

Development of Continuous State Financial Control of Local Self-Government Bodies in Russia

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Abstract—The unified budget system stability is conditioned by the efficiency and effectiveness of using funds under the budget. Performing the tasks related to increasing the effectiveness of financial management and legal compliance at all the levels of the economic process, are the key factors for effective budget control. The development of continuous audit increases efficiency and effectiveness of government institutions and reduces costs. The foreign experience proves that digitalization, understood as introduction of information and telecommunication technologies in government administration, is reasonably necessary and is accompanied by progressive changes in various spheres of economic and public life.

Keywords—*budgetary financial control; state audit; budgetary funds; local self-government bodies; control and accounting bodies; financial and control functions; federal budget; local budget*

I. INTRODUCTION

In recent years, there has been strengthening in the control system in the Russian Federation; traditional budget control is changing and is being shifted to result-oriented budgeting. This is due to constant development of new proposals on improving the mechanism of budgetary control in modern conditions. One of the most important elements of state budget control and audit mechanism is the budget control of local self-government bodies, as they exercise powers of attracting and allocating the budget of self-government bodies, which in general influences socio-economic status and trends if regional development [1].

The role of financial control in social and economic transformations is that, when implemented, it verifies, firstly, how government and public bodies, enterprises, organizations and people comply with the established rule of law in the course of financial activity and, secondly, how economically justified and effective the taken actions are and how consistent with the tasks of the state they are. Thus, it is an important way to ensure the legality and advisability of the performed financial activities.

The local level budget control is considered an essential element of the state budget audit, since the local self-government bodies have the power to attract and allocate budget funds of local self-governments.

Researching the problems of digitalization in the sphere of public finance is highly relevant; it presupposes the transition to a qualitatively new level of not only domestic, but also international cooperation. That is why there is growing understanding of the priority of financial innovations support in order to increase Russia's competitiveness in the global goods and services market [2].

II. OBJECTIVES AND METHODS

State financial control is intended to implement the financial policy of the state and create the necessary conditions for financial stabilization. It provides the information that allows analyzing the level of legality in the state administration. In the process of control, the implementation of legal acts that regulate social relations in various spheres of public life is ensured. Control is a form of activity, the legal nature of which is determined by the fact that the relevant supervisory body or its officials have to directly use the rules of law to resolve specific legal tasks, applying both substantive and procedural law [3]. The scale of the performed work on public finance digitization can be realized, considering the spatial boundaries and the established financial management, with regard to the peculiarities of the administrative and territorial division of the Russian Federation.

The problems of developing financial control and audit are highlighted in the works by R.A. Alborov, V.D. Andreeva, A. Arens, V.V. Burtsev, E.M. Gutzeit, J. Loebbecke, A.K. Makalskaya, V.Ya. Ovsyichuk, S.M. Pankov, F. B. Ripol-Saragosi, B.N. Sokolova, A.M. Sonin, L.V. Sotnikova, V.P. Suyts, A.A. Terekhov, N.N. Khorokhordin, A.D. Sheremet.

III. RESULTS AND DISCUSSION

Within the present research, the approach to the organization of internal control in the government bodies was analyzed. This approach was studied by the example of the Regulations on internal control and internal audit in the Federal Treasury, approved by the Order of the Federal Treasury No. 19, dated January 25, 2011. This regulation deals with internal control and audit, the main differences between which are the following:

- external audit, unlike the internal audit, is associated with the executive government body, while the internal audit is independent in its functions;
- internal audit characterizes the financial management function, performed by the budget holder, while the external audit is considered a totally independent activity;
- internal control is conducted periodically, while the external is conducted according to the approved schedule;
- external control handles the information on the procedure and rules of performing government functions, while internal control reveals such functions as budget implementation, accounting, financial reporting and writing financial opinions;
- external audit helps to realise and inform the relevant organizations on the violations and their

consequences, while the internal audit is aimed at assessing the activities of the government body, and provides recommendations for improving the performance of the control system.

It is worth mentioning that both internal and external audits have a common goal, which is informing the relevant person or body in order to make important management and corrective decisions on improving the functioning of the government body [4].

The Chamber of Control and Accounts and the Federal Treasury department are the main institutions that perform financial audit in the region. These control institutions perform the following activities: developing work plans, reports, internal financial control, and expert-analytical and control activities.

The financial and control functions performed by the Regional Duma and Federal Treasury department are presented in “Fig. 1”.

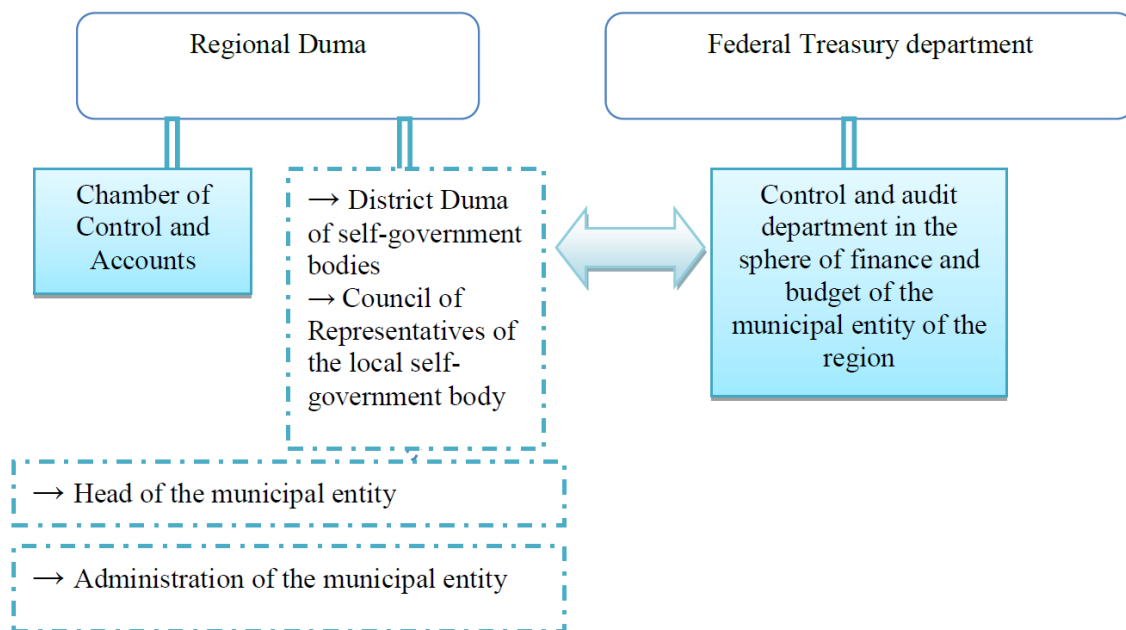


Fig. 1. Distribution of financial and control functions at the regional level.

Having analyzed the current status of the municipal entity’s budgets, it can be said that without introducing directions in which to optimize the budget, the region will subsequently end up at risk, which may lead to negative financial consequences.

Thus, it can be concluded that the focus of the region on achieving certain objectives in balancing the economic system, improving budget security based on the budget security growth due to minimizing significant risks and taking practical measures, is aimed at [5]:

- forecasting the balanced district budget, which would result in reducing the deficit of tax and non-tax revenues;

- regulating the mechanism of budget expenditures through the audit of their targeted use;
- gradually reducing the budget deficit and optimizing the government debt of the region, according to its budget revenues;
- developing the investment component of regional policy as the main direction for optimizing budget expenditures;
- developing the directions for effective and targeted use of the attracted credit funds.

The activity of control and accounting bodies of the region is carried out according to the modern result-oriented standard. In addition, this standard also includes annual reports on the activity of self-government bodies,

performance indicators of all control and accounting bodies. The result of the standard implementation will form the basis for creating the effectiveness rating of the control and counting bodies of municipal entities.

In the 2010s, in the field of public administration, a number of reforms were instituted, which allowed to implement mechanisms and tools for organizing information flows in the field of financial management of public law entities. The basic tool was the creation of the State integrated information system for managing public finances, called "Electronic Budget".

"The "Electronic budget" system is intended to ensure the transparency, availability and answerability of the activity of state bodies, state extra-budgetary funds government bodies, local self-government bodies, state and municipal institutions. Moreover, it is aimed at improving the quality of their financial management by creating a single information space and applying information and telecommunication technologies". Digitalization substantially reduces the time needed to form various types of financial and management reports. For instance, for federal organizations of the public administration sector, it has been reduced by 1.5–2.5 times [6].

The modern market of information technologies in the state-funded sector has a wide range of software products to offer:

- document management with electronic signatures;
- a single integrated database SMART ("SMART-Budget" software package) and web-interface ("Budget-WEB" software package);
- SQL Express application that does not require the purchase of MS SQL Server database management system).

The software package "Budget-KS" is used for automating the processes of planning and executing budgets at various levels, primarily regional and local.

The integration of information flows in state and municipal finance management is based on the introduction of cloud technologies and creates a unified cyberspace, where the information system of each organization constitutes a structural element of one large system.

This complex is a multifunctional one, operating within the "client-server" system, having a flexible system of settings for specific conditions of different organizations. Within this approach, various elements of the complex automate income accounting and budget financing activity, including activity on personal accounts of all budget process participants.

Advanced automated systems help to ensure the increased efficiency of government bodies (including at the local level), thereby providing the sufficient level of centralization and unification of the information on budget management bodies activity, which ultimately increases the transparency and availability of information on the use of budgetary resources.

Such activities are aimed at the developing budgetary control over the activity of local authorities in any region, including Smolensk region. Applying such processes will allow increasing the effectiveness of control and accounting bodies in general, and of local self-government bodies, in particular, which will contribute to creating the favourable conditions for regional development.

The foreign experience of the advanced countries justifies that in Russia it is advisable to create a vertical structure of local control and accounting authorities, which will allow to cover all levels of control (for example, in the UK this body is the Ministry of Housing, Communities and Local Government, in Japan - the Ministry of Internal Affairs and Communications).

It is recommended to create the mechanism of the vertical structure of local self-government control and counting bodies based on three groups of cross-cutting functions.

In spite of the fact that the management structure of control and accounting bodies is considered traditional, it obviously requires to be modernized. Thus, it is necessary to optimize the effectiveness audit of the entire system of control and accounting bodies of Smolensk region.

It may include the following activities:

- performing a more detailed control, such as a strategic audit, the main task of which is to set goals, based on the budget system strategy development for the current year;
- altering the planning system and the effective activity of the control bodies;
- implementing planning functions: transition to performance audit and strategic audit.

Introducing the structure of local self-government control and counting bodies will subsequently allow improving their effectiveness.

Making the financial and economic activity of each individual participant of the budget process transparent, the State integrated information system "Continuous Budget" helps to overcome the problem of the lack of public control in managing public finance and contributes to enhancing the activity in this area.

IV. CONCLUSION

The informatization of municipal entities, and most importantly the computerization of budget accounting at the local level, will contribute to changing the traditional methods of external financial control radically and resorting to new methods of continuous remote audit.

Improving the regulatory and legal framework of budgetary control, introducing digital and information technologies in the budget process predetermines the need for the employees of control and accounting bodies to increase the level of their professionalism.

A specialist of the kind, whose work is connected with conducting performance audits, should possess the full knowledge of the performance audit methodology and the necessary professional skills. In order to attract qualified professionals, it is essential to provide positive climate within the region, high remuneration rates and favourable working conditions. In order to increase staff qualification, it is always necessary to advance the employees' skills with modernized tools and technologies of budget control [7].

Digital automated systems allow to increase the performance of local self-government bodies, as well as to ensure the information standardization on distributing budgetary funds. As a result, it will contribute to information transparency on the use of budgetary funds [2].

Such measures and activities are aimed at developing budgetary control over the activity of local self-government bodies in the region; the implementation of the described directions will increase the performance of control and accounting bodies in general and of local self-government bodies, in particular, which will ultimately lead to providing favourable conditions for regional development [8].

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