

The Study of the Experience of Developed East Asian Countries in Customs Audit Methodology and Its Implementation in Uzbekistan

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Abstract

A Customs audit is an evaluation of company practices and records. The audit assists in judging the integrity of information supplied under self-assessment and the level of compliance with legislative requirements. As an importer or exporter, people are legally responsible for the accuracy of information supplied to Customs, even though they must use a Customs Broker to prepare and lodge your declarations. The article reveals the methodology of the organization and conducting of the customs audit, which is effectively used in the practice of developed East Asian countries, as well as the possibility of introducing their experience in Uzbekistan

Keywords: Foreign trade, export, import, customs auditing, exporter, importer, Uzbekistan.

1. Introduction

Within the framework of the policy of export reduction and export promotion of the Republic of Uzbekistan, the issue of improving the customs system activity based on the developed countries' experience is becoming an actual issue that requires an immediate solution. It should be noted that the practical work on the development and creation of a methodology for the organization and conduct of customs auditing in the customs system of Uzbekistan is going well, particularly, the Strategy of actions for the development of the Republic of Uzbekistan for 2017-2021 was introduced. According to the strategy the priority tasks for the further development of export-import operations are as follows: "liberalization and simplification of export operations, diversification of export structure and geography, expansion and mobilization of export potential of sectors and regions of the economy"

In addition, the President Sh.Mirziyoev said: "... Imported goods are subject to separate inspection in each customs procedure. We have several such customs regimes. Why should one load be checked several times in the territory of our country? Who else is interested in it? Each checking costs some money! Is our financial capacity infinite? Moreover, it is forbidden to exclude the goods from the customs warehouse, without the conformity, hygienic or veterinary certificate, depending on the type of goods. Is not each of our customs warehouses equipped with express laboratories? How transparent are these processes, and why do not the authorities bother with it?"

In all developed countries, customs inspection is carried out through a hazard warning system. It also saves time and resources for both government and business. However, this system has not been implemented yet. From now on, we introduce a system of customs clearance for business entities on the basis of the green and red passages, depending on how doubtful businessmen are.

Therefore, I think that the profound study of the best international experience in the field of cost of custom auditing of imported goods has great importance for the development of foreign trade relations in Uzbekistan and requires its application in the customs system.

2. Literature review

"The analysis of the current theoretical and practical data shows that "customs audit is a form of government control and is the activity carried out by the customs authorities after goods are freely released" However, in our opinion, **"the main purpose of the customs audit is to determine whether the customs value of goods and means of transport crossing the borders of the states on the basis of export and import operations, according to the codes in the commodity nomenclature, is accurate and realistic"**

Indeed, international integration and globalization processes are increasing day by day.

Therefore, the widespread introduction of the best practices in the field of customs auditing of commodities, experience of leading foreign countries, will help to meet these following objectives (Figure 1)

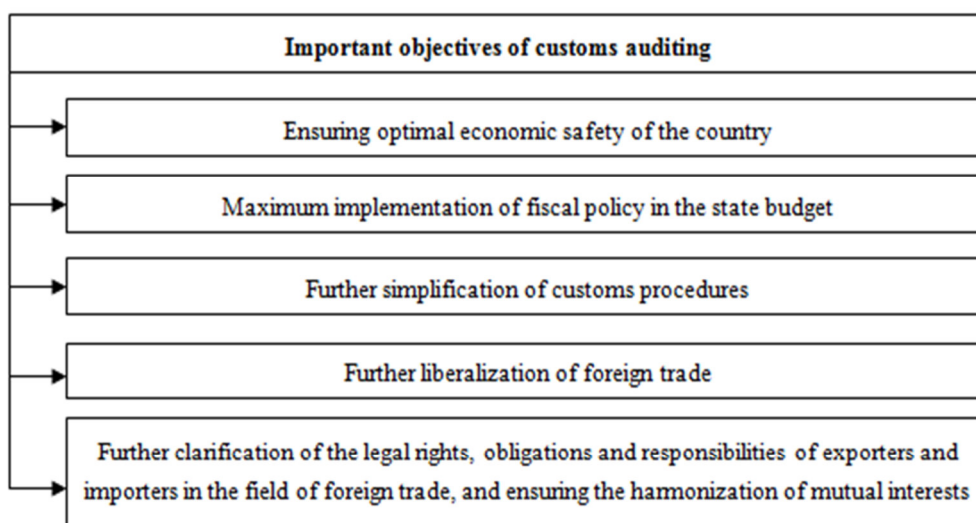


Figure 1. Important tasks which should always be ensured in customs clearance of commodities based on the experience of the developed foreign countries

Source: Author's compilation

On the basis of the targeted development of the customs audit, in our opinion, special attention should be paid to the following areas of customs audit (Figure 2)

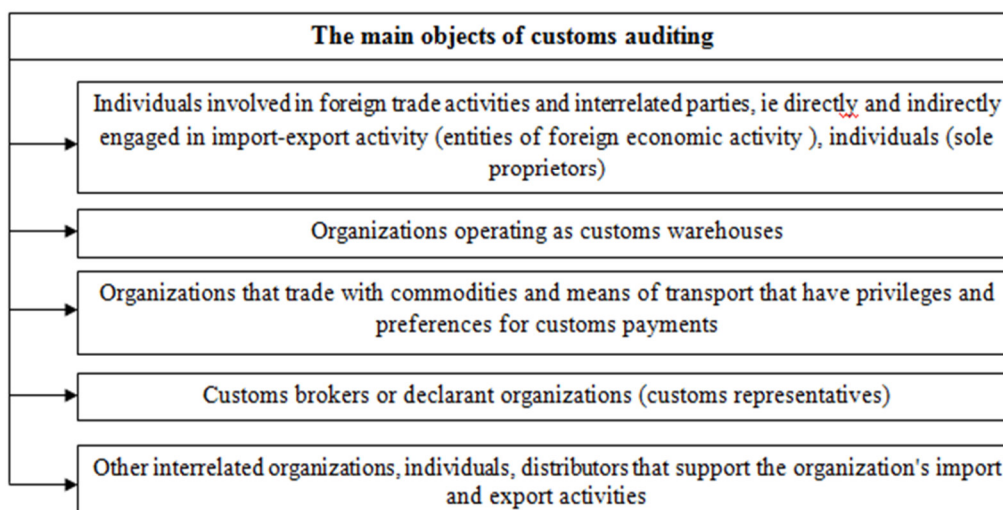


Figure 2. The main objects of customs auditing

Source: Author's compilation

The Customs Auditing essence is described the nature of the following items for the abovementioned objects (Figure 3)

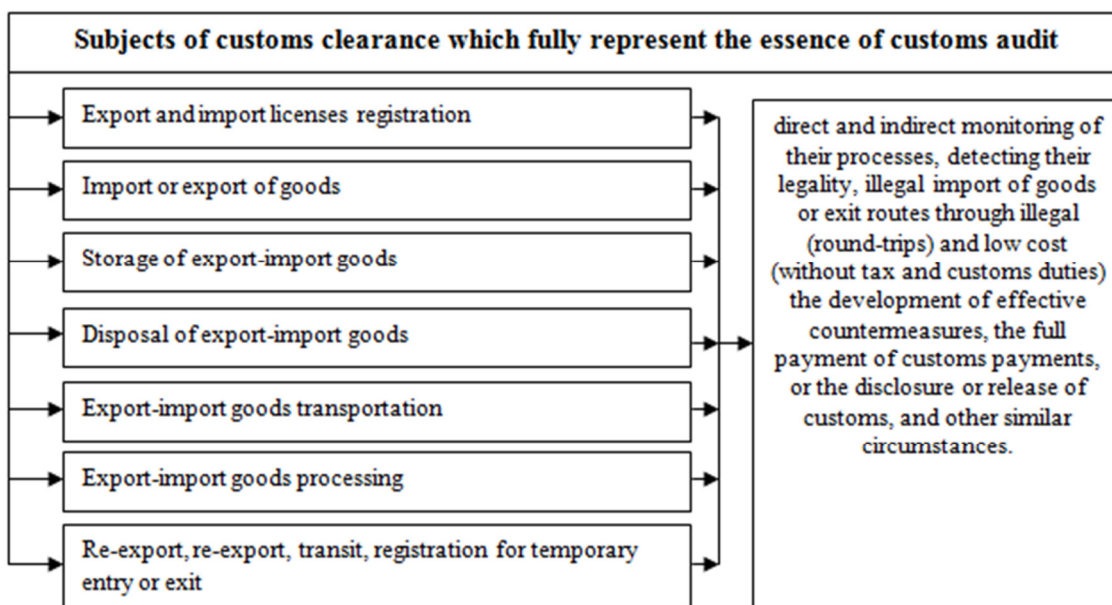


Figure 3. Objects representing the essence of customs audit
 Source: Author's compilation

In the international practice of the Customs Control System, there are clear stages of the customs auditing. In our opinion, it is desirable to classify them as follows:

International customs auditing clearance stages and operations

Step number	Step Appellation	Actions to be made in Steps
Stage 1	Preparation for Review	- analyzes the results of risk indicators; - learn the sequence of sales transactions; - detailed information on the status of export-import goods, the customs regime and characteristics of the organization's activities, the list of crimes committed during the sale and purchase of goods.
Stage 2	Carrying out customs auditing	Correctness and legality of the goods, comparing the accounting documents related to the organization's internal control system, and how the policy activities carried out on the basis of study.
Stage 3	Process specific check	At this stage, an inquiry method is used, one of the special procedures for obtaining more reliable evidence, mainly on suspected or doubtful organizations.
Stage 4	Receive the final decision and issue the order	The audit identified cases of violations and mistakes and shortcomings circumstances of the case for further investigations directed to the anti-smuggling department store; - Allow the next activity, administrative, criminal prosecution and a fine collection of taxes and other obligatory payments in full, to fix problems in a short, limited period of action to contain the procedures performed.
Stage 5	Evaluation of the quality of the inquiry results	Customs policy, in line with the customs administration procedure, to improve the quality of the customs inspection according to requirements, the organization will evaluate the accuracy of the risk indicators.

Audit by the customs authorities of customs import and export goods in free circulation, then, can be done within three years. In most cases, these goods are stored in customs warehouses, where goods are imported or exempted from customs duties.

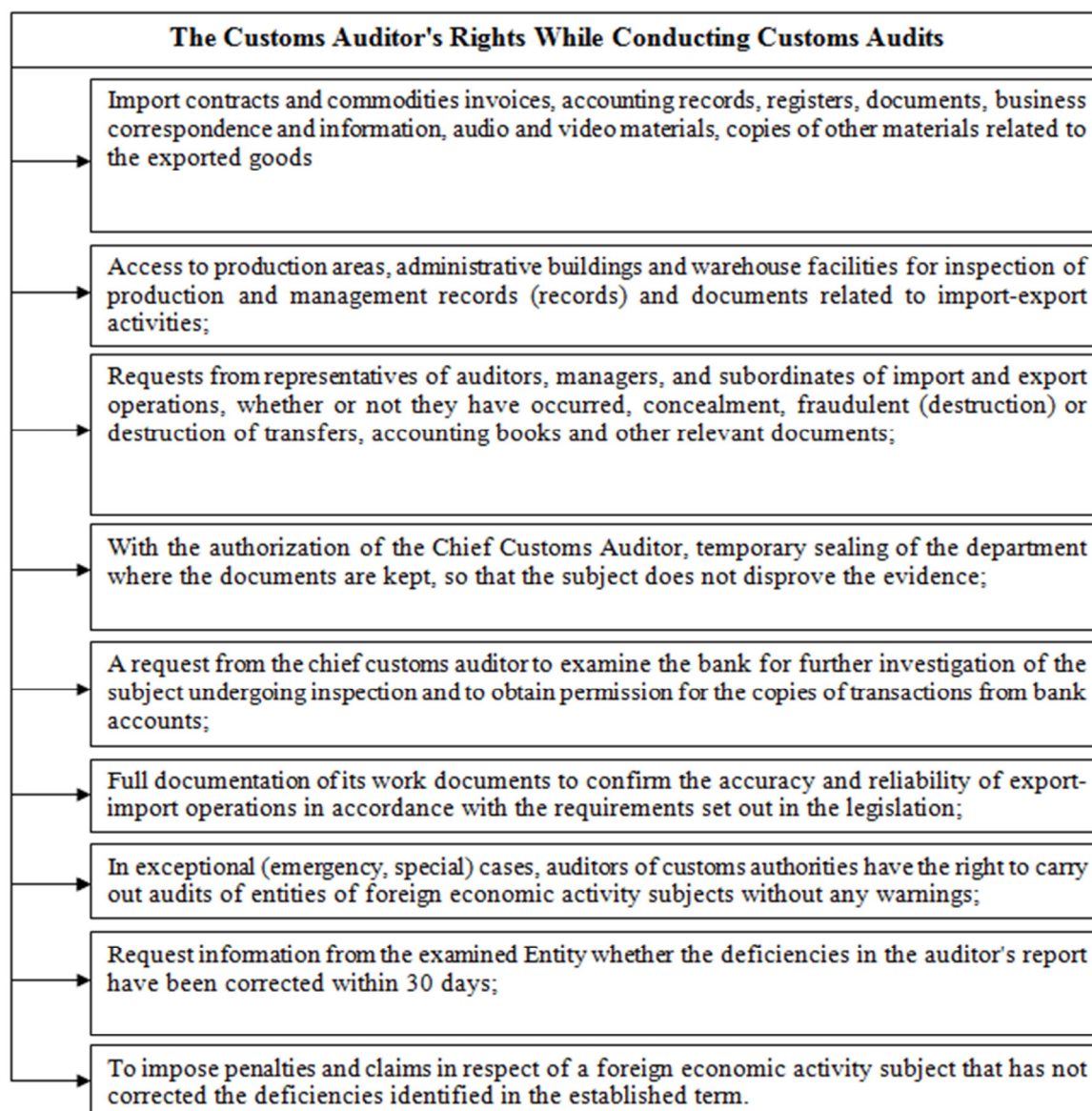


Figure 4. The Customs Auditor's Rights While Conducting Customs Audits

Source: Author's compilation

Customs authorities have certain rights to exercise their powers within the framework of the customs audit (Figure 4):

While customs inspectors may require that foreign trade entities be required to do so, the inspection should not interfere with their daily, regular office work. The customs officer, in turn, must also meet the following obligations (see Figure 5).

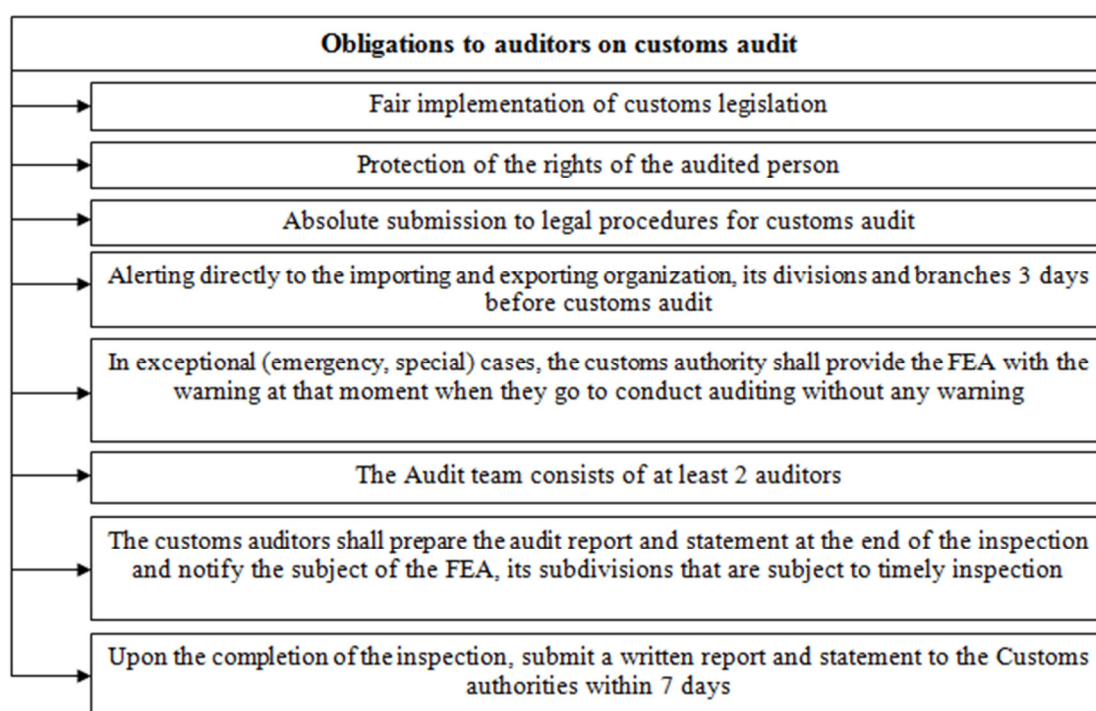


Figure 5. Obligations to auditors on customs audit

Source: Author's compilation

It should be noted, however, that the FEA subjects undergoing audit have appropriate rights and obligations (Table 2).

Rights	Obligations
Getting alerts about checkpoints, transmission times, start and end, results	Organization of timely submission of copies of accounting records, bank accounts of the organization, ensuring their authenticity, accuracy and completeness of provided documents
Appeal on the results of the investigation	Provide with audits and submit accounting records, registers and books, accounts and other documents belonging to customs auditors, or to refrain from deliberately distributing them, giving away to others or hiding them
Requests the Customs auditors to conduct auditing within the framework of the legislation	Periodic, regular submission of export-import materials, that is, relevant accounting documents to the customs authority auditors
Complaints against material and moral damages caused by unlawful conducted auditing	

In the course of the inspection, the production, administrative buildings and warehouse facilities shall be opened and examined in the presence of a legitimate representative of the TIF subject, a list of relevant accounting documents shall be drawn up, and goods shall be separated and carefully checked.

In the international practice of customs auditing, the following key forms of audit are applied (Figure 6).

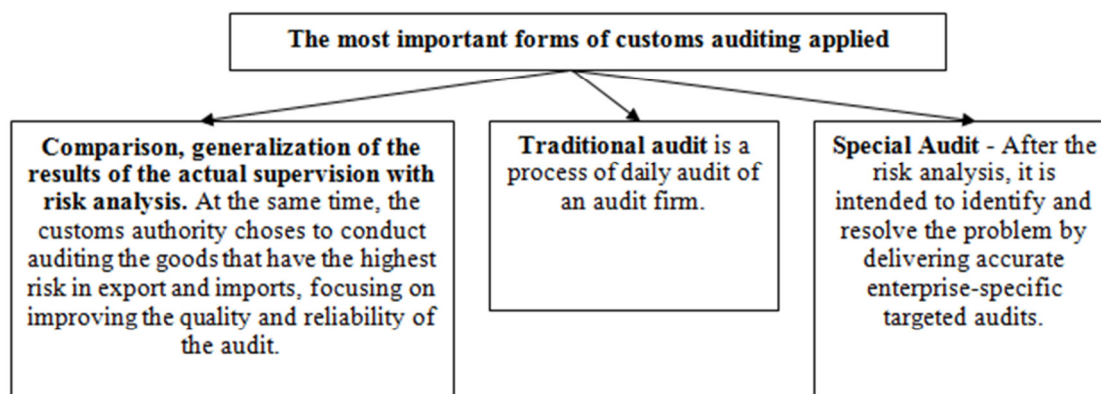


Figure 6. The most important forms of customs auditing applied
 Source: Authors compilation

3. Methodology

In the course of the research, scientific methods of studying the processes of economic reality - experimental research, generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, statistical analysis, prospective forecasting and other methods have been used.

The experience of leading foreign governments has shown that customs systems and policies of all non-existent countries are a new, innovative, innovative method of customs control, that is, the economic and social contribution of the customs value audit can be very high. For this purpose, a thorough study of the best practices of the leading countries in the field of customs audit, and the feasibility of implementing them in Uzbekistan would give a positive result (table 3-4). In our opinion, they have a positive experience of applying the benefits of their experience in the customs system of Uzbekistan, further simplification of procedures related to export-import registration in the customs system, further liberalization of foreign trade, the customs value calculated by FEA participants, their representatives, which would lead to a rise in prices. This ensures sustainability of export and import commodities, creates an additional natural mechanism of competition rather than price, but also increases the purchasing power of the population, which leads to greater satisfaction of the needs of the population for these commodities. Also, these measures do not require a lot of money, and their economic and social effect obviously.

No	Studied criteria	China
1.	Established time	1994
2.	Established location	Customs authorities
3.	Purpose of the organization, its content	Implementation of effective customs control in the customs administration ie customs procedures
4.	Change in organization	Combination of "trade surveillance" and "trade control" methods from the "cargo control" method
5.	The result of the organization	To regulate the behavior of FEA subjects in export and import operations, to combat illicit trafficking of goods and smuggling and to protect the system of national taxation
6.	Control actions	In the new order, step-by-step implementation of "risk analysis", "organization auditing", "commercial inquiry research" and "organizational management" in the "4 in one" or "4 at a time"
7.	Definition	Customs Audit - effective regulation of the behavior of the organization in the field of export and import
8.	The ultimate goal expected from the auditing	- improving the foreign economic activity based on the increase of the organization's (individual's) commitment to the law; - Identify and address the existing problems with compliance with law and order; - Ensuring a reliable guarantee of correcting compliance with them.

Table 3. China's experience in the organization and conduction of customs audit

Japan's experience in the organization and conduction of customs audit

International practice shows that the customs authorities use different customs control methods after release of goods into free circulation.

In Japan, such supervision is subject to the audit procedures in accordance with the requirements of the Kyoto Convention. Based on the definition of the Kyoto Convention E.3 / F.4, an audit-based customs control

presupposes that: "by examining the registers, bills, records circulation and commercial information of mutual stakeholders convinced of the validity of the declaration and the validity of the information contained therein means the measures permitted by the customs service".

The UCO (Universal Customs Organization) comments on the concept of customs control with the use of auditing methods, following the release of goods: "This process should be based on the accuracy of the declaration of customs officers (books), accounting books, records, business systems and other international is a process of verification of foreign trade directly and indirectly in accordance with customs and commercial information in both physical and juridical persons" In Japan, customs auditing of goods using auditing methods is an important element of simplification of customs procedures and is viewed as a way that does not let fraudulent and crime to occur. For example, in Canada, this customs audit process is called Post-release Verification. This means that "the goods will pass through the first stage, the documents will be submitted at the second stage, and in the third stage the goods will be certified". Post-release verification - includes extensive comprehensive investigations, but focuses on classification of tariffs, origin of the goods, customs value. The customs service in Japan is given based on customs control audit methods to the FEA, which has paid 1 million JPY, referred to as "controlled importers", and, it should be noted that after the release of goods in the customs service of Japan there is no customs control division, however, there are customs inspection departments.

This indicates that auditing of goods after their release in Japan is merely a form of control, that is, with the use of audit methods. The Japanese Customs Control Bureau collects information from various sources about "controlled importers", their risk assessment and preparation for the next audits. Sources for the analysis are information on customs declarations, previous auditing data, commercial information on various reports, breaking the customs laws of FEA member. Customs controls used by the audit method are carried out in accordance with the identified risk levels. FEA participants are added to the list even if there is a need for a specific cause for audit, even though they are not recorded in the risk analysis results or are not "controlled importers". According to the information gathered, the list of priority FEA participants is determined. At the beginning of the month a final list of FEA participants will be formed, which will be audited in the course of the next month, in which type of audit (general or simplified), duration of distribution and distribution of business objects will be clarified.

Korean experience of organization and conduction of customs audit

In the Republic of Korea, a customs audit system was developed in July 1996. It has been used since 2000. Its main purpose is to check the validity of the declared customs value on imported goods and to check the accuracy of payment of customs duties upon free circulation of goods. This system is designed to simplify customs procedures to enhance control over untrustworthy FEA participants.

Customs clearance of the customs value in the Republic of Korea, depending on the type of inspection selected is classified as follows:

- 1) Customs clearance of selected customs value. Within a period of 90 days from the date of registration of import customs declaration in Korea, the customs authorities shall verify the correctness of payment of customs duties and taxes on the introduction of a particular product, based on the risk management system.
- 2) Scheduled customs clearance of customs value. This form is intended for certain, certain number of companies, subjected to customs audit, in accordance with the following classification:
 1. Honest (fair) importers;
 2. Importers temporarily and systematically breaking customs legislation on customs value;
 3. Importers systematically breaking customs legislation on customs value;
- 3) Complex customs clearance of customs value. This form is based on the system of customs valuation and control over the amount of customs payments that should be paid by the importer. At the request of the Customs Authority, it is desirable that the organization submit a report on the results of the "self-assessment of customs value". If the inspection finds that the report's data is incorrect, the customs authorities will conduct a full screening of all these accounts for these foreign trade transactions. According to the results of the customs audit, the status of the company allowing for the independent determination of the amount of customs fees can be banned.

The final customs control in the Republic of Korea is carried out by a specially designated department called Customs Audit.

4. Conclusion

We believe that the best practice of organizing and conducting customs audit in the leading Eastern Asian countries is to analyze the capabilities of their methodology in Uzbekistan in the following table (Table 4). This is the basis for making conclusions.

№	Causes and Factors Determining the Application of Customs Audits in Uzbekistan	Their content and essence and the interpretation of expected results
1.	While crossing the border, all goods are not exposed to bulk, but to customs clearance measures, customs clearance by selecting commodities with high risk, using a risk management system.	- Increase economic and social efficiency of customs authorities and exporter-importers; - Provides complete, comprehensive analysis of all the information needed to calculate customs payments;
2.	Customs control on the basis of audit methods, ie customs audit - to verify compliance of published information on commodities and customs value in the declaration to the real reality, to confirm origin, classification and value of the goods.	-Commodities can be released immediately upon crossing the border; - Get rid of excessive costs; -Additional payments, if necessary, after the audit on customs payments;
3.	Customs audits to carry out imports of goods and associated persons on their territory in the form of periodic, regular, periodic inspections as well as in the form of inspections that combine different aspects of control objects.	-allows for a thorough study and analysis of the history of export-import operations performed over a certain period of time; -All commercial documents can be verified to confirm the information provided by the declarant.
4.	The main emphasis is on focusing on specific groups of goods with high risk.	- not all types of goods but the goods with high risk are studied(red corridor system); - The green belt system (road mapping) is introduced to the remaining goods.
5.	For close cooperation among foreign trade partners and oversight bodies, customs and other law enforcement agencies.	
6.	After the release of goods to free circulation, FEA participants are classified into categories (type, commodity turnover, customs value and fees) using the risk management system (customs post posture, ie customs audit).	
7.	The main focus of the survey is to train foreign trade related people to accurately, fairly calculate the customs value of goods.	

Table 4.Opportunities to apply advanced experience in leading countries in the field of customs audit in East Asia

Summing up, we can say that, in our opinion, the introduction of the customs audit on the basis of the experience of the developed East Asian countries, the introduction of its positive aspects in the customs system of Uzbekistan, in our opinion, will ensure the acceleration and optimization of our country's international intergovernmental process.

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