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## WAYS OF IMPROVING STATE FINANCIAL CONTROL IN UKRAINE

## ШЛЯХИ УДОСКОНАЛЕННЯ ДЕРЖАВНОГО ФІНАНСОВОГО КОНТРОЛЮ В УКРАЇНІ

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During the years of independence, the main institutional components of a modern democratic society were formed in Ukraine. The latter includes state financial control – a system that has acquired qualitatively new characteristics and under new conditions must perform appropriate functions. In the article, the author revealed the essence of state financial control, proposed his own interpretation of the definition of state financial control as a system of forms, methods and means of control, with the help of which state financial control bodies receive information about the actual state of affairs regarding the formation, distribution and use of state financial resources at all levels in order to ensure the legality, expediency of distribution, and the effectiveness of the use of state financial resources. In accordance with the legislative acts, the main functions of the state financial control bodies are defined. Conclusions have been formulated regarding the need for a clear demarcation of the functions of state financial control bodies.

**Keywords:** state financial control, bodies of state financial control.

В Україні сформовано основні інституційні складові сучасного демократичного суспільства, до яких відноситься державний фінансовий контроль – систему, яка набула нових характеристик і має виконувати відповідні функції. Державний фінансовий контроль є невід'ємною складовою частиною системи управління державними фінансами. Масовість фінансових порушень в Україні спричинена не відсутністю інституціональної структури державного фінансового контролю, а слабкістю його теоретичної та методичної бази, недоліками в організації контрольного процесу. Метою статті є дослідження діяльності органів державного фінансового контролю та визначення шляхів їх удосконалення. У статті автором розкрито суть державного фінансового контролю, запропоноване власне трактування державного фінансового контролю як систему форм, методів та засобів контролю, за допомогою яких органи державного фінансового контролю одержують інформацію про фактичний стан справ щодо формування, розподілу і використання державних фінансових ресурсів на всіх рівнях з метою забезпечення законності, доцільності розподілу, ефективності використання фінансових ресурсів держави. Відповідно до законодавчих актів визначено основні функції діяльності органів державного фінансового контролю. Визначено, що основними завданнями Стратегії реформування системи управління державними фінансами на 2022–2025 роки у частині вдосконалення системи державного фінансового контролю необхідно підвищити його ефективність у найбільш ризикових сферах, зокрема: посилити аналітичні можливості Державної аудиторської служби для концентрації на високоризикових операціях і відповідної організації інспектування; удосконалити організаційні та методологічні підходи Державної аудиторської служби щодо здійснення контролю за дотримання бюджетного законодавства у частині місцевих бюджетів; забезпечити налагодження співпраці Державної аудиторської служби з Рахунковою палатою, внутрішніми аудиторами, контролюючими та правоохоронними органами; удосконалити комунікації з державними органами та органами місцевого самоврядування у процесі здійснення контролю. Сформульовано висновки, щодо необхідності чіткого розмежування функцій органів державного фінансового контролю.

**Ключові слова:** державний фінансовий контроль, органи державного фінансового контролю.

**Formulation of the problem.** In modern conditions, state financial control is one of the key conditions capable of ensuring the efficiency and

effectiveness of socio-economic transformations in Ukraine. Institutes of state financial control in Ukraine must ensure control of the effectiveness

of the use of budget funds, the legality of the financial process and the functioning of the country's financial system as a whole.

Thus, improving the efficiency of public finance management, which is of crucial importance for the recovery of Ukraine's economy, public welfare and European integration intentions of our country, requires constant improvement of the theoretical, methodological and methodological foundations of the organization and implementation of state financial control [1, p. 161].

#### **Analysis of studies and publication.**

O. Shevchuk [2], B. Shulyuk [3], L. Gutsalenko, M. Kotsupatrii [4], A. Khmelkov [5] dealt with the problems of the theoretical and methodological foundations of state financial control; development of the financial control system in Ukraine N. Vyhovska [6-7], E. Romaniv, S. Honcharuk, S. Priymak, L. Danylyak. [8]; the formation of an effective system of state financial control by O. Shevchuk [9], the organization and implementation of state control in Ukraine by G. Dmytrenko [10]; practical aspects of state financial control continue to be explored by I. Stefaniuk [11] and S. Bardash [12] and others.

However, positively evaluating individual research results in the direction of finding ways to improve state financial control in Ukraine, one should state the fact of the existence of significant deficiencies in the functioning of the system.

**Formulation of the objectives of the article (task setting).** The purpose of the article is to study the activities of state financial control bodies and to determine ways to improve them.

**The presentation of the basic research material.** In the modern conditions of the development of the rule of law and the development of a democratic society, the implementation of reforms and the implementation of a course for the European integration of the national economy, reforming the foundations of state financial control, bringing the norms of administrative and financial law related to it into compliance with the requirements of the European Union is of particular importance organization and implementation. State financial control is carried out by special state bodies in order to ensure legality in the relevant sphere of relations, prevent financial offenses, strengthen financial discipline during the formation, distribution and use of state financial resources.

Following the logic of the research, we will consider how the concept of "state financial control" is interpreted in scientific economic

literature. Thus, L. Gutsalenko, M. Kotsupatrii define state financial control as "a type of financial control carried out by the relevant bodies of state financial control. It consists in establishing the actual state of affairs regarding compliance with the requirements of current legislation at the controlled object, aimed at ensuring legality, financial discipline and rationality during the formation, distribution, possession, use and alienation of assets that remain with the subject of financial legal relations in connection with the benefits provided for payments to budgets, state extrabudgetary funds and loans received under the guarantees of the Cabinet of Ministers of Ukraine" [4, p. 6].

I. Stefanyuk offers the following definition of state financial control: "State financial control at the macro level is a tool for increasing the efficiency of the economy, ensuring the circulation of financial resources in accordance with the parameters defined by law, the completeness of the payment of taxes and mandatory payments, blocking activities that threaten national security, monopolizing markets, aimed at the organization of production of goods and provision of services prohibited by the state, carries significant social threats that affect the interests of large groups of citizens, violates the legitimate interests of the state, business entities and society as a whole [11, p. 22].

N. Vygovska, O. Steblyanko point out that state financial control is a system of economic relations aimed at ensuring the legality, efficiency, economic expediency of the formation, distribution and use of financial resources of the state and local self-government entities for the purpose of effective socio-economic development of the country and individual regions [7, p. 105].

A. Khmelkov states that state financial control is a "synthesis of types of financial control carried out by relevant subjects of state financial control to achieve goals and ensure vital interests determined by the state. It consists in establishing the actual state of affairs and compliance with the requirements of current legislation by the object of control regarding legality, financial discipline, rationality during the formation, distribution, possession, use and alienation of the object of control, that is, assets belonging to the state, as well as the use of funds that remain with the subject of financial relations in connection with the benefits provided for payments to budgets, state extrabudgetary funds and loans received under state guarantees. State financial control is one of the important functions of state

administration, which consists in facilitating the implementation of the state's financial policy, ensuring the process of formation and effective use of the state's financial resources to achieve its goals in the field of finance" [5, p. 12].

G. Dmytrenko recognizes state financial control as "regulated by law, the activity of state authorities and management to control the timeliness and accuracy of financial planning, the validity and completeness of receipts and movement of state financial and material resources, the correctness and efficiency of their use [10].

B. Shulyuk believes that "State financial control is the implementation of actions and operations by state authorities, as well as by bodies specially created by them, using the forms and methods of its organization in compliance with legal norms by business entities and authorities in order to ensure legality, expediency of distribution, efficiency of use of financial resources of the state. State financial control is an integral and important component of state regulation of the economy, as it is designed to provide this process with reliable information about the use of financial resources by economic structures, the presence of deviations from established norms that prevent the formation, targeted and effective use of state financial resources, and also enables take the necessary measures to block negative phenomena and prevent them in the future" [3, p. 8–9].

Taking into account the above, it can be stated that state financial control is a system of forms, methods and means of control, with the help of which state financial control bodies receive information about the actual state of affairs regarding the formation, distribution and use of state financial resources at all levels in order to ensure legality, expediency distribution, efficiency of use of financial resources of the state.

According to Art. 2 of the Law of Ukraine "On the Basic Principles of State Financial Control in Ukraine" [13] state financial control is ensured by the state financial control body through state financial audit, inspection, procurement review and procurement monitoring.

The system of state financial control bodies includes: State Audit Service of Ukraine, State Treasury Service of Ukraine, State Fiscal Service of Ukraine, Ministry of Finance, Accounting Chamber.

The State Audit Service of Ukraine implements state policy in the field of state financial control. The main tasks of the State Audit Service of

Ukraine are the implementation of state policy in the field of state financial control; submission to the Minister of Finance of proposals to ensure the formation of state policy in the field of state financial control; implementation of state financial control aimed at assessing the effective, legal, targeted, effective use and preservation of state financial resources, non-current and other assets, achieving savings of budget funds [14].

In accordance with the current legislation, the State Treasury Service of Ukraine exercises control over: accounting of receipts and expenditures of state and local budgets, preparation and submission of financial and budget reports by managers and recipients of budget funds; budgetary powers during the recording of budget revenues; compliance of the estimates of managers of budget funds with the indicators of the budget schedule; compliance of the budget funds taken by the managers with the budget commitments with the corresponding budget allocations, the passport of the budget program; compliance of payments with budget commitments and corresponding budget allocations; compliance with the rules for operations with budget funds in foreign currency; compliance with the procedure for holding lotteries using electronic systems for accepting payment for participation in the lottery in real time; compliance by administrators and recipients of budget funds, other clients with the requirements of legislation in the field of procurement in terms of the availability of documents by reviewing them in the electronic procurement system [15].

The State Fiscal Service of Ukraine, in accordance with the tasks assigned to it, carries out [16]: control of the timeliness of submission by taxpayers and the single payment of the reporting provided by law, the timeliness, reliability, completeness of the calculation and payment of taxes and fees, the single payment, customs and other payments; control over compliance with tax and customs legislation, legislation on transfer pricing, legislation on the administration of a single contribution and other legislation.

The main tasks of the Ministry of Finance [17] are: formation and implementation of state financial, budgetary and debt policy, state policy in the field of inter-budgetary relations and local budgets, state policy in the field of state screening control, accounting and auditing; ensuring the formation and implementation of state policy in the field of control over compliance with budget legislation, state financial control, state

internal financial control, treasury service of budget funds, client funds in accordance with legislation, prevention and countermeasures against legalization (laundering) of proceeds obtained through crime, financing of terrorism and financing the proliferation of weapons of mass destruction; ensuring the formation and implementation of a unified state tax and customs policy, state policy on the administration of a single contribution to mandatory state social insurance, state policy in the field of combating offenses during the application of tax and customs legislation, state policy in the field of transfer pricing control; ensuring the formation of state policy in the field of organization and control over the production of securities, documents of strict reporting.

The Accounting Chamber carries out a financial audit and an efficiency audit regarding [18]:

- receipts to the state budget of taxes, fees, mandatory payments and other revenues, including the administration of such receipts by controlling bodies;
- spending of the state budget;
- use of state budget funds provided to local budgets and mandatory state social and pension insurance funds; implementation of secret expenditures of the state budget;
- management of state-owned objects that have financial consequences for the state budget;
- provision of loans from the state budget and return of such funds to the state budget;
- operations related to state internal and external borrowing, state guarantees, servicing and repayment of state and state-guaranteed debt;
- the use of credits (loans) attracted by the state to the special fund of the state budget from foreign countries, banks and international financial organizations, the implementation of international treaties of Ukraine, which leads to financial consequences for the state budget, within the limits related to such consequences;
- implementation of state target programs, investment projects, state orders, provision of state assistance to business entities at the expense of state budget funds;
- management of state budget funds by the central executive body, which implements state policy in the field of treasury service of budget funds;
- the state of internal control of managers of state budget funds;
- other operations related to the receipt of funds to the state budget and their use;

- implementation of the estimate of administrative expenses of the National Bank of Ukraine;

- receipts of national taxes and fees fixed under local budgets or their share and the use of local budget funds in the part of expenses, which are determined by the functions of the state and transferred to the Autonomous Republic of Crimea and local self-government.

Analyzing the main powers of the system of state financial control bodies in Ukraine, it was determined that they all have the same powers and duplication of functions, accordingly, the problems of the financial control system can be divided into two groups:

- related to the organization and implementation of control measures;
- detection of violations and strengthening of financial discipline.

The system of state financial control in Ukraine does not fully ensure the appropriate level of financial and economic discipline in the state. This is a consequence of numerous problems that lead to an increase in the number of financial violations. Among the main ones, we can single out the existence of weak interaction of financial control bodies with each other and with law enforcement agencies, the low level of effectiveness of administrative fines, the presence of gaps in legislation, and others. This, in turn, is a consequence of a number of problems that lead to an increasing trend in the number of financial crimes [19].

According to the Strategy for Reforming the State Finance Management System for 2022–2025, as part of the improvement of the state financial control system, it is necessary to increase the effectiveness of state financial control in the most risky areas, in particular [20]:

- by strengthening the analytical capabilities of the State Audit Service to focus on high-risk operations and the corresponding inspection organization;
- improvement of the organizational and methodological approaches of the State Audit Service regarding monitoring of compliance with budget legislation in the part of local budgets;
- ensuring cooperation of the State Audit Service with the Accounting Chamber, internal auditors, controlling and law enforcement bodies;
- pay attention to improving communication with state bodies and local self-government bodies in the process of control.

To build institutional capacity, special attention should be paid to the implementation of modern IT solutions in the activities of state

financial control bodies within the framework of the implementation of the Strategy [21], which will make it possible to expand access to the sources of necessary information and ensure its effective analysis.

**Conclusions.** Having analyzed the powers of state financial control bodies, it was determined that they all have the same powers and duplication of functions, which in turn affects the organization and conduct of control measures, detection of violations.

To increase the effectiveness of state financial control, it is necessary to improve organizational and methodological approaches to monitoring compliance with budget legislation, strengthen

the analytical capabilities of the State Audit Service, etc.

Thus, an important requirement for high-quality state financial control is the functioning of a single system of bodies that must carry out control on the basis of clear interaction and coordination of all efforts to solve the tasks assigned to them.

The above requirements require a clear demarcation of the functions of state financial control bodies. The dynamism, stability, continuity of the functioning of the system as a whole and of each of its individual bodies is determined by the unity and optimal level of centralization and organizational structure.

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