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CONCEPTUAL FRAMEWORK FOR RISK MANAGEMENT OF THE BUDGET PROCESS IN UKRAINE

КОНЦЕПТУАЛЬНІ ЗАСАДИ РИЗИК-МЕНЕДЖМЕНТУ БЮДЖЕТНОГО ПРОЦЕСУ В УКРАЇНІ

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The paper discusses the conceptual framework of risk management of the budget process in Ukraine as a component of the public finance management process. The relevance of the topic is due to the need to continue reforming the system of state internal financial control and integrating risk management as its component into all stages of the budget process. The study highlights the stages of the budget process risk management process: detection, identification, assessment, selection of response methods, monitoring of new and revision of already identified threats, documentation and reporting. Particular attention is paid to the principles of risk management and the main control methods used in public authorities. The conclusions of the paper emphasize the importance of continuing research on this topic, including the possibility of creating a register of possible losses from the impact of identified and assessed risks of the budget process.

Keywords: budget process, budget legislation, risk identification, stages of the budget process, risk of the budget process, risk management of the budget process.

У статті розглянуто концептуальні засади ризик-менеджменту бюджетного процесу в Україні, зокрема поняття, сутність та специфічні особливості цієї важливої складової процесу управління державними фінансами. Актуальність теми обумовлена необхідністю продовження реформування системи державного внутрішнього фінансового контролю та інтеграції управління ризиками, як його складової частини, в усі етапи бюджетного процесу. Відповідно це забезпечить ефективне використання бюджетних коштів та інших державних ресурсів, що в свою чергу підвищить результативність органів державної влади при досягненні своїх цілей та завдань. Метою дослідження є вивчення процесу управління ризиками бюджетного процесу в державних органах, зокрема розгляду його сутності, змісту, основних принципів та етапів організації. В якості методів було використано загальнонаукові, (спостереження, опис, аналіз, узагальнення, конкретизацію та типологію) та спеціальні методи досліджень. Проаналізовано чинне законодавство України та наукові публікації, в частині функціонування внутрішнього контролю та здійснення управління ризиками в державних органах. При дослідженні теми концептуальних засад ризик-менеджменту бюджетного процесу в Україні в якості об'єкту дослідження буде розглядатися бюджетний процес України, предметом будуть безпосередньо засади управління ризиками бюджетного процесу на усіх стадіях бюджетного циклу. Особливу увагу приділено розгляду принципів здійснення процесу управління ризиками, його змісту, сутності, розгляду управлінських заходів, а також основних методів контролю, які використовуються в державних органах. Дослідження висвітлює основні етапи процесу управління ризиками бюджетного процесу, зокрема виявлення та ідентифікації, оцінки ідентифікованих ризиків, вибору способів реагування на ідентифіковані ризики, моніторингу нових потенційних загроз та перегляд вже ідентифікованих, документування та звітування щодо ефективності впроваджених управлінських рішень. Висновки статті підкреслюють важливість продовження досліджень на задану тему, включаючи можливість створення реєстру можливих збитків від впливу ідентифікованих та оцінених ризиків бюджетного процесу.

Ключові слова: бюджетний процес, бюджетне законодавство, ідентифікація ризиків, стадії бюджетного процесу, ризик бюджетного процесу, управління ризиками бюджетного процесу.

Statement of the problem: The issue of risk management of the budget process is a key factor in the organization of effective management of state resources, which as a result contributes to

the socio-economic development of the country. However, as a rule, scientists pay more attention to the study of financial risks. In this regard, the issue of researching the theoretical problems



of risk management of the budget process acquires special importance and relevance. The budget process at all its stages and levels, thanks to the constant impact of risk factors, is accompanied by a variety of risks, which in turn requires an effective response in terms of assessment, identification and subsequent response measures to identified and evaluated risks. It should be emphasized that effective, efficient and systematic risk management is a decisive factor for ensuring the financial stability of state bodies, and because of the budgetary system of the whole country. A formal attitude to this issue may lead to significant losses of budget funds and other state resources, disruption of the implementation of the planned budget programs of budget managers and a decrease in the quality of life of the country's population. It is important to properly organize the risk management process of the budget process, considering the impact of various challenges and threats on the way to the implementation of their plans, goals and objectives by public sector institutions. Minimizing or avoiding risks will improve the efficiency of spending budget funds and using public resources.

Analysis of recent studies and publications: The topic of risk management of the budget process is of interest to scientists. This is due to the fact that in the context of cooperation between Ukraine and the European Union, the issues of research on the topic of public finance management require an in-depth study of the issue of creating an effective system of risk management of the budget process, as a component of the system of internal control and internal audit, which are based on the current budget and international legislation. A significant contribution to the research on the topic of risk management was made by leading national scientists such as: E. Balatsky, O. Bondaruk, S. Bulgakova, Z. Varnalius, V. Vitlinsky, I. Liutyi, R. Picus, N. Prykazyuk, O. Rozhko and others. Methodological support of budget managers is provided by the Ministry of Finance of Ukraine by providing recommendations and explanations on these issues. The issue under study is quite complex in that the research issues are more focused on financial risk management, and rather than the risks of the budget process, they therefore require a more thorough analysis, systematization of knowledge and detailing of the stages of risk management of the budget process.

Selecting previously unresolved parts of a common problem: This topic is of considerable

interest in scientific circles, because the issue of effective and efficient use of budget funds is always relevant. There are many domestic and foreign studies on this topic, but there are still issues worth further study clarifying the organization of the risk management process of the budget process as a component of internal control in public sector institutions. Of particular importance is the minimization of possible budget losses, the emergence of which is provoked by the existence of risks of the budget process and may lead to inefficient use of budget funds.

Formulation of the objectives of the article (setting the task): The purpose of the article is to study the theoretical aspects of the organization of risk management of the budget process, it's the essence and features, to identify problematic issues that prevent the effective use of budget funds and other state resources.

Presentation of the main material of the study: Risk management of the budget process is one of the most important components of public finance management, which focuses on the identification and effective assessment of risks, implemented methods of responding to them and measures to control/monitoring results and appropriate documentation of the entire risk management process. This process includes the identification of potential hazards and uncertainties that may affect the performance of business entities, as well as the development of effective strategies to avoid or minimize the impact of such identified threats.

O. Rozhko understands the system of public finance management as "a set of processes of purposeful influence on subjects of state power and management with the help of special methods and tools on financial relations and financial flows in the field of public finances for the implementation of their functions, goals and objectives of activity" [3, p. 169].

Budget process risk management is a component of the state internal financial control, which, in turn, is an important area of public finance management to ensure the efficiency and transparency of the use of budget funds.

Risk management of the budget process is important in the context of ensuring financial stability and efficiency of the functioning of public sector institutions. A critical point in risk management is systematicity, which allows you to predict the probability of negative trends in time, predict their impact and choose appropriate response measures to them, which in the future will ensure the effective and efficient use of public resources by public sector entities.

Today, risk management at all stages of the budget process remains a topical issue. O. Rozhko gives the following definition of the budget process, in particular: "the budget process is a set of successive stages of the formation and implementation of budgets, starting with the preparation of their projects and ending with the approval of reports on their implementation, subordinated to the goals of creating centralized funds of funds and their use for financial support of the functions and tasks of the state and local self-government bodies" [3, p. 174]. This activity is carried out to ensure the effective and economical use of budget funds, based on strict compliance with budget legislation. To this end, budget managers organize internal control (including risk management) and ensure its implementation in their institutions to ensure the implementation of Article 26 of the Budget Code of Ukraine (hereinafter referred to as the BCU). This article of the BCU regulates the issues of the organization of internal control and internal audit during the implementation of the budget process.

Another document that defines the principles and elements of internal control, the issues of its organization and implementation, as well as the risk management process are the Basic Principles of Internal Control by the Managers of Budget Funds, approved by the Resolution of the Cabinet of Ministers of Ukraine dated 12.12.2018 No. 1062 (hereinafter referred to as the Resolution). In paragraph 2 of Art. 5 of the Resolution defines that "risk management is the activity of the management and employees of the institution to identify risks, conduct their assessment, determine ways to respond to identified and assessed risks, review identified and assessed risks to identify new and those that have undergone changes" and the value of other elements of internal control in the institution is given [6]. Based on the results obtained on the identified and assessed risks, state institutions approve internal documents on the implementation of further measures to respond to and control the identified risks.

The essence of risk management of the budget process is to establish and use an effective system for timely detection and prevention of the impact of potential threats that may adversely affect the activities of state authorities in terms of implementation of their tasks and goals.

Among the main tasks of managing the risks of the budget process at the level of public sector institutions, effective budget planning, prevention of misuse and ineffective use of budget funds

and other state resources, implementation of planned indicators and timely reporting on the implementation of the planned budget, etc.

In the public sector, risk management is carried out according to the same principles as state financial control, since this process is a component of the process of internal control by managers of budget funds. The basic principles of risk management of the budget process in state bodies are systematized by the author in Table 1.

To understand the organization of the budget risk management process, let's consider its main elements. Thus, the components of the risk management process of the budget process are: a subject, an object and a topic that closely interact with each other and other elements, in particular: the internal environment of the institution, which combines "processes, operations, procedures, structures and distribution of powers for their implementation, rules and principles of management of human resources, budget funds, objects of state (communal) property and other resources, the functioning of information (automated), electronic communication and information-communication systems" [6].

At the same time, risk management is an integrated process into the overall process of managing the state resources of the institution and making management decisions, which is carried out at all levels and by all units in the institution, which as a result minimizes the negative results of the institution's activities, etc.

The risk management process of the budget process is generalized in Figure 1.

Risk management of the budget process is a component of management activities that is carried out to identify, assess risks, determine measures to respond to identified risks and carry out ongoing monitoring of the effectiveness of the implementation of internal control measures by managers of budget funds. The current budget legislation stipulates the following management measures for the organization and implementation of the risk management process, namely:

- Coordination of the risk management process, with the identification of responsible persons.
- Identification of risks.
- Assessment of identified risks in relation to the degree of potential threat.
- Selection of means of response to identified and assessed risks.
- Management decision-making regarding the adoption of control measures.

Table 1

Basic principles of risk management of the budget process in state bodies

Principle	Characteristics
Continuity	Implementation of analysis and internal control measures on an ongoing basis to ensure that the institutions achieve the planned objectives and results of activities
Integration	Involvement of all stakeholders in the risk management process at all levels and stages of the budget process of budget managers
Objectivity	Use of complete and reliable information in the process of making management decisions
Delegation of authority	Clear distribution of powers and responsibilities of all participants in the process within the competence
Responsibilities	According to the requirements of the current legislation, the responsibility of the management and employees of the institution, within the limits of authority, for the quality and effectiveness of management decisions, as well as their direct implementation, in the implementation of the process of managing the risks of the budget process
Adequacy and efficiency	Optimal ratio of costs and results obtained from risk management of the budget process
Preventiveness	Implementation of actions to identify and prevent potential threats that may cause significant deviations from the planned results of the activities of state authorities
Demarcation	Clear separation of internal control functions, including risk management and internal audit
Openness	Ensuring feedback, transparency and appropriate response in the process of implementing risk management
Sequences	Using a clearly organized algorithm to ensure logical and reasonable actions
Systematic	The control system is represented by a set of Interrelated elements: subject of control, object of control, methods of control, etc.
Versatilities	The process of studying the object of control from all sides to consider all information, factual data and facts
Complexities	Considering the relationships between different types of risks
Feasibility	Responding only to potentially dangerous risks

Source: compiled by the author

– Constant monitoring of the state of implemented results and control of the identification of new and previously identified risks in relation to changes and the effectiveness of response to them.

– Documenting and reporting risk management results.

To ensure proper organization and implementation of risk management, this process is structured into successive stages, which the author presents in Table 2.

The key tools for managing the risks of the budget process to ensure the stability of budget processes and achieve the goals and objectives of public sector entities are a set of

various methods and approaches to identify and minimize risks at all levels and stages of the budget process. Among the main ways, as forms of response to assessed risks, can be distinguished such as: reducing, accepting, sharing or avoiding risk.

As an example of minimizing risks and improving the quality of the budget process, Liutyi I. offers "transition to medium- and long-term budget planning with elements of strategic forecasting; budget development in accordance with established goals and objectives with mandatory consideration of available financial resources; directing budget decisions to the implementation of priority socio-

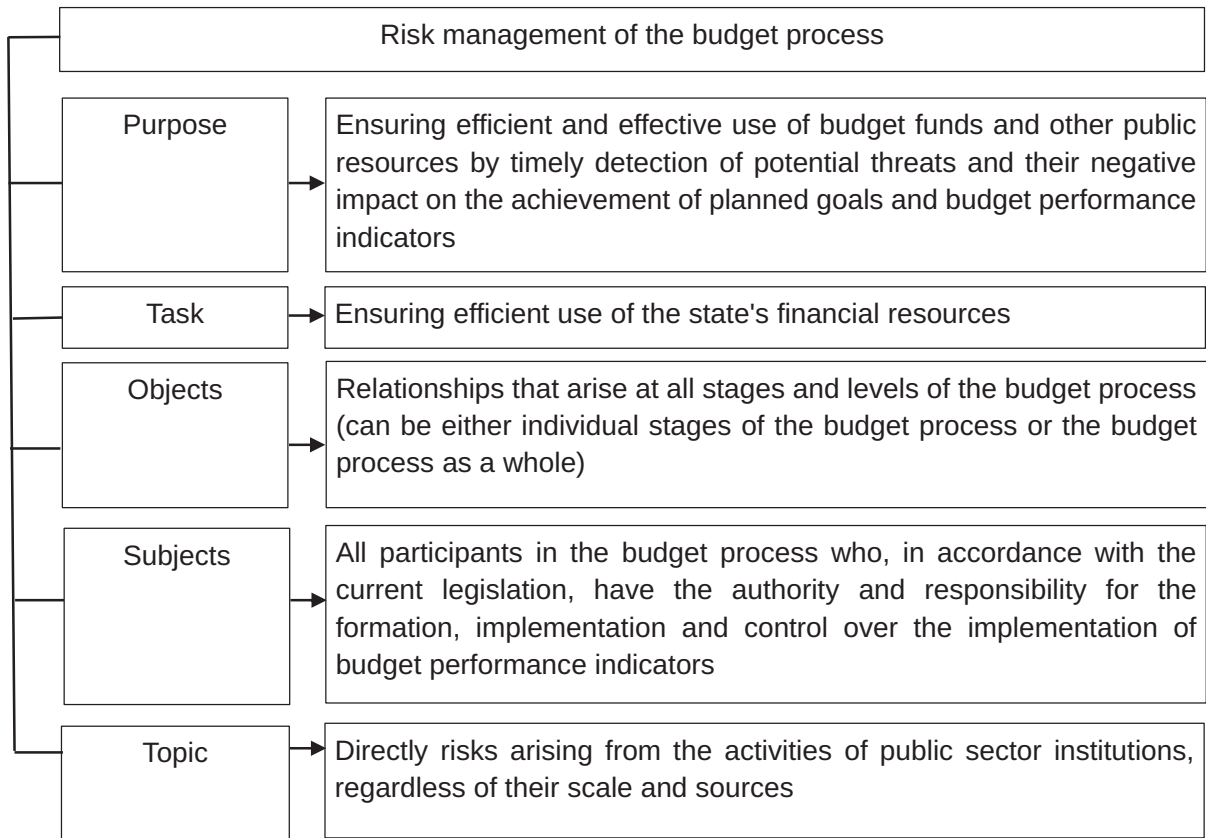


Figure 1. The essence and content of risk management of the budget process

Source: built by the author

Table 2

The process of risk management of the budget process

Stage	Characteristics
First	Detection and identification of risks
Second	Assessment of identified risks
Third	Choosing how to respond to identified risks
Fourth	Monitoring new potential threats and reviewing already identified
Fifth	Documentation and reporting on the effectiveness of implemented management decisions

Source: compiled by the autho

economic programs and ensuring their effective implementation; connection between general goals and decisions made and distribution of budget resources in accordance with established goals; development of drafts of the State Budget of Ukraine on the basis of improving the quality of macroeconomic forecasts of key indicators of economic and social development with mandatory preliminary independent examination of the realism of such forecasts; involvement of a wide range of the public in participation in the discussion of the budget process" [4, p. 126].

Separately, attention should be paid to the main methods of control used in state bodies, among the main ones we will highlight the following:

- General scientific, in particular: induction, deduction, analysis and synthesis, analogy and modeling, abstraction and concentration, classification.
- Specifics, such as: survey, observation, analytical review, generalization, documentary verification, inspection, counting, examination, etc.

For the proper organization and implementation of risk management of the budget process, it is necessary to consider certain features of this complex process, among which are:

- The complex nature of the budget process, which involves the coverage and study of the versatile risks of the budget process, which in turn require their own analysis and certain management actions.

- The impact of external factors on the implementation of effective budget indicators, such as the war in Ukraine, the fleeting economic situation in the world, constant changes in the current legislation, etc.

- Subjective nature of risk assessment, which requires the involvement of highly qualified specialists in the risk management process.

- The presence of limited resources, in particular: financial, human and time.

- The need for constant monitoring, updating and adaptation to changes both in the internal environment and the influence of internal factors.

- Implementation of effective interaction and coordination with all participants in the budget process to ensure coordinated actions.

- Strict compliance with the norms of the current legislation.

- Risk management information should be available to all interested parties.

Conclusions. Consequently, risk management of the budget process is a mechanism for organizing and implementing management measures to optimize the processes of public sector institutions to ensure the achievement of performance indicators of budget managers in accordance with the defined goals and activity plans, as well as to prevent the misuse of budget funds, state property and other resources.

It is important to manage the risks of the budget process to ensure the stability of the budget and the effective functioning of public sector institutions, improve the quality of their budget planning, efficiency, increase transparency and accountability of state bodies, etc. Neglect or formal organization of this process will lead to disruption of the implementation of budget programs and, accordingly, inefficient use of state resources. Effective management of the country's budgetary process stimulates socio-economic development and the well-being of citizens.

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