ANALYSIS OF AML/ CFT RISKS ASSESSMENT REVEALED BY OFFICE CONTROL

Sardor Abdinazar ugli Radjabov
Researcher, Tashkent State Economic University, Tashkent,Uzbekistan,

ABSTRACT
Tax evasion takes various forms, such as hiding objects of taxation, reducing the tax base. As a rule, such manipulations are carried out through distortions of tax and financial reporting data. Such concealments and distortions, in addition to the above risks, lead to the lack of an adequate picture of the state of the economy in the state as a regulator and the business environment, which in turn negatively affects the effectiveness of socio-economic policies of various kinds and levels;

KEYWORDS: *cameral control, models, false, reporting, risk.*

INTRODUCTION

Tributes are the main source of replenishment of the state budget and an important tool for regulating social and economic processes. However, they have also a significant impact on the economic activities of enterprises. Since taxes are an integral part of the financial and economic life of enterprises, often managers and other beneficiaries of economic activities seek to minimize tax payments. This is expressed in the desire to organize their financial and economic activities in such a way that tax liabilities do not arise or are minimal. Such aspirations are expressed not only in tax planning, but also often in distorted information about the results of the economic activity of the enterprise.

PURPOSE OF THE STUDY

Study of methods of conducting desk control using a risk-based approach in order to identify and suppress tax violations as predicate crimes in the framework of combating money laundering, terrorist financing and financing the proliferation of weapons of mass destruction.

RESEARCH METHODOLOGY

To study and analyze methods of checking tax and financial statements in the framework of combating money laundering, financing of terrorism and financing the proliferation of weapons of mass destruction, methods of economic group analysis, observation, analysis, synthesis and others are used.

STUDY ANALYSIS

Their works of A.G. Titizyan, J.M. Korzovantykh, L.G. Lopasteyskaya, Y.Petrova, M.D. Benish, S. Lee, D.S. Nichols, B.I. Isroilov, Z.N. Kurbanov and B.B. Ibragimov showed the procedure and ways of analyzing tax and financial reporting in order to combat money laundering and tax control.

ANALYSIS AND RESULTS

Despite a relatively wide range of forms of imposition control, tax audits are the main ones. The latter are divided into visiting and service. Such their importance is primarily due to the fact that other forms of control are most often directly related to the activities carried out as a result of field and office tax audits.

The main types of tax control are in-house control and on-site tax audits. On-site inspections are the most effective way to achieve tax control objectives, but this form of tax control is extremely time consuming and resource intensive. First of all, man-hours. The risk of corruption is also increased by direct contact of tax authorities with taxpayers in a poorly controlled situation. Another drawback of this form of tax control is the strong impact on the business activities of economic entities for a fairly long time, caused by such an audit. This, in turn, leads to a deterioration in the business environment and puts pressure on private initiative.

In the context of on-site inspections, coverage is reduced due to the complexity and length

of inspections. On the contrary, cameral control is able to cover all business entities that submit tax reports.

In this regard, the most important task is to create and organize such a tax control system that will increase the effectiveness of cameral control, and resort to field inspections only in cases of extreme necessity, thereby saving the resources of the tax authorities and increasing the efficiency of the tax control measures in general.

The outcome of most actions cannot be accurately predicted. This may be due to ignorance of possible outcomes, which is an extreme case of uncertainty about future events. As knowledge expands, uncertainty about future outcomes can be expressed in terms of the likelihood of their occurrence. In this case, uncertainty turns into risk. Uncertainty is largely determined by the factor of chance. Randomness is something that does not happen in the same way under similar conditions and therefore cannot be foreseen or predicted in advance. However, with a large number of observations of accidents, certain patterns can be found. Due to the fact that random events during the observation process can be repeated with a certain frequency, this frequency can be measured as the ratio of the number of occurrences of an event and a similar result to the total number of observations. This frequency usually has statistical stability of appearance in the sense that with a large number of observations, its value does not change much. The repeatability options for a random event are, as it were, grouped around a certain number. To study these patterns, the mathematical apparatus uses probability theory and econometric methods.

The concept of risk in the theory of applying a risk-based approach is considered in connection with concepts such as threat, vulnerability and consequences.

A threat is something (a person, a group of people, an action or a phenomenon) that has the potential to harm something (a state, a company or individuals) [1].

Vulnerability - areas in which a threat can be realized or that facilitate and facilitate the realization of a threat [1].

Consequences - damage, harm or negative impact arising from the implementation of the threat and the emergence of risks [1].

Risk is the likelihood of a threat being realized and the number of potential consequences. Risk can be also expressed as the product of the probability of occurrence of damage and the quantitative expression of the sum of the consequences [1].

In the modern socio-economic system with widespread globalization, the risks of money laundering and economic crime are becoming an increasingly urgent problem. The development of economic relations contributes to an increase in demand and the development of investment instruments [2]. Considering all of the above, there is a need to study the issues of identifying, analyzing and assessing AML / CFT risks in investment projects.

Modern trends in the development of both the economic relations themselves, and the development of methods and ways of committing illegal transactions and methods of concealing them, as well as legalization of income received from them.

In this regard, it is worth noting and highlighting certain signs of identifying taxpayers that are risky in terms of ML / FT.

Taxes are inherently the main source of the state budget. Concealing and / or evading taxes is a tax and, in some cases, a criminal offense.

For the full application of the risk-based approach in office control, it is necessary to define specific narrow areas of office control. They are associated primarily with the assessment of the level of risk of tax violations by taxpayers.

It is necessary to determine the criteria and signs of suspicious taxpayers and the level of likelihood of tax violations.

These signs include:
1. Systematic tax arrears;
2. Systematic filing of recalculations in tax reporting;
3. Systematic change of legal address;
4. Use of payment terminals owned by other persons;
5. Results of previous inspections of the enterprise;
6. Complaints of individuals and legal entities about violations of the law;
7. Continuous reflection of losses in financial statements;
8. The tax burden differs from the industry average;
9. Sale of export goods at discounted prices;
10. Transfer of large amounts of funds to the accounts of organizations that do not operate or within the framework of a criminal case;
11. 11). Suspicion of a manipulation report.

Based on these criteria, it is possible to assess the level of risk of both each taxpayer and individual industries and regions.

These criteria can be used to compose various systems for assessing the level of risk of evasion of various taxpayers.

First of all, you can compose the nominal values for each of the criteria to give them different quantitative estimates, for example:
- Systematic tax arrears - 4;
- Systematic submission of recalculations in tax reporting – 1;

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- Systematic change of legal address – 2;
- Use of payment terminals owned by others – 5;
- Results of previous inspections of the enterprise; cases of detected violations during inspections – 5;
- Results of previous inspections of the enterprise; cases of revealed violations during inspections – 2;
- Continuous reflection of losses in financial statements – 2;
- Tax burden differs from the industry average – 2;
- Sale of export goods at reduced prices – 3;
- -   Transfer of large amounts of funds to the accounts of organizations that are inactive or are within the framework of a criminal case – 3;
- Suspicion of a manipulation report – 1;

After that, you can summarize the assessments and, according to the final assessment, rank taxpayers according to the degree of risk.

1).   Low - 0-3 points;
2).   Medium - 4-15 points;
3).   High - 16 and above.

You can also apply the risk matrix method.

Signs of high risk include signs such as:
1. Use of payment terminals owned by other persons;
2. Negative results of previous inspections of the enterprise;
3. Sale of exported goods at reduced prices.

Medium risk characteristics can be defined as:
1. Systematic tax arrears;
2. Systematic change of legal address;
3. Systematic filing of recalculations in tax reporting;
4. Transfer of large amounts of funds to the accounts of organizations that do not operate or within the framework of a criminal case.

There are signs with a low level of risk:
1. Complaints of individuals and legal entities about violations of the law;
2. Reflection of losses in financial statements;
3. The tax burden differs from the industry average;
4. Suspicion of a manipulation report.

Table 1 - Risk matrix

Feature / Detection frequency	Signs from the high-risk group	Signs from the medium risk group	Low-risk signs
Higher frequency	HF	HF	AF
Average frequency	HF	AF	LF
Low frequency	AF	LF	LF

You can also use the following formula:

$$Trc = (ND + NS + NT + NCha + NNch + NC + NRl + NrR + NSrBR) / (SDTb + SEp + MTo + ATS + OT), \qquad (1)$$

Where:

Trc – Tax risk coefficient;

ND – The number of facts of debt for each tax in each period;

NS– The number of cases of application of tax sanctions for each tax for each period (Additional charges, fines and penalties)

NT – The number of revealed facts of the use of payment terminals owned by other persons;

NCha – Number of legal address changes;

NNch – The number of negative results of all types of checks;

NC– The number of complaints from individuals and legal entities about violations;

NRl – Number of reporting with losses;

NrR – Number of refusals for VAT refunds;

NSrBR – Number of submission of reports found to be suspicious by the Benisha and Roxas model;

SDTb – The sum of the difference in the tax burden from the industry average (in absolute terms)

SEp– The amount of the sale of exported goods at reduced prices;

MTo – The amount of money transfers to the accounts of organizations that are inactive or within the framework of a criminal case;

ATS – The amount of applied tax sanctions for all taxes for all periods;

OT – The amount owed for all taxes for all periods.

You can also use the following formulas to assess risk:

$$Ко = NSrBR / NoT,$$

Where:

Rr – Reporting ratio;

NSrBR – Number of submission of reports found to be suspicious by the Benisha and Roxas model;

NoT – Number of reporting total.

$$Ir = NNch / Nch,$$ (3)

Where:

Ir – Inspection rate;

NNch - The number of negative results of all types of checks;

Nch– The number of checks of all types of everything.

Then the calculated coefficients must be included in the following formula:

$$Tax\ risk = Ir * AO + Nch * ATS,$$ (4)

Where:

AO – The amount owed;

ATS – The amount of tax sanctions.

You can also use the following formula to evaluate the performance of the Benish and Roxas model:

$$FmBR = NSrBR / NIvHI,$$

Where:

FmBR – Benish and Roxas model efficiency factor;

NSrBR - Number of submission of reports found to be suspicious by the Benicha and Roxas model;   (5)

NIvHI – The number of in-house inspections with identified and admitted violations.

CONCLUSION

The proposed methods for assessing the effectiveness of internal control will assess the risk from the point of view of assessing taxpayers for the likelihood of committing tax offenses.

It will also allow assessing, based on the results of tax audits and the results of tax control, the effectiveness of both desk and tax control in general in identifying and suppressing tax offenses.

Due to the simplicity and as a consequence of the flexibility of the proposed methods, by changing the variables, it will be possible to adjust the models to the current applied goals and conditions.

Also, the flexibility and simplicity of the models will allow, by changing the variables, to analyze and evaluate the effectiveness of cameral and tax control by regions and individual industries, depending on the selected data.

The developed models for assessing the riskiness of taxpayers will simplify the cameral control mechanism. It makes also possible to analyze and evaluate the effectiveness of the measures taken for office and tax control, which will allow, based on the analyzed information, to form appropriate conclusions based on the results. Thus, by optimizing the processes of office and tax control, increasing the potential for their development.

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