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RISK MANAGEMENT SYSTEM: CONCEPT, FUNCTIONS, COMPONENTS

Statement of the problem. The Ministry of income and taxes of Ukraine (hereinafter - the Ministry) plays a key role in the implementation of the country foreign trade regulation. Constantly increasing volumes of the foreign trade dictate to the Ministry the task of the maximum possible replenishment of the State budget Treasury through a policy of the efficient customs regulation. Risk management is a key base principle of the modern methods of the customs control. This principle allows optimal use of the available resources, and that increasing the effectiveness of the customs control and excuses most of traders from unnecessary bureaucratic procedures. Those are based on the risk management allow monitoring the implementation of the customs registration on areas of the highest risk, allowing the most goods and individuals relatively free to pass through the customs. On this background development of the risk management system looks like a continuous process, which is called to allocate the resources of the customs bodies as optimal as possible and exercise customs control, which is based on the principle of the selectivity.

Analysis of the last researches and publications. The issues of the risk management are studied by native and foreign scientists, in particular: P.V. Pashko, A.D. Voyceshchuk, P.Y. Pisnoy, P. K. Grabowskii, J.V. Stoletov and others. But this question is still urgent and requires further research.

Statement of the task. The aim of the article is expanding of the concept of the customs risk management in the system of the Ministry of revenues and duties of Ukraine.

Presentation of the basic research material. The concept of the "risk" is found in many economic, social and natural Sciences, and each of them has its own objectives and methods of the risk research. The modern economic science poses a risk as an expected event in the occurrence of which positive, neutral or negative effects can arise. If the risk assumes the existence of both positive and negative results, it refers to the speculative risks. If in the result of the implementation of the risk negative results occur, or they may not be at all, such a risk is called pure [1].

The word risk (from Greek risikon - rock, abyss) - possible risk of any unreliable process.

The issues of the risk management are studied by native and foreign scientists. (tab. 1).

Table 1

Definition of the «risk» concept

№	Definition	Source
1.	The possibility of danger, failure. Action at random in the hope of a happy outcome.	Ozhegov S. Dictionary of the Russian language : ok. 57000 words. amended doctrine. philol. sciences, Professor N.Y. Shvedova. - 14 - th ed. stereotype. - M: Rus. lang., 1983. - 816 p. [2]
2.	The probability (the threat for the enterprise) of losing a part of its resources, revenue shortfall or the appearance of additional expenses resulting from the implementation of a certain productive and financial activity.	Grabovsky P.K. Risk in modern business / P. Grabowski, S.N. Petrova. S.I. Poltavtsev and others / For Ed. P. G. Grabowski. - M: Publishing house "Alans", 1994. - 312 p. [3, p.8]

3.	The probability of non-compliance of the legislation of Ukraine on customs issues. A risk management is the systematic work on development and practical implementation of prevention and minimization risks measures, principles of the efficiency evaluation of their applications, as well as the control for the application of the customs procedures, which provides for continuous updates. Analysis and revision of the existing information in the customs bodies.	Voyceshchuk A.D. Regulation of the customs: the textbook/ under the General Ed. Voyceshchuk A.D. - Khmelnytskyi: Publishing house INTRADA, 2007. -312 P. [4, p. 260]
4.	Customs risk is the probability of the realization of a certain customs threat with the predictable or unpredictable eventual damage, as well as its possible consequences in the customs sphere.	Pisnoy P.Y. Customs policy and actual problems of the economic and customs security of Ukraine on the modern stage / P.Y. Pisnoy / Materials of the international scientific-practical conference "Risks in the foreign economic activity", Dnepropetrovsk, 23 November 2007 [5, p.14]

From the concepts of the risk, we can emphasize the characteristic feature of the risk as danger, possibility of problems, failure.

Stoletov Y.V. believes that the idea of the risk management can be implemented, only when the program "e-customs" will be realized, i.e. to accept the electronic version of the documents in advance and to the arrival of the cargo at the customs the office of the Ministry will know not only the information about the cargo, and the most important thing that the inspector's procedure for the control and registration of the given cargo will has already developed [6].

The practice of the risks analysis in the customs shows that this is a continuous process of the collecting, generalization, analytical processing of information, which is aimed at forecasting, detection, prevention and cessation of the customs offences that provides for acceptance of the effective administrative decisions. Informational support by using the method of the risk analysis has, undoubtedly, the high significance and requires a more automated approach in its use for the efficient customs work in a real time.

In the Ministry in the study of the control and risk analysis problems such following concepts are used:

Customs risk is a quantitative value of the customs call in the form of a definite assessment relative to the probability of the realization of the current or potential customs threat in foreign economic activity, customs ratios, and in the field of customs in respect to the deliberate possibility of the customs damage [7].

Risk analysis is a systematic use of the available information by customs authorities for determination of the circumstances and conditions of the risks' origination, their identification and evaluation of the possible consequences of non-compliance of the requirements of the legislation of Ukraine on customs issues [9].

Identified risk becomes a fact that is known risk, if the violation of the Ukrainian legislation has already happened and the Ministry has the information of this fact.

Potential risk is the possible danger that does not manifest itself, but the conditions for its appearance are present [9].

Goods of the "risk" group are goods that are moved across the customs border of Ukraine in respect of which there are some potential risks [10].

Goods of the "cover" group are goods that with a reasonable degree of probability may be declared instead of the goods of the "risk" groups [9].

Risk area there are separate grouped objects of analysis that require the use of certain forms of the customs control or their combination, as well as improving of the effectiveness of the customs administration quality [10].

Risk's indicators are defined criteria with pre-defined parameters, deviation from which enables the selection of the control object [11].

Risk assessment is a step-by-step scientific assessment of known or potential adverse health effects associated with the risk of food poisoning [12].

Risk profile is a set of information about the scope of the risk, risk indicators, and instructions on application of necessary measures of prevention or minimization of the risk. Depending on the region the application of the risk profile, according to the species, is divided into: Ukrainian, regional and zonal [9].

The objects of the analysis are:

- goods which are under the customs control, or released for free circulation on the customs territory of Ukraine;
- vehicles that are used in international traffic for paid transportation of persons, paid or free industrial or commercial transportation of goods;
- the information that is contained in the transport (transportation), commercial and customs documents;
- the information that is contained in the international Purchase and Sale Contract or other types of contracts, concluded during the execution of foreign trade transaction, and in case of unilateral foreign economic transactions - other documents that express the content of such transactions;
- activities of the customs brokers (representatives), owners of temporary warehouses and customs warehouses, as well as carriers, including customs;
- the results of the application of the customs control forms .

In 1999 within the frameworks of the Kyoto Convention for the first time at the world level the opportunities for the simplification of the customs control with the use of the principle of risk assessment were provided and developed under the auspices of the WCO (World Customs Organization). Thus, there is a system of the customs control, according to which employees of the Ministry should know in advance what kind of cargoes, in what areas and in what quantities should be checked. An important aspect in this regard is the use of the automation and informational technologies. According to the requirements of the Kyoto Convention the risk management is the main basic principle of the modern methods of the customs control, which enables optimal use of the Ministry resources, as well as, doesn't reduce the efficiency of the customs control and release the most of the foreign trade operators from excessive bureaucratic control. Procedures that are based on the risk management focus the customs control in areas where there is the greatest danger and allow the most goods and individuals to pass a checkpoint at the customs border relatively free [13].

Process of the management and risk assessment plays an important role as it allows estimating of the possible loss, planning of the treatments for their possible reduce, as well as determining the economic effect from the risk management.

Risk management is the process of the adoption and implementation of the administrative decisions, which are aimed at the reduction of the probability of the unfavourable outcome appearance and minimization of the possible loss [1].

In modern conditions it is impossible to do without valid accounting and risk assessment in the decision-making. Today the entire burden of responsibility for the accepted decision falls on the leaders. They often have to work in new conditions and situations that are characterized by high risks, contradictions, constant and unexpected changes. That's why it is very important to "arm" the decision makers with the risk assessment technique, as close as possible to the reality of the Ukrainian economy.

The risk management system consists of two subsystems: object of management and subject of management.

The object of management is a risk, risk capital investments and economic relations between the subjects in the course of entrepreneurial activity. The subject of management is a special group of people, which carries out purposeful functioning of the object of management, using different techniques and methods of the administrative influence [15].

The process of the risk management is connected with decision making and requires the observance of such principles (fig. 1):

- teamwork is that all steps in the risk management process should be conducted with the methods of team work using. The cooperation of efforts, talents, skills and knowledge is needed.
- self-descriptiveness is that the possession of information about possible incidents in the course of implementation of the customs activities shouldn't be linked with personal authority. Leaders must give all information that is connected with the risks to each employee. And the staff must identify current and possible future problems, namely, it is necessary to ensure the free movement of information between all levels of governance.
- predictability - discussion of future events in anticipation of the worst scenarios enables to efficiently identify potential problems of realization of the project and before they can occur, develop strategies, which increases the likelihood of a successful outcome.
- integration of the risk management in the customs activity through the increase of the risk management status in the daily action for the prevention of the crisis situations. at that timely, consistent and accurate use of the technologies of the risk management provides a well-ordered decision-making environment and efficient use of the resources.
- documenting. All aspects of the risk management are subjected to the mandatory registration: all information is hold in the form of the standard documents forms. A risks database is being created, which is the basis for the development of the further actions.

The main aim of the risk management process in course of the decision-making process is an increase of the probability of the successful implementation of customs policy through the reduction of the

risks influence degree to an acceptable level. The essence of this process is a set of functions which represent separate kinds of activity in the general cycle of the risk management [14].

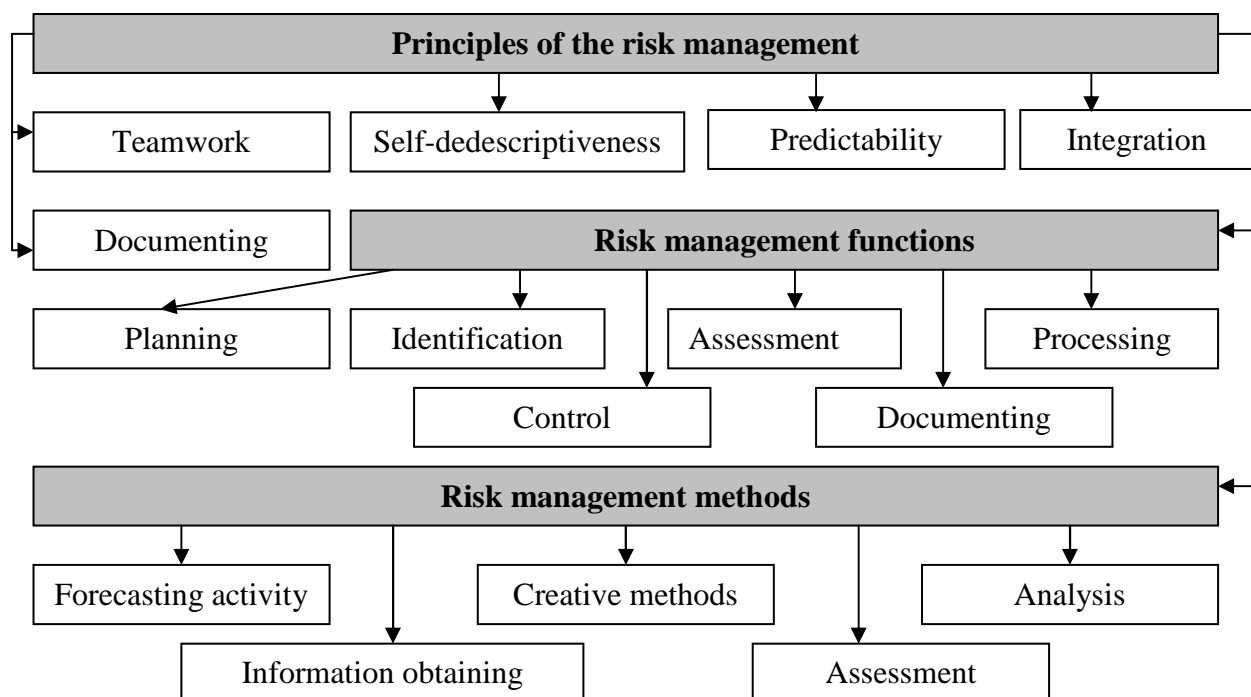


Fig. 1 Components of the risk management system

Source: [14]

An important factor in implementing of the risk management is a system of methods of individual operations, which are summarized in the methods (Fig. 1).

Customs risk situations cannot be avoided, so the definition of the risk and risk management is mandatory and important part of the customs body's work, which provide successful functioning of the customs system in general. From the point of view of the customs risks, the most apparent of their manifestations are: drug smuggling; the carriage of contraband goods; the risk that the program of the operating unit work is not fully carried out and others. From an economic point of view, there are significant risks in a currency regulation, shortage of the customs payments and fees, etc.

Conclusions and further researches.

1. Thus, under the system of risk management in the Ministry of income and charges understand - part of an overall strategy that the Ministry is to develop measures to neutralize the possible risks related to professional activities and is part of the overall process of anticipation and neutralize the negative effects associated with the definition of goods vehicles, documents and persons who are subject to customs control, customs forms applicable to such goods, vehicles, documents and persons, and of customs control.

2. The main objective of risk management is provided with the conditions for successful functioning of customs at risk .

3. In connection with the formation of the Ministry of income and charges Ukraine the issue remains relevant and requires further study, but it is necessary to improve integrated risk management system that would ensure effective identification, assessment, management and monitoring of all types of customs risk.

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Annotation

Konovalov, Y.O., Mironov A.V. RISK MANAGEMENT SYSTEM: CONCEPT, FUNCTIONS, COMPONENTS

Purpose. The aim of the article is to outline the concept of the customs risk management in the Ministry of income and taxes of Ukraine.

Research Methodology. In the study of the theme the following general research methods were used: analysis (its main components and characteristics were analyzed to understand the nature of the risk), and synthesis, deduction (initially we analyzed risk management in general, and then levels of the system in detail), abstraction (separation of the essential information from nonessential), classification (division and grouping of risks according to certain characteristics) and synthesis method by which general conclusions were made.

Results. This article deals with the concept of the customs risk management in the Ministry of income and taxes of Ukraine. The risk management system was built. Functions, goals and objectives of the risk management system in customs were defined.

Scientific novelty. The notion of «the risk management» were grounded, that will improve the system of «Risk Management» in the Ministry of income and taxes of Ukraine. The objective of the risk management in the Ministry of income and taxes of Ukraine was defined.

The practical significance. Materials and results of the article can be used by specialists of the Ministry of income and taxes of Ukraine for the improvement of the existing risk management system, which will provide more accurate prevention of the customs risk.

Keywords: Ministry of income and taxes of Ukraine, risk, system management, customs, object, components.