



## 27<sup>th</sup> Annual International Scientific Conference **RESEARCH FOR RURAL DEVELOPMENT 2021**

12-14 May 2021, Jelgava, Latvia



### **IMPLEMENTATION OF THE COMPLIANCE SYSTEM IN THE ACTIVITIES OF AGRICULTURAL ENTERPRISES IN UKRAINE: PREREQUISITES AND MAIN ASPECTS**

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#### Introduction

For the effective development of entrepreneurial activity at the international level, Ukrainian agricultural enterprises need to constantly confirm that their activities comply with the established ethical and business standards of doing business in the vector of combating corruption and fraud and managing the risks of the possibility of introducing international sanctions. However, the influence of external and internal factors significantly increases the level of risky processes in the functioning of agricultural enterprises. All this requires the management to develop mechanisms that minimize the likelihood of not only financial losses, but also loss of confidence on the part of customers in the domestic and international markets, loss of finding international business partners and investors. A comprehensive solution to these tasks can ensure the implementation of a compliance system.

#### Research Aim

The goal of the article is to determine the prerequisites and main aspects, to develop theoretical and methodological foundations, to substantiate recommendations for the implementation of the compliance system in the activities of agricultural enterprises in Ukraine.

#### Materials and Methods

The methodological basis of the research is the theory of systems, the theory of the development of economic systems, the theory of risk management, the theory of decision-making. When writing the article, general scientific and special methods were used, such as: abstract-logical, system analysis, method of SWOT analysis matrix, graphical.

#### Results

For agricultural enterprises, in particular Ukrainian ones, the compliance system is quite new, and there is practically no description of the procedures for its formation and functioning in this area.

1. Using SWOT analysis matrix, strengths and weaknesses, opportunities and threats of the compliance system for Ukrainian agricultural enterprises have been identified.

2. An algorithm for introducing a compliance system into the activities of agricultural enterprises has been proposed (Figure 1). Its implementation and observance will allow agricultural enterprises to minimize compliance risks, ensure their financial stability and innovative development, increase trust of customers, partners and investors, to be competitive both in the domestic market and external one.

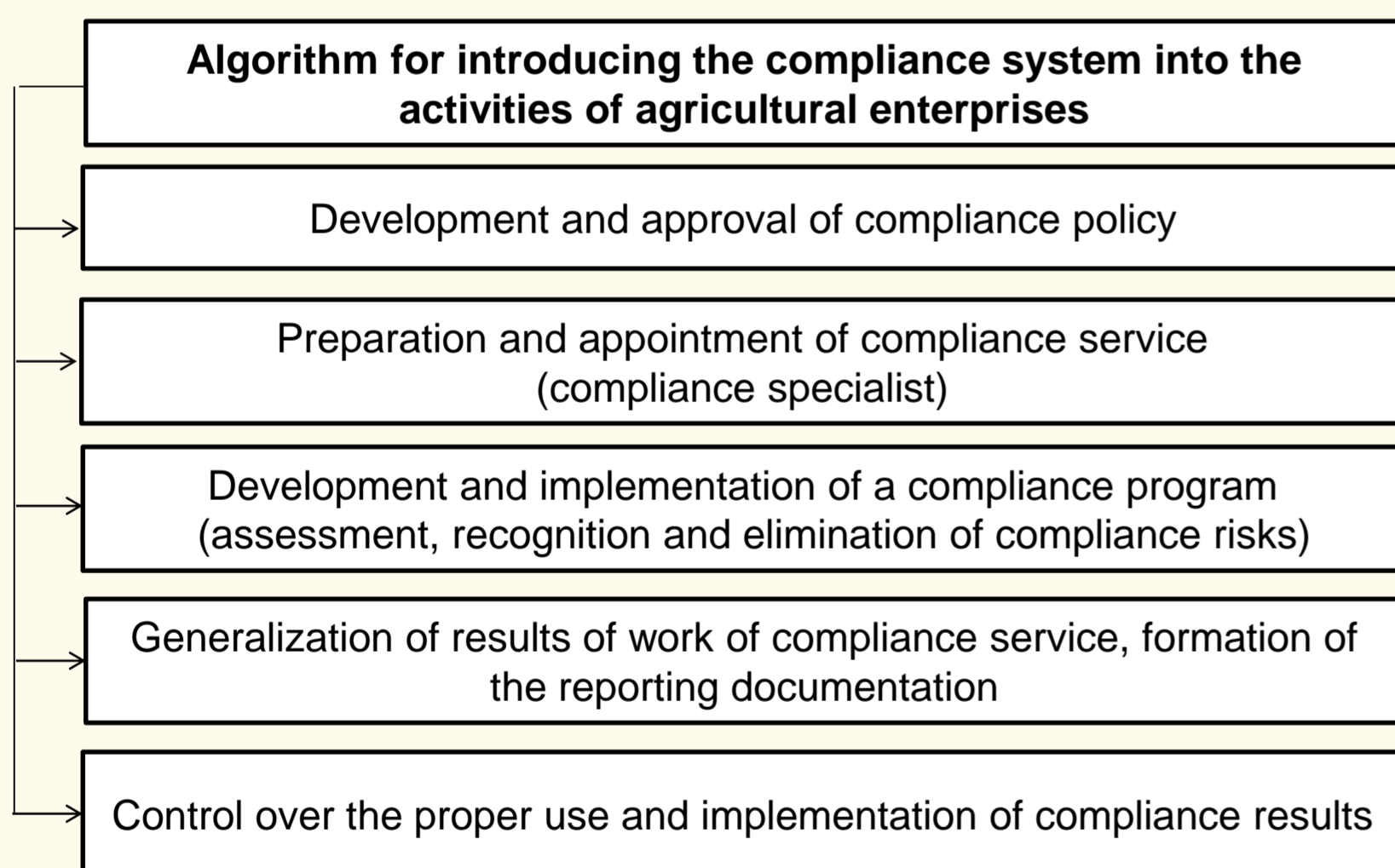


Figure 1. Algorithm for introducing the compliance system into the activities of agricultural enterprises (author's vision).

3. It has been determined that compliance risk management is a cyclical process, which main goal should be to minimize the identified risks using the development and implementation of appropriate control procedures and measures (Figure 2). In order to minimize compliance risks arising in the process of relations between agricultural enterprises and counterparties, an organizational model of their management has been proposed. The application of the methodological approaches presented in the model will allow agricultural enterprises to establish working relationships with counterparties, including foreign ones, and in the future to attract foreign capital and investment in their activities.

#### **Compliance risks management model arising in the process of interaction of agricultural enterprises with counterparties**

**Objective:** 1) compliance with the requirements of the tax authorities (due diligence); 2) identification of cases of conflict of interest; 3) compliance with the requirements of national and foreign anti-corruption legislation; 4) preventing fraud and corruption

##### **Responsible for control:**

- on a centralized basis, a compliance service or a compliance specialist is responsible for the control,
- on a decentralized basis, distribute and delegate the functions of checking counterparties between the legal department, security service, department responsible for planning the conclusion of contracts with counterparties, accounting department, and risk management department.

##### **Inspection frequency:**

- in case of interaction with new counterparties - obligatory at the initial conclusion of the contract;;
- in case of interaction with permanent counterparties - at the conclusion of the contract; at least once a year.

#### **Compliance risk assessment tools**

- criteria for evaluating counterparties: signs of fly-by-night companies; financial reliability, solvency of counterparties; presence of corruption, tax, reputational risks; the presence of court cases; financing of terrorism.
- sources of information: information directly from the counterparties themselves; official state registers (Register of Legal Entities, Individual Entrepreneurs and public Formations, Unified License Register; Unified State Register of Court Decisions; Register of Value Added Tax Payers; Register of Single Tax Payers and others); commercial databases (Terasoft CRM, World-Check and others); search in the media and the Internet; security sources.
- detection mechanisms: hotline, private consulting room, mailbox (off/on-line), monitoring, audit, corporate investigations, applicant protection program.

#### **Directions of minimization of compliance risks associated with counterparties**

1. Inclusion of anti-corruption clauses and provisions with the right to audit in contracts and agreements with contractors.
2. Monitoring of risky transactions and agreements with counterparties.
3. Verification and approval of payments made to the counterparty.
4. Development and implementation into business practice of the provisions of the Supplier Code of Conduct, which should include such ethical requirements as commercial virtue, fair competition, control of international trade, conflicts of interest, confidentiality and data protection, fair marketing practices, standards for clinical trials, environmental protection rules.
5. Training of counterparties on compliance and ethics issues.
6. Creation of a base of counterparties that have compliance risks.

#### **Monitoring and control**

1. Current testing of risky transactions in terms of their content, correctness of reflection in the accounting, as well as the availability of all the necessary supporting documents.
2. Working with the base of counterparties that have compliance risks.
3. Preparation of reports on the assessment of compliance risks.
4. Control over the proper use and implementation of the results of risk management.

Figure 2. Organizational model of management of compliance risks of agricultural enterprises arising in the process of interaction with counterparties (author's vision).

#### Conclusions

The introduction of the compliance system, as an institution of the internal control and corporate ideology system, into the activities of agricultural enterprises in Ukraine will contribute to: ensuring financial stability and innovative development of enterprises; improving reputation, increasing trust from customers, partners and investors, especially foreign ones; protection against threats and risks associated with violation of approved norms and standards; increasing the level of social responsibility of enterprises.

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