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INTERNATIONAL EXPERIENCE IN USING INNOVATIVE TOOLS OF STATE FINANCIAL CONTROL OVER ILLEGAL FINANCIAL FLOWS

МІЖНАРОДНИЙ ДОСВІД ВИКОРИСТАННЯ ІННОВАЦІЙНИХ ІНСТРУМЕНТІВ ДЕРЖАВНОГО ФІНАНСОВОГО КОНТРОЛЮ ЗА НЕЛЕГАЛЬНИМИ ФІНАНСОВИМИ ПОТОКАМИ

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Effective financial control often requires cooperation between countries and international organizations. The study of international experience contributes to the development of mechanisms of international cooperation and information exchange to combat illegal financial flows. The article examines the international experience of using innovative tools of state financial control to combat illegal financial flows. Emphasis is placed on the analysis of modern practices in countries with developed systems of financial control, such as the USA, Great Britain, Germany, France, and Japan. The main tools used to detect and prevent illegal financial flows are described, including automated transaction monitoring systems, analytical platforms based on artificial intelligence, as well as methods of a risk-based approach to auditing. Special attention is paid to the role of international cooperation and information exchange between financial institutions of different countries, which allows more effective detection and termination of activities related to money laundering and terrorist financing. The article also analyzes the legal acts that regulate the use of innovative financial control tools in different countries and their compliance with international standards, such as FATF recommendations. The challenges and risks associated with the introduction of the latest technologies into the financial control system, including issues of data confidentiality and protection of human rights, were studied. The analysis of indicators and methods of assessment of illegal financial flows was carried out, the formation of illegal financial flows in modern globalized conditions was analyzed, the experience of other countries with regard to state financial control and its effectiveness was studied, innovative approaches and technologies that could be used to improve the financial control system and the possibility of their implementation of financial control in Ukraine. In addition, the evaluation of the effectiveness of the proposed innovative tools in the fight against illegal financial flows was carried out and the need for the development of such an assessment methodology, which would allow measuring the real impact of new technologies on reducing the volume of illegal financial flows, was substantiated.

Keywords: state financial control, illegal financial flows, methods of financial control, innovative tools of financial control.



У статті розглянуто міжнародний досвід використання інноваційних інструментів державного фінансового контролю для протидії нелегальним фінансовим потокам. Акцент зроблено на аналізі сучасних практик в країнах з розвиненими системами фінансового контролю, таких як США, Велика Британія, Німеччина, Франція, Японія. Описано основні інструменти, які використовуються для виявлення та запобігання нелегальним фінансовим потокам, включаючи автоматизовані системи моніторингу транзакцій, аналітичні платформи на базі штучного інтелекту, а також методи ризик-орієнтованого підходу до аудиту. Особливу увагу приділено ролі міжнародного співробітництва та обміну інформацією між фінансовими установами різних країн, що дозволяє більш ефективно виявляти та припиняти діяльність, пов'язану з відмиванням грошей та фінансуванням тероризму. Досліджено виклики та ризики, пов'язані з впровадженням новітніх технологій у систему фінансового контролю, включаючи питання конфіденційності даних та захисту прав людини.

Ключові слова: державний фінансовий контроль, нелегальні фінансові потоки, методи фінансового контролю, інноваційні інструменти фінансового контролю.

Statement of the problem. In today's conditions of globalization and the growing complexity of international financial flows, the issue of effective control over illegal financial transactions is becoming more and more relevant for the governments of various countries. Illegal financial flows, which include money laundering, terrorist financing, tax evasion and other forms of financial crime, pose a serious threat to the economic security of states. To combat these phenomena, it is necessary to use innovative tools of state financial control, which allow to effectively detect and prevent illegal financial transactions.

However, there are a number of challenges that state bodies face, in particular, insufficient adaptation to the rapidly changing conditions of the financial market, the difficulty of detecting new schemes of money laundering and other financial crimes, as well as the need to harmonize approaches in the international context. In this regard, it is relevant to study the international experience of using innovative tools of state financial control, with the aim of developing effective strategies and recommendations for improving national control systems.

Analysis of recent research and publications. The problems of estimating illegal financial flows and the main methods and mechanisms of legalization of criminal income have already attracted the attention of many scientists, both domestic and foreign. However, it should be noted that the international practice of financial control over illegal financial flows is constantly changing, and this creates a need for new research and analysis.

Garcia-Bernardo Javier, Janský Petr [2] considered the problems of moving profits by transnational corporations to avoid paying taxes, and also investigated the global scale of the impact of this phenomenon on the economies of different countries. Meiss K.-M. investigated

the possibilities of improving state financial control to ensure financial security, and also proposed methods and tools for improving the effectiveness of control and noted their impact on the overall financial stability of the state [3].

The special report highlights the issue of crime statistics and criminal justice, focusing on the importance of collecting and analyzing statistical data to combat financial crimes and illegal financial flows [4].

A. Kolpakova analyzed the conceptual foundations of state financial control at the current stage of development and considered the main approaches and models of control, their effectiveness and the need for adaptation to modern challenges [5].

Research by N. S. Marushko and H. M. Volyanyk focuses on the definition and classification of illegal financial flows, which contribute to a better understanding and fight against these flows [6].

O. V. Panasyuk conducted a comparative analysis of the experience of state financial control in the European Union and Ukraine, on the basis of which he identified the best practices of the EU that can be adapted in Ukraine to increase the effectiveness of control [7].

Pihotsky V. F. highlighted the process of formation of state audit as a tool for improving the functioning of the state control system [8].

M. S. Utkina analyzes the role and methods of financial monitoring as a tool for countering money laundering and legalization of criminally obtained income [9].

Highlighting previously unresolved parts of the overall problem. Within the scope of the declared research, there are several unresolved parts that require further resolution, namely:

– Adaptation of innovative tools to national conditions.

- Integration of innovative technologies with existing control systems.
- International coordination and cooperation.
- Legal and ethical aspects of using the latest technologies.
- Evaluation of the effectiveness of innovative tools.

These unresolved aspects require deeper scientific study and practical implementation to improve the fight against illegal financial flows at the international level.

Formulation of the goals of the article (statement of the task).

The purpose of the publication is an analytical assessment and generalization of modern methods and technologies used in various countries to detect, monitor and prevent illegal financial flows, as well as to adapt the most effective practices to the conditions of the national financial control system in order to increase the effectiveness of the fight against financial crimes and ensure financial state security.

The object of the study is the system of state financial control, which is used to prevent and detect illegal financial flows in various countries of the world.

The subject of the research is the study of modern approaches and innovative methods used by various countries to detect, monitor and prevent illegal financial flows.

To achieve the goal, the following tasks must be solved:

- to analyze the experience of other countries regarding state financial control and its effectiveness, to study the possibilities and limitations of implementing similar experience in Ukraine;
- to investigate innovative approaches and technologies that can be used to improve the financial control system and the possibility of their implementation in the practice of financial control in Ukraine.

Presentation of the main research material.

In many countries, higher external financial control bodies are responsible for conducting audits of public finances, including revenues and expenditures, as well as ensuring financial integrity and openness in the functioning of the public system and other aspects. There are numerous examples of state financial control organizations abroad, but one of the compelling examples of an effective organization is the European Union [3; 5].

It is well known that State Financial Control in developed countries is based on the principles

formulated in the Lima Declaration [5; 8] of the International Organization of Supreme Audit Institutions (INTOSAI). One of these organizations is the European Organization of Supreme Audit Institutions (EUROSAI), which includes Ukraine. The main principles on which this control is based are independence, objectivity, competence and transparency. Each country has its own specifics of control activities. When studying the regulatory acts regulating the financial control system, it can be noted that developed countries are guided by the above-mentioned principles [8].

The application of international knowledge and practice is a mandatory component in ensuring effective state financial control. However, at the initial stage of development of this system, domestic experience is important. The use of domestic experience allows solving a number of socially significant tasks of state financial control in modern conditions, including managing the state's economy in accordance with legislation, ensuring the effective use of financial resources, placement of state-owned objects, and others. The Ukrainian experience allows us to determine the tasks of state financial control in modern conditions, such as:

- ensuring compliance of economic management with legal requirements;
- targeted and effective use of state financial resources;
- achievement of rational and effective placement of objects belonging to the state;
- ensuring legality and targeted and effective use of income from state-owned property;
- implementation of normative administrative activities;
- temporary informing of state bodies and society by publishing the results of control measures and audits;
- ensuring the possibility of making the necessary adjustments;
- bringing the culprits to justice;
- settlement of the damages caused to the state and implementation of preventive measures to prevent the recurrence of the identified violations in the future [8].

In general, modern principles of state financial control in developed countries can become a valuable source of learning and improvement of the control system in Ukraine, contributing to more effective use of state financial resources and increasing public trust in the country's financial system.

Two important bodies responsible for financial control in Ukraine are the Accounting Chamber of

Ukraine and the State Audit Service of Ukraine. In general, these bodies follow the global practice of financial control. However, there is a constant discussion regarding the transfer of all state financial control to the parliamentary body, the Accounting Chamber, leaving internal control to the State Audit Service of Ukraine.

The experience of European countries shows that many problems related to management and control arise in the public sector due to the complexity of powerful administrative and economic structures. Many countries, such as Sweden, France, Great Britain, Germany, the

United States of America and many others, have experience in the field of public financial control, which is an excellent example to follow (Table 1).

Each country is working to increase the role and responsibility of its control bodies, providing them with appropriate powers and material support. The independence of these bodies from the objects of control is a key condition for the effectiveness of their work. This approach has already proven its usefulness in practice.

Countries with a developed market economy have long traditions in the implementation of the financial control system, which provides for

Table 1

System of state financial control in developed countries [1; 2]

Country	The presence of a higher control	Legal status	Differentiation of the system of financial control	Peculiarities of financial control
USA	-	+	+	The legislative branch of government, which is represented by Congress, determines the laws and policies that govern the functioning of the government apparatus. Higher control function in each branch of government and ensure a balance of executive and legislative powers.
Canada	+	+	+	The Office of the Auditor General is assigned an important role in the control system. Within the scope of its functional activity, the Office conducts long-term audits: financial audit, compliance audit, and cost-effectiveness audit (or the efficiency of spending budget funds).
Great Britain	+	+	+	The specificity of the British legal system allows any act of Parliament, which is related to the regulation of financial control, to be considered constitutional.
Sweden	+	+	+	Emphasis is placed on operations that, although they may be profitable and profitable from a financial point of view, do not meet the requirements for achieving the social and political goals of the state.
Germany	+	+	+	Within the framework of the functional powers of the Federal Audit Chamber, the tasks of financial control are divided into 8 main directions. Each of these areas is aimed at ensuring effective control over finances and resources.
France	+	+	+	The Accounting Chamber acts as a judicial authority responsible for comprehensive supervision of public finances. Its functions cover financial control at various levels of government, including communes, departments and regions. This organization plays a key role in ensuring compliance of financial transactions with legal norms and standards at all levels of government. Control carried out by the Accounting Chamber contributes to the maintenance of financial discipline and effective management of monetary resources in various parts of the state.

the delimitation of the sphere of control and the subordination of control bodies. Many of them do not have a single criterion for the classification of control bodies, and this makes the system diverse and flexible.

Many countries, including Germany, the United Kingdom, and the United States, use a hierarchical system of control. For example, the Federal Chamber of Accounts and the Chambers of Accounts of the Federal States in Germany have great authority and exercise control over compliance with various aspects of budget financing and economic management. This control system contributes to effective financial supervision.

In the UK, there is no single legislation governing the work of control bodies, and general control over administration is carried out by legislatures, courts and public organizations. In this system, subordination to the legislative bodies, independence of the court and the supremacy of the law are key.

In the US, control functions are divided between different control bodies, and there is no single specialized agency for unified administrative and financial control. The Federal Treasury, the Office of Management and Budget and the General Control Office carry out various types of control, and this system is also noted

for efficiency. The control system in Japan is characterized by stability and immutability. The control and audit department, created more than a century ago, continues to monitor the implementation of the state budget and has an independent status.

All these control systems have their own unique features, but are based on general principles of effective financial control, which are recognized as useful practical experience in many countries [3].

The main features that are characteristic of most higher financial control bodies in different countries are presented in Figure 1.

Studying and implementing international experience and best practices in the field of financial control helps not only to develop effective control tools, but also to fight corruption and ensure fair use of financial resources. Effective financial control often requires cooperation between countries and international organizations. The study of international experience contributes to the development of mechanisms of international cooperation and information exchange to combat illegal financial flows.

Analyzing the formation of financial control in the socio-budgetary (state) sphere of different countries, such as Germany, France,

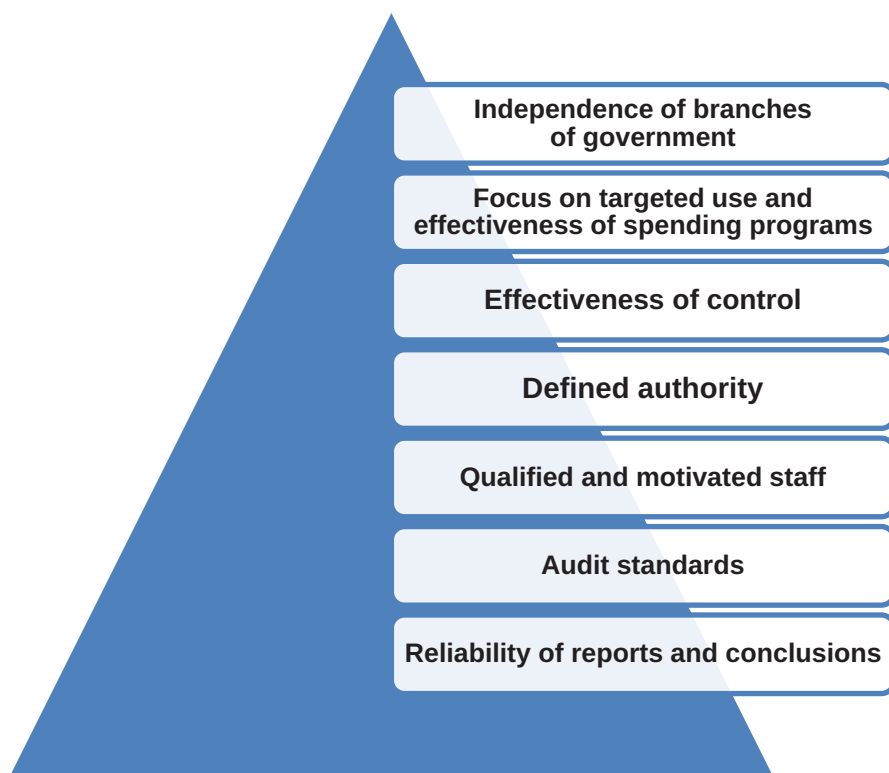


Figure 1. General features of higher financial control bodies in international practice [1; 7]

England, Canada, the USA, and Sweden, it is possible to identify some common trends and characteristics that can be used to regulate this process in regulatory acts. The main tasks of such control bodies include checking the legality and correctness of the distribution of financial resources, as well as the effectiveness of spending budget funds [7].

Therefore, countries with a developed market economy pay great attention to the role and independence of their control bodies in the financial control system. These bodies have different structures and working methods, such as the hierarchical systems in Germany and the hierarchical system in the UK with legislative authority. In the US, control functions are divided between different agencies, and coordination plays an important role in this system. However, all these systems have common principles of effective financial control, which include checking the legality and effectiveness of spending budget funds.

Innovative approaches to financial control over illegal financial flows are associated with the implementation of financial monitoring technologies. These approaches use modern information and analytical tools to identify and track illegal financial transactions and flows of funds. New technologies have the potential for a faster, more effective anti-money laundering and terrorist financing system. They can contribute to the implementation of FATF standards and support global efforts to combat money laundering and terrorist financing, promoting financial inclusion and avoiding unintended consequences such as financial exclusion.

FATF, as the global initiator of AML/CFT standards, must recognize the importance of tracking innovative technologies and business models in the financial sector, and ensure that its standards are up-to-date and provide sound financial sector regulation that helps address risks and promotes responsible innovation. FATF explores the opportunities and challenges of new technologies in the fight against AML/CFT to raise awareness of progress in innovation and digital solutions. The organization also analyzes ongoing challenges and ways to overcome them, including regulatory technology (RegTech) and supervisory technology (SupTech), which can improve the effectiveness of FATF standards [6\$ 7].

Innovative skills, methods and processes, as well as the use of modern technological approaches, can help regulators, supervisors and regulated entities to solve many problems

in the area of AML/CFT. Technologies can simplify data collection, processing and analysis, and help actors identify and manage AML/CFT risks more effectively and in real time. Expedited payments and transactions, accurate identification systems, monitoring, record-keeping and information exchange between competent authorities and supervised institutions also have their advantages.

The application of innovative approaches to the reform of the system of financial control over illegal financial flows can contribute to improving the efficiency and effectiveness of this system. Here are some key aspects of the innovative approach to financial control reform (Figure 2).

The use of modern information and analytical tools allows automating the processes of detection and analysis of suspicious financial transactions. Artificial intelligence, machine learning and big data analysis can help detect illegal financial flows and suspicious customers. Blockchain technologies allow tracking of financial transactions, which makes them more transparent. This can help prevent illegal financial flows and money laundering.

The use of RegTech technologies helps to automate processes of compliance with regulatory requirements and standards, reducing the risks and costs of regulatory control.

The use of biometric data, such as fingerprints or facial recognition, can ensure reliable identification of individuals during financial transactions and transfers.

The application of advanced data analytics allows the identification of connections between various financial transactions and entities, which can help in the detection of illegal financial flows.

International cooperation and exchange of information enables the exchange of information between states and financial institutions, which will improve the detection and investigation of illegal financial flows, especially those that cross international borders.

Securing financial systems against cyber-attacks and data breaches is critical to preventing illicit financial flows.

Improving legislation and the regulatory environment can contribute to the fight against illegal financial flows, in particular, the application of stricter standards and requirements.

The introduction of modern technologies and innovations can help both the public and private sectors to improve the efficiency of the implementation of FATF standards by taking into account all possible risks. The design,

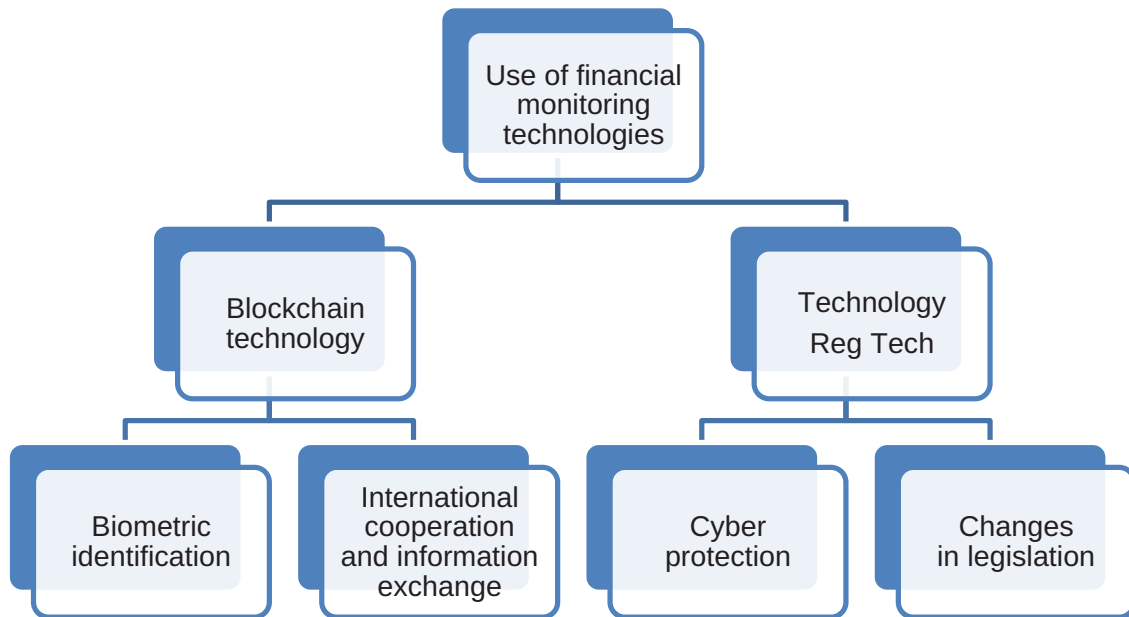


Figure 2. Tools of the innovative approach in reforming financial control

implementation and regulatory oversight of these innovations must consider both the potential threats and the opportunities they bring. It is important that the use of the latest technologies and innovations meet international data protection standards, ensure privacy and cyber security.

The Accounting Chamber is the highest audit body that reports to the Verkhovna Rada. This Chamber is an external audit body, independent of the government, which regularly evaluates and discusses the effectiveness and legality of revenues, expenditures and financing of the state budget [8]. The following recommendations will be useful to improve the efficiency of its activities:

- strengthen and expand the functions and powers of the Accounting Chamber to cover the entire public administration sector, including performance audits and financial audits of local government budgets, as well as extra-budgetary funds such as the Social Insurance Fund and the Pension Fund;

- strengthen cyber security in the Accounting Chamber to protect the information it manages and operations and prevent external interference in its systems;

- to increase the institutional capabilities of the Accounting Chamber to ensure its ability to cope with the expanded scope of work.

Therefore, the proposed recommendations have the potential to improve the effectiveness and expand the influence of the Accounting Chamber in the field of financial control and

audit, as well as to ensure its compliance with modern challenges, including cyber security and IT audit. However, it is important to consider that the success of these recommendations will depend on their appropriate implementation and support from the authorities and legislative bodies.

Conclusions. Analytical assessment of financial control in the social-budgetary sphere of different countries made it possible to identify common trends and characteristics that are of general importance for the regulation of this process in regulatory and legal acts. Studying the practice of such bodies in developed countries can be useful for improving the control system in Ukraine and other countries.

The implementation of modern information and analytical tools can greatly contribute to the prevention and termination of illegal financial transactions and ensure greater efficiency and security of the financial system. However, the successful implementation of these reforms requires not only technological improvement, but also political will, independence of anti-corruption bodies and effective leadership. That is why it seems appropriate to take into account international obligations in the fight against corruption and ensure compliance with international standards for data protection and cyber security. Reforms should be aimed at strengthening the institutional capacity of the financial control system, namely the State Financial Monitoring, anti-corruption bodies and the Accounting Chamber.

In general, the implementation of these recommendations has the potential to improve the situation with corruption in Ukraine and strengthen financial control. It is important to carry out these reforms practically and involve the public in the process of monitoring and improving the control and audit system.

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