world are faced with new problems to solve which they should apply completely new and innovative approaches.

In the current context of globalization and integration, expansion of international relations, Ukraine strives for harmonize and standardize customs procedures.

The main condition for achieving this goal is the implementation of post-clearance audit.

### **2. Review of post-clearance audit in international customs regulations**

Audit-based control methods are normally implemented as part of a Customs modernization package. Post-clearance audit means audit-based Customs control performed subsequent to the release of the cargo from Customs' custody.

The purpose of such audits is to verify the accuracy and authenticity of declarations and covers the control of traders' commercial data, business systems, records, books.

Such an audit can take place at the premises of the trader, and may take into account individual transactions, so-called "transaction-based" audit, or cover imports and/or exports undertaken over a certain period of time, so called "company based" audit [1].

Post-clearance audits can be conducted by case basis focusing on targeted operators, selected on the grounds of risk analysis of the commodity and the trader, or in a planned, regular way, set out in an annual audit program.

Furthermore the audit could also be used as criteria to offer special treatment to certain economic operators.

A special place among all customs standards belong to the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention). According to Kyoto Convention customs control systems shall include audit-based controls [2]. Chapter 6 of the General Annex of the Revised Kyoto Convention sets out a large number of recommended standards relating to all aspects of Customs control, including the use of audit-based controls including the audit of traders' commercial systems (Standard 6.6. and 6.10).

Also principles and standards of the EU customs practice are concentrated in Customs Blueprints. This is a set of practical measures, developed by European customs experts. One of 22 directions of Customs Blueprints is post-clearance audit, which includes the promotion of international trade by establishing a balance between the simplification of trade procedures, on the one hand, and ensuring effective customs control and security on the other [3, p.20–25].

According to Customs Blueprints there are some objective conditions for the implementation of post-clearance audit:

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1. Development of a comprehensive legal basis which gives customs officers the necessary powers to carry out audit/post-clearance controls efficiently and effectively.
2. Development of an organizational structure which enables auditors and their managers to carry out their duties with the maximum efficiency and effectiveness.
3. Development of an audit management system which ensures efficient, quality-controlled audits using appropriate methods and establishes an operational quality assurance programme ensuring that standards of an acceptable quality are being applied to audit activity.
4. Development of a training strategy to ensure that auditors and managers have all the necessary knowledge and skills to plan and implement their duties.
5. Development of a national audit planning policy with planned short-term and long-term controls, in accordance with priorities based on risk analysis and risk assessment.

Thereby, in foreign countries post-clearance control is a separate activity of customs authorities, which is developing rapidly and has its own subject, object, goals and objectives. It performs several important functions in the area of economic security. About 30% of all customs duties in developed countries come from holding post audit, because the customs procedures at border minimized.

### **3. Regulation and implementation of post-clearance audit in Ukraine**

Significant influence on the process of implementing the post-clearance audit had a Ukraine's accession to the Kyoto Convention. According to many authors, it will facilitate the development of official relations between customs and businesses overcome the closure of customs regulations and encourage collaboration in the improvement of customs legislation and its application.

On June 1, 2012 came into force a new Customs Code of Ukraine. This document provides new opportunities for citizens and entities to facilitate foreign trade and greatly simplify existing customs procedures. Code introduced special simplified customs procedures for conscientious business. Ukrainian organizations, which have been operating in the market, have no debt, do not allow substantial violations can obtain the status of the incumbent operator of economic activity.

Article 345 of the Customs Code of Ukraine regulates the carrying out documentary checks by customs authorities. In particular, states that the customs authorities may carry out customs control through on-site documentary (scheduled or unscheduled) and off-site supervision of documentary compliance of Ukraine for state customs of:

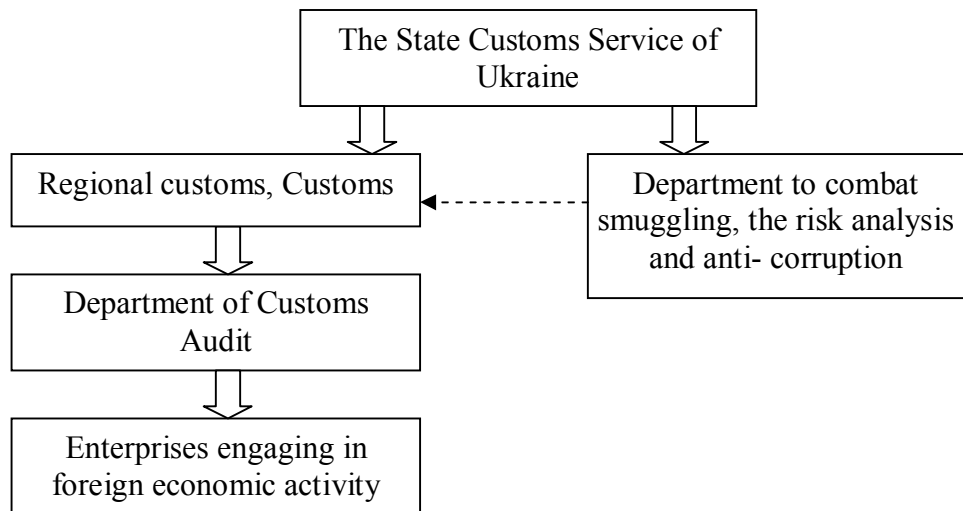
1. the correct definition of the tax base, timeliness, accuracy, completeness, of accrual and payment of customs duties;
2. the validity and legitimacy of providing (receiving) benefits and exemptions;
3. the accuracy of classification by UCCFEA goods for which Customs held;
4. the compliance of the actual use displaced through the customs border of Ukraine goods to the declared aim of the movement and / or compliance with financial and accounting documents, reports, agreements (contracts), calculations and other documents of the company, information specified in the customs declaration, declaration of customs value, which carried out customs clearance of goods in the respective customs regime;
5. the legality of movement of the goods across the customs border of Ukraine, including the importation of goods into the territory of free customs zone or export from this territory [4].

Also it should be noted that the Customs Code of Ukraine defines the basis and procedures for documentary site inspections by customs authorities.

Thereby, in the Customs Code of Ukraine the concept of post-clearance audit is not defined, however, it contains a provision on inspection of foreign economic activity after the customs clearance, which

corresponds to the essence of the customs audit. The subjects of customs audit are the State Customs Service of Ukraine, its specialized departments and officials who are authorized to exercise control with application of audit methods.

Figure 1 illustrates the organizational scheme of carrying out of the post-clearance audit in Ukraine.



**Fig. 1. Organizational scheme of carrying out of the post-clearance audit in Ukraine**

Department to combat smuggling, the risk analysis and anti-corruption is a regional Customs, which is within its competence provides comprehensive monitoring of compliance with customs legislation, directing and coordinating the activities of other regional customs in combating smuggling and violations of customs regulations, analysis, control and verification of , anti-corruption.

The Department is a unit of customs, which provides in the area of customs inspection of documentary compliance with the legislation of Ukraine on customs issues, including timeliness, accuracy, completeness, calculation and payment of customs duties.

It can be concluded that in recent years the process of implementing inspection after customs clearance of goods has improved.

In particular, enhanced legal framework formed the appropriate verification agencies that already show the proper result of customs revenues from the post-clearance audit. But for introducing a system of effective audit requires not only making legislative changes, but also bring this idea to the public for a clear understanding that such arrangements will withdraw from the shadow trade imports and eliminate the possibility of obtaining illegal profits [5, p. 11].

Practical implementation of the above requires:

- development of scientific theory of post-clearance audit, involving experts from the customs affairs, public administration, government regulation and control foreign economic activity, etc;
- implementation of foreign experience in carrying out post-clearance audit in Ukraine;
- standardization of forms and methods of control activities carried out by customs authorities;
- promotion the more effective customs control in each customs post without increasing the administrative or enforcement costs through harmonized approach to post-clearance audit.

## **4. Conclusions**

Customs administrations, especially those in the developing world, confront significant challenges in balancing their responsibilities for collecting revenue, protecting national borders, and facilitating trade. Consequently, customs administrations increasingly look to post-clearance audit as a means of implementing customs controls and allocating scarce resources more effectively.

Post Clearance Audit is a new and important area for the State Customs Service of Ukraine.

The successful implementation of post-clearance audit in Ukraine will help 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.

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 actors, and in monitoring project progress.

The program may also face financial and human resource challenges that may dictate the initial scope of the program; developing country customs administrations should scale their efforts appropriately.

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## **Summary**

World practice shows that post-clearance audit, which became the worldwide way of harmonization and simplification of customs procedures, provides a clear and comprehensive picture of compliance with customs procedures applicable to the subject of economic activity. The article describes regulatory of post-clearance control in the context of international and Ukrainian legislation and identifies areas for the modernization of customs control in this area.

**Key words:** foreign economic activity; modernization of customs control; post-clearance audit.

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