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# AUTOMATION OF ACCOUNTING AND CONTROL OF ASSETS SEIZED BY CUSTOMS

- A** The article deals with the perspective direction of improvement of accounting and control of seized assets by customs authorities of the State Fiscal Service by introducing information system for the concentration of data and speed up access for the user. Recent publications about research topic in professional journals and information systems that have affected the process of disposal of seized assets due to their introduction into the customs authorities of the State Fiscal Service, the judicial system of Ukraine, the State Executive Service and Information Systems in the trade of such property and free of charge items distribution are considered. Opportuneness of electronic document for customs and prospects of its development under the proposed system are marked. Attention is paid to the lack of information systems aimed at the disclosure of information about utilization of seized assets and, consequently, the lack of data on its scale and the negative impact of this situation on the efficiency of disposal of property while promoting a corruption.
- B** Accounting, seized assets, accounting register, accounting information base, customs, state executive service, organization of document workflow.

## АВТОМАТИЗАЦІЯ ОБЛІКУ ТА КОНТРОЛЮ ЗА ВИЛУЧЕНИМИ МИТНИЦЕЮ АКТИВАМИ

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- A** У статті розглянуто перспективний напрям удосконалення обліку й контролю за вилученими митними органами Державної фіскальної служби активами шляхом запровадження автоматизованої інформаційної системи для концентрації даних та пришвидшення доступу до них користувача. Проведено огляд останніх публікацій на тему дослідження у фахових виданнях і інформаційних автоматизованих систем, що вже вплинули на процес розпорядження конфіскованими активами завдяки їх запровадженню в митних органах Державної фіскальної служби, судовій системі, Державній виконавчій службі, а також інформаційних систем у торгівлі таким майном та безоплатній його передачі. Відзначена сприятливість електронного документообігу для митної справи та перспективність його розвитку в рамках запропонованої системи. Акцентовано увагу на відсутності інформаційних систем, спрямованих на розкриття інформації про утилізацію конфіскованих активів, і як наслідок — відсутності даних про масштаби та негативний вплив такої ситуації на ефективність розпорядження майном з одночасним сприянням корупції.
- B** Облік, конфісковані активи, обліковий реєстр, облікова інформаційна база, митниця, Державна виконавча служба, організація документообігу.

## АВТОМАТИЗАЦИЯ УЧЕТА И КОНТРОЛЯ ЗА ИЗЪЯТЫМИ ТАМОЖНЕЙ АКТИВАМИ

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- A** В статье рассмотрено перспективное направление усовершенствования учета и контроля за изъятыми таможенными органами Государственной фискальной службы активами путем внедрения автоматизированной информационной системы для концентрации данных и ускорения доступа к ним пользователям. Проведен обзор последних публикаций на тему исследований в специализированных изданиях, а также информационных автоматизированных систем, которые уже повлияли на процесс распоряжения конфискованными активами благодаря их внедрению в таможенных органах Государственной фискальной службы, судебной системе, Государственной исполнительной службы, а также информационных систем в торговле таким имуществом и бесплатной его передаче. Отмечены преимущества электронного документооборота для таможенного дела и перспективность его развития в рамках предложенной системы. Акцентируется внимание на отсуствии информационных систем, направленных на раскрытие информации об утилизации конфискованных активов, и как следствие — отсуствии данных о ее масштабах, а также на негативном влиянии такой ситуации на эффективность распоряжения имуществом с одновременным благоприятствованием коррупции.
- B** Учет, конфискованные активы, учетный регистр, учетная информационная база, таможня, Государственная исполнительная служба, организация документооборота.

### Statement of the problem

Rapid development of informational technologies regularly adjusts the work of people that work with data. They enrich their set of instruments and add new objects of processing. Widespread automation with the usage of compact devices and easy software has become an

integral part of human life and an undeniable vector of the development. That is why the customs of the State Fiscal Service of Ukraine reports on its achievements in the field of automation in order to respond the words of the prime minister of Ukraine on establishing the order in national customs during three month. This includes

the Unified automated information system that aims to automate customs control, processing and to integrate automated systems of the customs. It also includes the Automated system of customs processing that serves to domestic customs during a long time and also the new Automated system of analysis and risk management. Special attention was paid to the System of electronic (paperless) cargo declaration and its popularity with customers of the customs [1].

Thus, the overview of innovations at customs confirms topicality of investigation of the question of the improvement of accounting and control of seized assets in the direction of creation of automated informational system with significant potential for integration with other customs systems and the development of electronic document workflow. This system must cover all processes and financial and business transactions that occur on the way of administration of assets seized by the State Customs Service and provide users with relevant information. This will facilitate optimization of options of such administration and control over the legal and economic feasibility of choice among these options. This will result in increased revenues to the state treasury from the sale of seized assets.

#### **Analysis of recent research and publications**

There are not enough published research results devoted to the accounting and control of assets seized by the customs. That is why this problem can't be considered as solved. At the same time, there are isolated publications devoted to this problem that can affirm the topicality of this question. In particular, R. Ju. Oleksiienko devoted his research to options of administration of seized assets and grounded the need for following economic appropriateness during the choice among them [2]. During the investigation of the assessment of risks as an element of audit the efficiency and control of seized assets, Yu. V. Tabenska proposed exhaustive list of such risks divided into 4 stages that must be passed by the asset before the moment of its seizure [3]. O. O. Kantsurov proposed a number of proposals on solving practical issues of accounting of seized assets and rationalization of parties in selecting of those who is responsible for the maintenance of the property [4]. O. A. Lagovska mentioned the positive role of the audit in the solution of the problem of filling of the state budget with revenues from the sale of seized assets [5]. However, despite some scientific interest in the problems of accounting and control of assets seized by the customs authorities, practical appropriateness of reforming of this field of activity and technological willingness to use modern automated information systems, the process remains the same. These facts determine the relevance of this theme.

*The aim of the paper* is to justify the use of automated information systems for the improvement of accounting and control of assets seized by the customs authorities.

#### **Presentation of the basic material**

The most crucial step on the way of getting benefits of an asset is the time of its seizure by the customs authorities of the State Fiscal Service and the corresponding registration. Only full compliance with the procedure of fair filling a number of protocols and applications and involving attesting witnesses in the required amount can provide the procedure with due transparency, and data – with accuracy. However, there is a meaningful gap between seizure and registration. In addition, the person, whose asset was temporally seized, lose the ability to control the legality of administration of lost assets until the involvement of the court. Although such person is called a violator of customs rules, he is almost the only person who is genuinely interested in the preservation of their property. Thus, the violator would like to keep abreast of such operations with his property as preliminary assessment and transfer to expertise of temporarily seized goods. Results of the assessment and expertise, and the change of quantitative and cost indicators would also be interesting to controllers. However, the need for physical access to verify the whole case on violation of customs rules may somewhat complicate the process and discourage the staff. Therefore, in the light of the latest innovations in customs, it is logical to introduce a separate automated information system for the work with temporarily seized assets, which would be integrated with other systems of the customs and could provide quick access to materials of the affair to stakeholders.

Such system is supposed to collect data of all participants of the process and to create the proper information support for further actions and operations with every individual asset. It should minimize the need for paper data carriers and, ideally, to create prerequisites for transition to fully electronic document workflow. Entry of information into the system can create database, which will be useful for the improvement of the work of customs only at the initial stage of temporary seizure of assets. For example, data on seized assets, the place and the time of violation of customs rules, its circumstances and about the person who did it, will adopt the Automated System of analysis and risk management to current challenges. It will be reasonable to set up automatic signaling to controllers about the change in key quantitative and qualitative characteristics of the seized assets to establish operational control over each of the operations to ensure their legality.

The court must decide to seize temporarily seized assets, to return, or to compensate its cost to the owner.

It is done after the completion of the process of gathering important information that is needed. The last two options of events will need cautious verification, because public funds were spent on storage and potential expertise of the seized asset. That is why it is very important to accumulate information about both customs employees, responsible for temporarily seizure, and judges, responsible for the decision on seizure or return during main hearing of a case or appeal. This will allow to set a connection between such individuals and to detect those regularities, that cast a shadow on the process of administration of seized assets.

Further administration of the asset, which has already been seized, requires significant cooperation between custom authority of the State Fiscal Service, which must to pass the property for further legal proceedings and can also be its depositary, and the State Executive Service, that must take property, including its registration. Cooperation of these institutions is not limited by storage and passing the asset and accompanying documentation. It must be noted, that the legislation obliges customs to follow the pricing for the asset seized by its employees. It makes its selling or even free transfer impossible without agreement by custom authorities. It should be mentioned, that the need for tight interdepartmental cooperation is rather urgent. This can be explained by that fact, that customs and the State Executive Service are subordinated to different ministers (the Ministry of Finance and the Ministry of Justice accordingly), and that the situation, when the first ones storage the property and the second ones administrate it is not exceptional. That is why it is important to take measures for acceleration of information between institutions by means of creation of automated informational system and provision of its electronic documents with adequate competence for confirmation of distant legal proceedings, which will be able to unfreeze further course of management of seized assets immediately and as well be checked by controllers in a distant way.

Ability of usage of advantage of electronic document workflow will be very useful at the decisive stage of administration of seized asset, when there are a lot of legal proceedings, business transactions and appropriate confirmative documents. It helps to avoid the situation of getting entangled in the meshes of bureaucracy of the potential profit from the usage of the asset. One can try to sell the seized asset, to overestimate it twice in case of failure, to transmit it free of charge, and in case of failure – to take it to pieces or to break the set of it and sell or transmit its parts free of charge. In case of failure this asset must be utilized. And despite the destruction, transfer or sale of seized asset, there is a possibility that the court will make a decision in favor of the person, who is considered as violator of customs rules. This will result

in compensation to the owner of the property value. In turn this will increase government spending. Therefore, another participant of the process (the State Treasury Service of Ukraine) will have to finance not only the storage, transportation and customs examination of the seized property, but also recovering its cost to the owner.

The situation is a little bit simplified by the ordering of participants of the process of realization: the choice of specialized trade organizations by the accepted limited number of sellers considering administrative and territorial division of Ukraine. Moreover, we should mention increasing popularity of internet sales of seized property, which evolved from the System of realization of seized and arrested property, which had a sign of message board to the System of electronic trading of the seized property, i.e. full online auction. Information on assets for free transmission was migrating from one system to another the same way in 2016 without any qualitative changes. It is still uninformative message board. But it was made for up-to-date and more convenient site. This example shows that seized and subsequently confiscated and arrested assets, both before and now are offered for sale, and for free transmission within a single system. This is both practical in terms of the process (free transfer after unsuccessful auction) and simplifies coordination of employees of the State Executive Service responsible for the process with the sole implementator that is able to capture two successive stages of the order. Since information on electronic trading and property for the free transmission is public, the work of controllers is much easier. For example, each of these subjects of administration of confiscated assets should only have access to the Internet in order to check the adequacy of the price of goods designated by the expert or its compliance to the one agreed with customs officials of the State Fiscal Service or specified by the public performer after revaluation.

Prices and other aspects of realization do not leave the public indifferent. This fact increases the accountability of the process and demonstrates the positive impact of transparency of information on the disposal of confiscated assets on its course. This, in turn, indicates the correctness of the chosen direction (providing quick access to relevant information for making decisions and monitoring their implementation) and puts the problem of lack of automation at interim links between the Unified automated information system and the System of electronic auctions of seized property, and also actions, that may occur after the last unsuccessful application of the system. The lack of complete information about assets seized by customs authorities at all stages of their administration does not allow to increase the effectiveness of their usage and thus the increasing revenue, while the gap between the seizure and the sale complicates control. Today, the lack of intermediaries is

partially offsetted by the Unified State Register of court decisions and the Unified State Register of enforcement proceedings, but the usage of the first one is complicated by inconvenient navigation through the register because of non-compliance with requirements regarding categorization of court decisions, and the second one – by restriction of access. Creation of the unified system would avoid such problems at least for cases of violation of customs regulations and provide user with inseparable information on the entire process of the administration of seized property.

At the present moment, even the most successful and exponential stage of administration of seized assets, in particular, its regulation, is not without drawbacks because of the lack of flexibility in the approaches to selling property. In particular, it touches upon accumulation of unsold goods, including low-quality ones, which were tried to be sold by means of wholesale trade and this destroyed all chances for realization in retail trade. May be, this causes funny things like donation (free transition) of unsold counterfeit phones to graduates of 2016 of one of domestic educational institutions [6]. This decision was definitely more effective than their subsequent storage and utilization, which would require additional public spending. However, this action casts a shadow on the image of the country, pointing both the failure to find an approach to realization of such goods and demonstrates the perception of fraud as they were handed as a reward. While comprehensive data collection on seized assets would allow to accumulate information needed for the establishing whether there is a demand in the domestic market for these products and who can effectively implement them, utilize or to whom they can be transmitted for free without reputation risks for Ukraine.

Indicators, published in the Report on the fulfillment of the plan of the State Fiscal Service of Ukraine for 2015, are the evidence of unsuccessful practice of realization. Thus, the report indicates, that the court made the decision to confiscate in 9767 cases of violation of customs regulations. These subjects of offense were evaluated in 901 million UAH. However, the amount of the revenue to the budget from administration both seized assets and escheat that was not included in the previous indicator, reaches only 111.1 million UAH. The structure of this indicator was not disclosed properly. It shows only two additional amounts. The rest amount, which contains 27.7 million UAH, the information is not available. Consequently, the Report refers to 74.9 million UAH revenue in the form of currency and values that eliminates the need to carry out their implementation. The second component of the 111.1 million UAH indicator contains 8.5 million UAH and is responsible for revenues from the sale of goods, which are either kept in a customs warehouse during longer period than

agreed or rejected in favor of the state. The administration of the second group of assets is the same as administration of seized assets. However, the first group at least is duly executed and has the documentation to facilitate the administration of such property. The Report also contains information on interaction of customs authorities with the State executive service, which must administer seized assets. In particular, it includes information on transmission of assets to the executive service in order to sell them in the amount of 108,3 millions UAH and to enrich the budget from this realization with the amount 21,3 millions UAH. This can be used for the evaluation of the efficiency of realization of seized assets which is equal to 20 %. This Report does not contain enough data in order to understand the fact of inclusion of that 21,3 million UAH in undisclosed part of the common revenue from administration of seized and ownerless assets (27,7 million UAH). In addition, the Report does not provide data on previous periods for comparison (and previous reports were not publicized even in case of their existence), however the amount of realized assets or even those ones, which were seized according to the court decision in this reporting period, certainly includes the part of assets seized in the past periods. But even despite this impressive gap of nearly 800 million UAH, which was not disclosed, as well as indicators concerning free transfer of property or its utilization, that leaves space for guesses there, where specific data must be given. This is what the implementation of automated information system can help to facilitate [7].

Speaking about the theme of utilization it should be mentioned, that at the present moment none of automated systems does not give information on utilized or destroyed assets. Of course, there is a number of documents, certificates, that identify such administration of seized asset, and the lack of transparent access to such data is fairly considered suspicious. It is not only about those assets, that could not be realized, transferred free of charge or even unpacked for the previous two steps. There are at least two categories of seized assets the usage of which may be economically more beneficial than a product for which there was no buyer or recipient. Firstly, these assets include those ones that shall be destroyed immediately after confiscation in accordance with the law, such as drugs and tobacco products, except for permitted industrial processing, as is the case with alcohol. It is not difficult to imagine how such assets are officially written off as destroyed, but actually become a commodity for the black market and improve the economic position of people involved in the so-called recycling, but destroying the domestic economy. However, when such a fight against economic crime is a chronicle of everyday work of the Department of protection of the economy, the need in engaging of imagination is absent

[8]. Instead, the collection of data about all seized assets, including of those that must be utilized, would allow to get an idea of the true scale of the black market through the number of assets that regularly try to cross the customs border despite the threat of their destruction. Perhaps it would allow to liberalize legislation towards a more efficient way of administration of such property. This can be achieved, for example, through the involvement of contractors who would receive benefits from the use of intended for the disposal of assets. This would provide a budget with the income, such kind of contractor – with raw materials or goods, and public – with the decline of black market.

The second category includes samples that are taken for examination of seized assets. Despite the existence of clear Standards of sampling of goods for the research (analysis, expertise), that allow to control the volume of assets, involved for the purpose of examination, the fact of the return or utilization of the collected sample even at documentary level can be controlled only by counter-checking records of the custom authority and the expert. However, expert does not always work in the Central Customs Department of Laboratory Research and Expertise. This fact can complicate the inspection. One can be sure that the state does everything that depends on it in order to maximize the income from the administration of seized assets, when even the smallest assets will be under control, through full fixation of its transitions in the automated information system concerning administration of seized assets and integrated into the Unified automated information system. Only then one

can ascertain that authorities provide sufficient process with proper transparency and openness regarding controllers and the public to support sustainable development and to avoid corruption.

### Conclusions

Usage of new technology facilitates customs and gives hope for success in the struggle with corruption, nepotism, underground market and other unfavorable factors for domestic economy. Automated informational system must be mentioned among such achievements of the modern informational society. This system would concentrate information on all assets temporarily seized by customs and information on business transactions and their legal proceeding. It will gather information from modern and future informational systems and be integrated in the common Unified automated information system. This information system and related with it automation of the process of administration of removed, arrested and seized assets will increase the transparency of information and provide it to persons responsible for the economic effectiveness of such administration. In addition, this system will facilitate the revitalization of work of controller to ensure the preservation of such property and the legality of its administration, while reducing the time required for bringing the information to the user due to the advancement towards electronic documents. All this will promote the availability and relevance of data and going to result in the growth of state revenue from the effective realization of the seized property.

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