

*Workshop: Finance, insurance and stock-exchange industry:
innovation and investment strategies*

*Shuliuk B. S., Ph.D. in Economics, Associate Professor
of S. Yurii Finance Department,
Ternopil National Economic University
Ternopil, Ukraine*

EFFECTIVENESS OF THE ORGANS ACTIVITY OF THE STATE FINANCIAL CONTROL: PROBLEMS OF THE ESTIMATION

Financial and budgetary discipline of all participants in the budget process is the necessary condition of social and economic stability of the state. It ensures the interests of the state, local authorities and also contributes to the observance of the rights and interests of citizens, enterprises and institutions. At the same time, there are problems in budgetary practice related to illegal, inappropriate and inefficient use of budget funds at different levels. The outlined violations have signs of embezzlement, misuse of budget funds or spending over the established budget allocations. Therefore, they need an immediate elimination for the effective use of budget funds.

The system of state financial control ensures tracking of the influence of negative tendencies on achievement of the planned goals and substantiation of proposals regarding improvement of the efficiency of using budget resources. The above mentioned system provides not only the verification of the correctness of financial and accounting reporting, the implementation of financial legislation, but also the detection of violations of financial and budgetary discipline [1, p. 124].

The Accounting Chamber of Ukraine is higher authority of financial control, which provides a unified system to control the implementation of the state budget and budgets of State Special Purpose Funds through the implementation of controlling, analytical and expert measures. Thus, during the implementation of the mentioned measures, during 2014-2016 the auditors of the Accounting Chamber found facts of budget violations and ineffective use of

budget funds, which in 2014 amount to 22.5 billion hryvnias, in 2015 – 22.7 billion hryvnias, and in 2016 it decreased to 17 billion hryvnias [2].

The results of the audit indicate that during this period the greatest amount of funds was lost due to budget violations, the disclosure of which can be classified according to the following generalized types: planning with violation of the law; the availability of over-estimated allocations and excessive budget funds received due to unjustified calculation of estimated allocations; illegal use of funds of Special Purpose Funds; use of state budget funds in violation of legislation; violation during procurement of goods, works and services by means of public funds; illegal increase of subsidies and subventions, etc. [2].

At the same time, the typical types of inefficient management and use of public funds during the specified period were: inefficient use of funds due to unreasonable management decisions; inefficient use of funds due to lack of reasonable forecasting and planning; inefficient use of funds by prolonged retention without use, etc. [2].

The results of the controlling and analytical measures of the Accounting Chamber make it possible to state that during 2014-2016 it was not possible to build such system of financial control over financing of budget expenditures, which would promote the rational use of state financial resources and improvement of the managerial decisions on the implementation of budget programs and social and economic tasks.

At the same time, continuous control over the spending of budget funds at different levels and the preservation of commodity stocks and supplies, the correctness of reflecting transactions in accounting and reporting by spending units, providing recommendations for the elimination of identified shortcomings and violations, and preventing them in the future, are provided by the bodies of the State Audit Office of Ukraine.

According to the Law of Ukraine № 2939-XII of 26.01.1993 «On the Basic Principles of the Implementation of the State Financial Control in Ukraine», the

main tasks of the State Service are the implementation of state financial control aimed at assessing the effective, lawful, targeted, efficient use and preservation of public financial resources, achievement of economy of budget funds [3].

The control over the legality and efficiency of the use of budget funds by these bodies is carried out during revisions and state financial audits. As a result, a number of shortcomings and violations have been identified. They have negative influence on the completeness of budgeting and do not ensure the proper spending of budgetary resources.

In particular, the bodies of the State Audit Office of Ukraine, through conducting revisions of financial and economic activity during 2014-2016, found violations for the total amount of UAH 13,992.8 billion [4]. The largest volumes of violations that led to financial and material losses of budgetary resources are illegal expenses and lack of financial resources.

The above violations arose due to improper executive discipline, irresponsible attitude of officials to the tasks, imperfect knowledge of the budget law, and in some cases by conscious actions of spending units in order to obtain budgetary resources illegally.

The State Audit Office of Ukraine pays considerable attention not only to revealing financial and budget violations, but also to providing objective, unbiased and well-founded assessment and recommendations for improving the efficiency, effectiveness and economy of spending budget funds and preventing the commitment of various types of violations in the future. This is evidenced by conducting audits aimed at identifying the reasons for non-fulfillment of planned indicators and finding additional reserves and alternative sources of financing of planned activities. During 2014-2016 state financial audits of the entities of state sector of economy were conducted the most often: in 2014 – 147, in 2015 – 97, in 2016 – 86 [4].

The State Treasury Service of Ukraine is an important body whose actions are aimed at ensuring financial and budgetary discipline. It is the only executive

body whose task is to carry out preliminary and ongoing control over observance of financial and budgetary discipline in the process of budget execution at different levels.

In case of revealing facts of misuse of budget funds and other violations, the State Treasury has the right to suspend expenditure operations on accounts of managers and recipients of budget funds, to demand observing budget legislation directly or in conjunction with other executive authorities. In addition, in order to strengthen the financial and budgetary discipline, this controlling body has the right:

- to carry out in the ministries, departments, enterprises, institutions and organizations, banks and other financial and credit institutions checks of monetary documents, accounting registers, reports, estimates and other documents related to the enrollment, transfer and use of budget funds of various levels;

- to remove in an unconditional manner budgetary and extrabudgetary funds received by enterprises, institutions and organizations, in case of their use not for the purpose of imposing penalties;

- on the basis of a written proxy of an official of the treasury body to confiscate documents proving violations of financial discipline;

- require from managers of inspection objects to eliminate identified violations and disadvantages during budget execution, etc. [5].

Despite the fact that the purpose of treasury control is to reduce the number and volume of violations of fiscal legislation and to prevent the use of budgetary funds for purposes other than the appointment and appropriation of budgetary funds by the budget administrators over the amount of allocated budget allocations [5], this does not allow to provide a mode of economy, increase the effectiveness of the use of budget resources, as well as preventing abuses and violations of budget discipline.

Thus, control measures on compliance with the fiscal discipline by the administrators of budgetary funds are carried out by various bodies, which operate separately from each other. Therefore, the reports of the individual control

bodies are different, the rules for evaluating their effectiveness are not well-organized, there is no consolidated reporting.

Most control bodies use the method of the next control for the most part. In other words, there have been violations, ineffective use of budget funds, and only then control agencies are investigating the problem and offering penalties. Control bodies are not responsible for the achieved socio-economic results. Creation of a scientifically grounded system of state control will solve an important task – to transform formal control into a preventive one.

In addition, there is no clear definition of the place and role of each supervisory authority, there is no clear division of their spheres of activity, there is an irrational division of responsibilities between actors [6, c. 244]. After all, their excessive number is accompanied by duplication of functions, parallelism and, consequently, insufficiently high efficiency of activity.

Therefore, the development of market relations in Ukraine needs a radical reorganization of the system of financial control bodies. Indeed, in an effective system of state control, all subjects of the budget process are interested in, because compliance with the financial and budgetary discipline will enable to ensure both the interests of the state and citizens.

References:

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