

Study Compliance of Economic Security of Ukraine

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SUMMARY

The article examines the current state of security compliance of the Ukrainian economy. The essence of compliance and the possibility of its use to characterize the economic security of the object of study are considered. Various types of compliance violations in the Ukrainian economy over several years have been investigated. The main trends that are characteristic of the economies of Ukraine in the area of compliance are identified and substantiated: the level of the shadow economy, the number of officially registered compliance violations in industrial enterprises and their structure, the level of corruption and its perception in Ukraine, etc.

It is proposed to determine the compliance safety of an industrial enterprise as protection of the vital interests of an industrial enterprise from external and internal violations of laws, regulations, standards, constituent and internal documents of an enterprise by determining, assessing and minimizing (eliminating) compliance risks. Recommendations are given for the industrial enterprises of Ukraine with the aim of improving their economic security.

Keywords: compliance, economic security, compliance security, shadow economy, corruption

Journal of Economic Literature (JEL) codes: D73, F52, K13, K42

DOI: <http://dx.doi.org/10.18096/TMP.2019.01.04>

INTRODUCTION

The socio-economic development of Ukraine today takes place in conditions of market transformation and modernization of the economy. At the same time, the oligarchic model of economic relations inherent in the country gives rise to such undesirable phenomena as the illegal economy, its monopolization, a constant increase in economic inequality, the growth of unemployment, and the poverty of the majority of the population. Various sources of information put the level of the shadow economy in our country from 28 to 40 per cent of GDP. This strongly affects the level of impoverishment of the citizens of Ukraine, which increases by 10-15% annually. According to the UN statistical reports, about 80% of citizens are living in poverty in Ukraine. Existing studies of the current state of the Ukrainian economy indicate that an important factor in its decline is the presence of elements of corruption, fraud, money laundering, and total violation of many existing laws and regulations both at the macro and micro levels. All of this requires a detailed study, reflection and development of scientific and methodological recommendations for countering this kind of violation.

The purpose of the study is to introduce use the term "compliance security" into academic and study its theoretical and methodological nature as an economic category, as well as to consider the formation and use of the organizational mechanism of compliance as a component of ensuring the economic security of a country, industry, region or enterprise.

ANALYSIS OF THE LITERATURE

Most of the existing studies in the field of economic security consider the problems related to providing economic security based on a detailed analysis of macro and micro-projects in the work of an enterprise and on this basis form scientific and methodological recommendations for preserving the existing economic achievements of an industrial enterprise or for their improvement. Without rejecting such an approach to the question, we note that there may be cases in which even fairly successful enterprises can operate in a very dangerous state. The reasons for such a conclusion can be corruption schemes in the work of the enterprise, the presence of fraudulent transactions, tax evasion, violations of antitrust laws and other equally important

manifestations of violations of the current legislation, regional regulations, industry regulations and standards of the enterprise itself. It should be noted that all these manifestations of violations of the existing regulatory and legal framework, unacceptable for any enterprise, are within the scope of compliance. However, the vast majority of industrial enterprises in the Ukrainian business sector prefer not to allocate funds for compliance activities, and many of them are not even familiar with the conceptual provisions of compliance. It should be noted that the provisions and principles of compliance in the Ukrainian economy are still practically not used in the activities of real business; to a certain extent, compliance control provisions have been introduced into the practice of only some Ukrainian financial and credit organizations, in particular, banking institutions.

Theoretical and practical issues of compliance have been discussed in Ukrainian and other economic scientists, in particular, Aleshin & Aleshina (2016), Pererva (2017) Kocziszky et al. (2017, 2018a), Romanchik & Pererva (2018), and others. In these studies the basic terminological concepts of the compliance system are reproduced, the main areas of its use are substantiated, the fact is determined Banks for the effectiveness of compliance programs in industrial enterprises and financial organizations. At the same time, the questions of the formation and use of the organizational mechanism of compliance as a component of ensuring the economic security of an industrial enterprise require further research. In my opinion, the compliance function includes all the necessary functions for qualitatively counteracting corruption schemes in the work of an enterprise, carrying out fraudulent transactions, evading taxes, violating antitrust laws, etc.

THE RESULTS OF THE STUDY OF COMPLIANCE VIOLATIONS IN THE ECONOMY OF UKRAINE

Currently, industrial enterprises carry out production and commercial activities in difficult conditions of enterprise development risk. Therefore, the issue of economic security in their activities is very important. Most top managers seek to ensure the sustainable development of their enterprise with the lowest level of volatility risk (uncertainty, unpredictable fluctuations in business performance), since such volatility significantly affects the main strategic indicators, that is, sharp unpredictable fluctuations in the value of both the enterprise and its assets. The current realities of management are such that ensuring the security of an enterprise and above all economic security is impossible

without implementing the compliance system in its business practices.

Compliance (derived from the verb to comply) means acting on request or instructions; submission. Compliance as used here is the compliance of specific actions of a country, enterprise, individual team or employee of any rank with all existing internal or external requirements (laws, standards, norms, regulations, etc.).

In my opinion, the permanent control of the compliance regime should be dealt with by a part of the enterprise's management and control system that is associated with compliance risks, non-compliance with the requirements of legislation, rules and standards of supervisory authorities, industry associations, codes of conduct, etc. Such compliance risks may ultimately manifest themselves in the form of legal sanctions or regulations of regulatory bodies, financial, material and reputational losses as a result of violations of laws, standards, regulations and rules. Compliance with the compliance function usually covers issues such as adherence to appropriate standards of market behaviour, managing conflicts of interest, fair treatment of consumers and ensuring an objective approach in advising them. Compliance functions also include specific areas, such as countering the legalization of criminal proceeds and the financing of terrorism; development of documents and procedures to ensure compliance of the company's activities with current legislation; protection of information flows, counteraction to fraud and corruption, the establishment of ethical standards of employee behaviour in the organization and beyond, etc.

A modern compliance system is able to provide industrial enterprises with lower costs to protect their business interests, as well as the property rights of owners, to optimize the structure of business processes and to improve the quality level of top management of the enterprise as a whole. All of this creates important and relevant prerequisites for the development of theoretical and practical foundations of compliance and for their adaptation to the realities of large and medium Ukrainian businesses.

The author's studies suggest that there is a significant impact on economic processes from processes of reducing the volume of government funding in all sectors of the economy, a significant increase in the level of the shadow economy to 43% in 2014 (Official website of the State Statistics Service of Ukraine, 2019) and its effects on indicators of socio-economic development and components of the state's economic security. Ukraine, practically throughout its entire period of independence (Ukraine is an independent country since 1991 traditionally has had a high level of shadow economy, as evidenced by the data in Table 1.

Table 1
Level of the shadow economy as a percentage of the official GDP of Ukraine

Year	The level of the shadow economy, % of the official GDP of Ukraine	Changes in the volume of real GDP of Ukraine, %, to the corresponding period of the previous year
2010	38	4.1
2011	34	5.5
2012	34	0.2
2013	35	0.0
2014	43	-6.6
2015	40	-9.8
2016	35	2.4
2017	31	2.5
2018	32	3.5

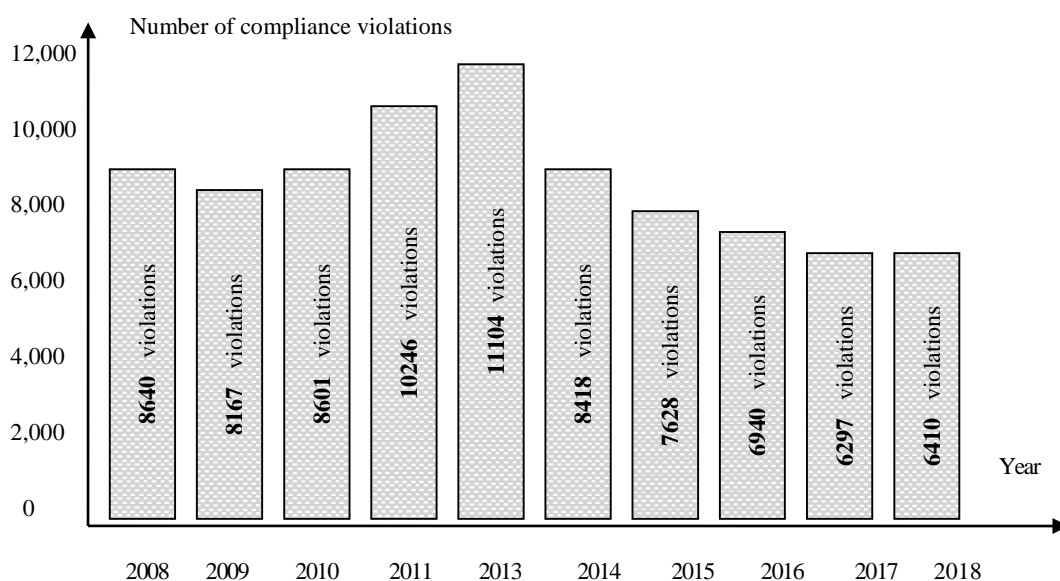
Source: Calculations of the Ministry of Economic Development and Trade of Ukraine: <http://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f50e5243eb15a&tag=TendentsiiTinovoiEkonomiki>

Most of our closest neighbours are no better off regarding the extent of the shadow economy. For example, in Russia, the indicators of the shadow economy were 38.4% on average and 33.7% of GDP in 2018, in Azerbaijan 52.19% and 43.66%, in Armenia 42.59% and 35.96%, in Georgia 64.87% and 53.07%, in Kazakhstan, on average, 38.88% and 32.82% in 2015, in Moldova 43.43% and 39.68%, in Tajikistan 42.99 and 37.73%, in Kyrgyzstan 37.92% and 30.78%, in Estonia 23.8% and 18.49%, in Latvia 22.23% and 16.62%, in Lithuania 25.15% and 18.65%, and in Poland – 25.1% and 16.67% of GDP (Kolesnichenko 2018).

The high level of the shadow economy affects the level of criminality in Ukraine and the increase in crime in general and in the economic sphere in particular. Economic crime has become significantly higher in terms of both the number and the results. For example, according to the data of Nipialidi (2018), economic crimes constitute 75.3% of all crimes in our country, including: crimes against property – 68.4%, crimes in the sphere of official activity – 4.4%, and crimes in business activity – 2.5%. In 2017, 335,910 criminal offenses against property were

registered, which is slightly less than the previous year (in 2016 - 405,549), which was almost 15% more than in previous years (in 2013 - 334,821, in 2010 – 318,216, and in 2009 - 242,766). This is taking into account the fact that statistical data on crimes committed in the occupied territories of our country are not included in these figures. The most vulnerable regions in terms of crimes of this category in 2017 were Kyiv (45,767), Dnipropetrovsk (29,362), Kharkiv (24,239), Zaporizhia (23,981), Odessa (21,104) and Lviv (18,494), (Nipialidi 2018).

Of particular importance in the context of our study are crimes in the sphere of economic activity, which are most relevant to the area of compliance violations. According to official statistics, the number of crimes in the sphere of economic activity continues to be insignificant compared with all offenses taken into account: in 2014-15 the share was 1.6%, in 2016-18 the share decreased to 1.2% (Nipialidi 2018). Thus, law enforcement agencies in 2017 (Figure 1) recorded 6,297 offenses in the sphere of economic activity, in 2016 there were 6,940 such offenses, while in 2015 there were 7,628, in 2014 8,418, and in 2013 11,104 (Melnychuk 2016).



Source: PwC (2018)

Figure 1. Officially registered compliance violations at Ukrainian enterprises

Table 2

Structure and number of compliance violations in the enterprises of Ukraine

Type of compliance violations in enterprises	Year					
	2013	2014	2015	2016	2017	2018
Production, storage, purchase, transportation, shipment, import to Ukraine with the purpose of using counterfeit money when selling goods, selling or selling	1233	709	1860	1316	1022	1078
Officially registered businesses not in operation	891	858	885	681	784	723
Legalization (laundering) of proceeds from crime	291	296	221	159	243	208
Inappropriate use of budget funds	48	34	24	15	21	19
Tax and tax evasion	3069	1899	1748	1203	1099	1154
Financial resources fraud	327	345	129	62	58	73
Illegal privatization of state communal property	26	45	28	8	17	22
Gambling business	1248	1084	735	964	469	533
Total criminal compliance violations	11104	8418	7628	6940	6297	5789

Source: PwC (2018)

Analysing this category of crimes, Nipialidi (2018) notes that the total number of detected offenses in the economic sphere has rapidly decreased between 2015-18, which clearly indicates a weakening of the fight against economic crime (Nipialidi 2018).

The sharp decrease of investigations by all law enforcement agencies in the field of economics is evidenced by the following figures: while in 2016 the detected crimes of this category caused losses of UAH 8.65 million, in 2015 it was UAH 289 million, UAH 624.9 million in 2014. In the process of compensating for these losses in the course of the pre-trial investigation in 2016, it

amounted to UAH 27.8 million, in 2015 UAH 63 million and UAH 4.9 million UAH in 2014 (Baganets 2017)

The shadow economy is both the source and the result of compliance violations. Table 2 shows statistical information of the General Prosecutor's Office of Ukraine on compliance offenses committed by industrial enterprises, institutions and organizations since 2013 by economic activity under Article 199-235 of the Criminal Code of Ukraine and are subject to criminal prosecution.

Despite the fact that since 2015, the scale of the shadow economy is gradually decreasing (Table 1), its level remains high with all the ensuing political and economic

consequences and corruption implications. It should also be noted that the high level of the shadow economy is also explained by the fact that the shadow economy itself is one of the business strategies that allows the shadow economy to mitigate the impact of the economic crisis (and therefore, of course, that its level increases during the crisis).

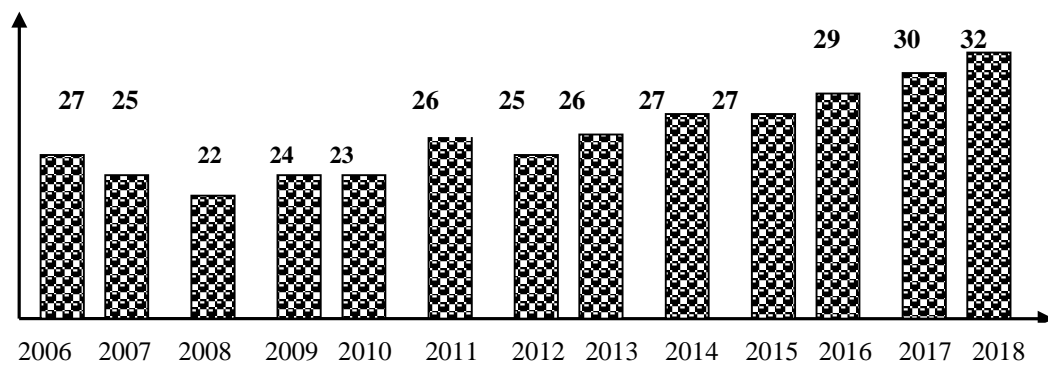
All this led to the greatest economic crisis during the years of independence of Ukraine, as well as to the loss of a significant part of the industrial and export potential. In 2018, the country's GDP amounted to only 77.9% of the 2008 level, while GDP per capita fell to USD 2,100 (on the same level as the Congo) (Official website of the State Statistics Service of Ukraine, 2019). The ultrahigh level of inflation and the decrease in real incomes of the population, combined with the devaluation of the national currency, led to an increase in the volume of the shadow economy, an increase in the level of corruption in all spheres of society, and higher vulnerability of the majority of the population. According to the results of a global study developed by the American non-governmental organization Social Progress Imperative with the support of Deloitte, Ukraine was in 64th place of the Social Development Index rating among 146 countries of the world. Under these conditions, the main efforts of state anti-crisis measures have touched upon fiscal consolidation, fiscal discipline and tariff policy. The combination of such factors requires the search for new approaches and the adoption of urgent measures to strengthen the social component of the economic security of Ukraine. This situation makes this topic – studying the relationship between the level of the shadow economy and the indicators of the social component of the economic security of both Ukraine and individual industrial enterprises – extremely relevant.

In the conditions of a substantial growth in the Ukrainian shadow economy, the development of economic relations, the restructuring of the economy, and the transformation processes also entail the presence of manifestations of crime in the economic sphere. Building

a system for effective counteraction to such crimes is an urgent task, since illegal actions in the economic sphere can significantly affect the development of the economy, undermine the economic foundations of the state and contribute to the formation and development of the shadow market, the emergence of corrupt ties and other unacceptable phenomena, the presence of which can lead to undermining the economic sustainability and economic security of the country and its citizens.

The process of legalization of the economy will acquire proper intensity only if the state creates favorable conditions for the growth of economic and investment activity in the legal economy by its citizens, against the background of improving the business climate in the country, improving the quality of government, the stability of the financial system and the macro-environment.

A strong shadow economy creates ample opportunities for the development of corruption and bribery in Ukraine. The world community perceives our country as a country with a very high level of corruption. In international practice, the Corruption Perception Index (CPI) (Transparency International EU 2019, <https://gtmarket.ru/ratings/corruption-perceptions-index/info>) is calculated to assess the level of corruption in the country, which reflects the perception of the level of corruption by entrepreneurs and analysts from different countries of the world, including experts residing in a country whose corruption level is being studied. This indicator focuses on corruption in the public sector and defines it as the abuse of official position for personal gain. The level of the CPI for each country is evaluated by the international non-profit public organization Transparency International. For its evaluation, a number of indicators for the past three years are processed: on bribery of officials, payment for supply contracts for state needs, embezzlement of public funds, as well as the frequency of corruption, and the total cost of paid bribes. The corruption perception index in Ukraine in recent years is presented in Figure 2.



Source: Transparency International (2019)

Figure 2. The corruption perception index in Ukraine

The lower the corruption perception index, the higher the level of corruption. The rating is based on the results of a survey of experts and business representatives about how they perceive the level of corruption in a particular country. Each country's CPI is rated on a 100-point scale, where 100 points is the total absence of corruption, 0 is highly corrupt (Transparency International EU 2019). In recent years, Transparency International does not carry out independent surveys, but leads "to a common denominator" those that are carried out in Ukraine and in the world by specialized international organizations. The reports of the international organization Transparency International devoted to research on and the fight against corruption, show the stability of the problem of corruption in Ukraine. The CPI of Ukraine is on average 25.9 (over the period of 2007-18), reaching a maximum of 32 points in 2018 and a record low of 22 points in 2008. The government's extraordinary efforts to counter corruption in 2018 improved the level of this indicator by two points. All EU countries are less corrupt than Ukraine, including Bulgaria, which has the worst performance in the EU - 42 points. Of the post-Soviet states, Ukraine is rated as more corrupt than any of the Baltic countries, as well as Georgia, Armenia, Moldova and Belarus. A positive point is the fact that the level of corruption in Ukraine was lower than in Kazakhstan and Kyrgyzstan (scored 31 and 29 points in 2018, respectively), and also Ukraine for the second year in a row comes out ahead of Russia, which was previously considered less corrupt than Ukraine. Russia scored 28 points in 2018.

The current 32 points give hope. After all, those who score from 31 to 60 points are called countries that "try to fight corruption." Ukraine joined this group only in 2018.

Every two years PwC conducts a worldwide survey of enterprises and organizations on compliance violations in

various sectors of the economy and an assessment of the attitude of organizations to economic crimes. Since 2009 the survey has included Ukraine. This allowed PwC experts to identify trends in the most common types of economic crime and fraud. In the survey of 2018, more than 100 representatives of various Ukrainian enterprises, in both private and public sectors of the economy, took part. The results of this survey allow specialists in the relevant segments to identify and analyse the trends of the most common types of economic crimes and fraud in Ukraine, assess their impact on the production and commercial activities of industrial enterprises, analyse changes in the activities that Ukrainian enterprises use to prevent compliance violations. The number of compliance violations in our country is increasing every year. According to the 2018 Worldwide Study of Economic Crimes and Fraud conducted by PwC, 48% of Ukrainian organizations have suffered from economic crimes and fraud over the past two years, although in 2016 this figure was 43% (see Table 3).

The data in Table 3 also show that throughout the world the number of enterprises affected by compliance violations is also increasing. In 2018, according to this indicator, Ukraine is almost in line with global trends in the field of economic crime. At the same time, the Ukrainian economy looks much better than the Russian economy. According to the survey, the number of economic crimes in Russia in 2018 also increased significantly compared with two years earlier: 66% of business representatives said that their company faced them, whereas earlier this number was 48%.

Practically all industrial enterprises support the claim that corruption practices are widespread in our country. Over the past five years, this statement has been supported by 96–99% of respondents (Table 4).

Table 3
Share of enterprises affected by compliance violations

Scope of observation	Year of observation				
	2009	2011	2014	2016	2018
The whole world	30%	34%	37%	36%	49%
Russian Federation	71%	37%	60%	48%	66%
Ukraine	43%	36%	63%	43%	48%

Source: PwC (2018)

Table 4
Share of enterprises in Ukraine giving a positive answer to the question

Contents of the question	Survey year				
	2014	2015	2016	2017	2018
Do you think that corrupt practices are common in Ukraine?	99%	98%	97%	96%	97%
Have you ever faced corruption when doing business in Ukraine?	91%	88%	81%	91%	92%
Do you think that the level of corruption in Ukraine has decreased over the past year?	27%	27%	47%	36%	31%

Source: PwC (2018)

At the same time, in our opinion, it is difficult to draw an unequivocal conclusion on the increase in the level of economic crime in a particular country or not. The results of the survey can be explained, for example, by an increase in the level of manifestation of compliance violations in enterprises and organizations. This conclusion is to be confirmed by statistical data. For example, despite the fact that the share of Ukrainian enterprises that have actually suffered from compliance violations varies between 30–50% (Table 3), in reality the number of enterprises that are faced with corruption when doing business is much higher and fluctuates in the range 81–92% (Table 4). Such a discrepancy in statistics is explained, in our opinion, by the fact that almost 50% of compliance violations are ignored or not detected; therefore, no one calculates the losses from them.

Today in our country certain types of compliance violations are gaining popularity, such as misappropriation of property, the purchase of non-existent goods and services, the provision of charitable assistance (used as bribery), various payments to companies not formally linked to common business, interaction with government agencies through intermediaries, the implementation of investment projects, an opaque structure of marketing costs, procurement and personnel management fraud and cybercrime. The latter include unauthorized monitoring of databases and transactions and hacking of personal

electronic mailboxes of subscribers. On this basis, the divisions of industrial enterprises such as marketing and purchases, sales and investment departments often become a source of compliance violations for enterprises, along with the actions of top management. The dynamics of the most significant compliance violations in all areas of the Ukrainian economy are presented in Table 5.

Bribery and corruption remain the main types of economic crimes that adversely affect the activities of Ukrainian organizations (Table 5). Only in the last two years, 48% of the surveyed companies were affected by these crimes, and every third Ukrainian respondent (33%) recalled that his organization received an offer to give a bribe. As the results of the study showed, the most common types of crime faced by companies are misappropriation of property (46%), fraud in procurement (33%) and personnel management (33%), and cybercrime (31%). The disappointing thing is the forecast of representatives of Ukrainian organizations for the next two years: they believe that corruption will remain the most significant economic crime for their companies. In Russia, as well as throughout the world, the most common type of economic crime is misappropriation of assets. Bribery and corruption came in second, and the third most common type of violation was fraud in the procurement of goods and services. Globally, after misappropriation of assets, we find cybercrime and fraud committed by the client.

Table 5
The main types of compliance violations in the Ukrainian and world economy

Types of compliance violations	In the world	In Russia	In Ukraine	
	2018 year	2018 year	2016 year	2018 year
Bribery and corruption	25	41	56	73
Customer fraud	29	31	23	17
Misappropriation of property	45	53	62	46
Procurement fraud	22	35	25	33
HR Management Fraud	12	19	4	33
Cybercrime	31	24	24	31
Violation of business conduct principles	28	23	t/d	t/d
Legalization of proceeds from crime	9	15	t/d	t/d
Manipulating accounting data	20	19	t/d	t/d

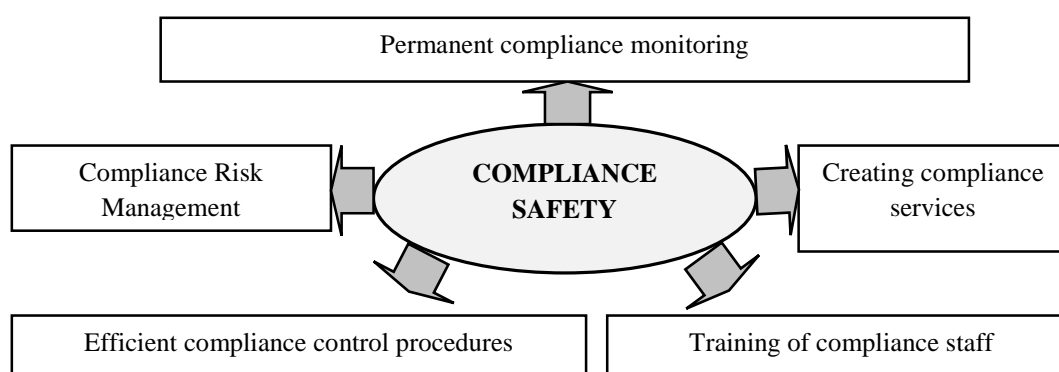
t/d – there is no data.

Source: PwC (2018)

Table 6
The most widespread forms of compliance violations in Ukrainian enterprises

Compliance violation type	Year			Compliance violation type	Year		
	2016	2017	2018		2016	2017	2018
Bribe request	68%	67%	69%	Sponsorship Request	5%	7%	6%
Malpractice	70%	68%	64%	Return request to win a tender	35%	27%	32%
Request for partnership with a company branch	29%	25%	23%	Request for a bribe to stop illegal pressure	41%	45%	46%
Donation Request	18%	18%	19%	Other	5%	4%	4%

Source: PwC (2018)



Source: own compilation

Figure 3. Components of the mechanism for ensuring the compliance security of an industrial enterprise

Within each of the types of compliance violations, there are corresponding forms of their implementation, the ways in which this violation is carried out (Table 6).

From the data of Table 6 it can be seen that the most common forms of compliance violations are to demand a bribe (67–69%) or abuse of official position (64–70%). We note that the dynamics of the Bribe Requirement indicator has been almost stable over the past few years, and there are no trends towards its change. In recent years, the number of cases of abuse of official position has slightly decreased (from 70% in 2016 to 64% in 2018). This, in our opinion, can be explained by the creation and active work in Ukraine of anti-corruption bodies.

Studies by the author show that the Ukrainian economy currently has negative manifestations associated with corruption, fraud, money laundering, violation of business rules, corporate ethics, etc. All this creates opportunities for causing real damage to the economic security of the country in general, as well as the level of economic security of each enterprise or organization.

The components of economic security, as a rule, are taken into account when determining the integral indicator of the economic security of an enterprise. However, it is common for companies to neglect to include indicators of corruption, fraud, money laundering, violation of corporate ethics, antitrust issues, or tax laws. In the past 20–25 years in the global economy, this has been the subject of compliance research. Based on these provisions,

we propose to introduce into economic terminology the definition of “compliance safety of an enterprise”. The new definition requires its theoretical and methodological substantiation and definition as an economic category.

The essence of the term “compliance security” is defined both by the term “compliance” and the concept of “economic security”. Therefore, the proposed definition for the concept of compliance security of an industrial enterprise is the protection of the vital interests of an industrial enterprise from external and internal violations of laws, regulations, standards, constituent and internal documents of an enterprise by determining, assessing and minimizing (eliminating) compliance risks. Such a definition allows us firstly, to show the dynamic compliance of safety in space and time; secondly, to determine the importance of both internal and external factors influencing the degree of safety compliance; thirdly, to show close interaction on the legal basis of the state and corporate systems for ensuring economic security; fourthly, to determine the presence and level of compliance risks as the main instrument for the compliance safety of an industrial enterprise.

In order to avoid compliance violations or at least minimize compliance risks at an industrial enterprise, it is proposed to form, implement and use the following measures, determined to be effective to a certain extent, (Figure 3), which should be implemented as part of ensuring the compliance safety of an industrial enterprise.

CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH

Conducting effective compliance control indicates that the company must establish procedures, the use of which will ensure reliable testing as candidates for employment as well as contractors. Constant compliance control will be carried out using tools that ensure compliance safety and by conducting internal investigations.

At present, most enterprises carry out internal control and internal audit, the powers of which include compliance control procedures. Some enterprises have created such units (services). But the current state of compliance violations in the economic sphere means that we are in dire need of creating an independent target unit (compliance service) with extended powers and specific professional skills. In our opinion, the compliance service should include specialists from different professional fields: accountants, IT specialists and lawyers. The efficiency of the compliance service is ensured by the close interaction of its employees with legal and HR services (divisions working with staff).

The main task of the compliance service is to find the operational functions of the production and commercial activities of an enterprise where compliance violations may occur in order to carry out the identification, elimination or minimization of compliance risks. To this end, the enterprise should effectively operate its compliance risk management system, within which the identification, assessment and elimination of the prerequisites for the occurrence of compliance risks are carried out. If the mechanism for managing compliance risks is introduced correctly and professionally, then it will become a reliable advocate of an industrial enterprise opposed to such risks.

Detection of compliance violations at an industrial enterprise or the prerequisites of their occurrence are

impossible to carry out without an effective compliance monitoring system. Such a system assumes continuous (almost daily) tracking of changes in a number of the most significant performance indicators, the value of which signals the company's top management about the presence or absence of certain problems in the compliance sphere.

A very important component of compliance security of the enterprise, in our opinion, is continuous staff training, raising its intolerance and the inadmissibility of compliance violations not only in the enterprise itself, but also in other areas of each employee's life. In face-to-face communication at meetings and corporate meetings, it is necessary to constantly emphasize the importance of ethical business conduct to employees and to broadcast the position of top management on corruption and fraud. Internal training for employees on ethical practices and the corporate code of ethics can be effective in this regard. There should be a transparent system of inevitable punishments for those who initiate compliance violations and the widespread announcement of violators in the collective of each enterprise. If these events are held regularly, on the basis of fair information without any selectivity, the ethical behavior of an industrial enterprise will become part of the corporate culture, an important factor in the mechanism for ensuring the compliance security of the enterprise.

The use in practice of the considered proposals, of course, will not be able to provide full compliance protection against corruption, corporate fraud and other compliance violations. But if the relevant work is constantly carried out ahead of the schedule, taking into account the specifics of the production and commercial activities of a particular enterprise, then this will no doubt help the country and its enterprises to ensure a high level of compliance security, reach a qualitatively new level of business and minimize the compliance risks associated with the loss of profit through compliance violations.

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