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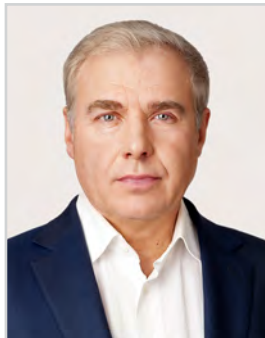
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Public financial control in Ukraine: state, problems, prospects

Abstract. The authors assess the current state of public financial control in Ukraine, identifies its main problematic aspects and suggests ways to solve them. There is a direct interdependence between increasing the level of corruption and weakening the effectiveness of public financial control. Forms and types of public financial control are considered depending on controlling subjects. The authors identify forms of public sector audit according to the ISSAI standards which include financial audit, performance audit and compliance audit. The paper touches upon the necessity of legislative introduction of audit of conformity with the corresponding definition of the purpose, tasks, subjects, objects, methods and procedures. It is proposed to implement the Standard for Auditing the Compliance of Public Resources, which will define general provisions, principles and criteria of compliance audit, as well as the procedure for planning, directions, methods and control points in its implementation, generalization and implementation of results. The main generalized indicators of activity of the Accounting Chamber in the period between 2009 and 2019 are presented and the basic trends in the development of the public financial control are covered. It characterizes the number of inspected objects, prepared reports, the volume of detected violations, the number of relevant response documents and the amount of estimated funding. The structure of identified violations in the main areas includes violations of the budget legislation, inefficient management of funds and violations of the administration of the revenue side of the state budget. The basic criteria for carrying out performance audit are defined and their analytical assessment is provided. The main directions of improvement of the public financial control with the use of key characteristics of the concept of good governance are offered, the fundamentals of which include the rule of law, equality, inclusiveness, efficiency, transparency and accountability. It is recommended to introduce and use a unified report on budget offenses, which will facilitate communication between regulatory authorities and allow for receiving, processing and storing large amounts of information on the results of auditing.

Keywords: Public Financial Control; Budget Violations; Audit Standard; Performance Audit; Compliance Audit; Financial Audit; Report on Violations

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Державний фінансовий контроль в Україні: стан, проблеми, перспективи

Анотація. У статті здійснено оцінку сучасного стану державного фінансового контролю в Україні, ідентифіковано його основні проблемні аспекти та запропоновано шляхи вирішення проблем.

Встановлено пряму взаємозалежність між підвищенням рівня корупції та послаблення дієвості державного фінансового контролю. Розглянуто форми та види державного фінансового контролю залежно від контролюючих суб'єктів.

Авторами статті було визначено форми аудиту державного сектору згідно стандартів ISSAI, які включають фінансовий аудит, аудит ефективності та аудит відповідності. Доведено необхідність законодавчого запровадження аудиту відповідності з відповідним визначенням мети, завдань, предмету, суб'єктів, об'єктів, методів та процедур.

Запропоновано впровадження стандарту аудиту відповідності публічних ресурсів, який визначатиме загальні положення, принципи та критерії аудиту відповідності, а також порядок планування, напрями, методи та контрольні точки при його проведенні, узагальненні та реалізації результатів.

Представлено основні узагальнені показники діяльності Рахункової палати за 2009-2019 роки та висвітлено основні тенденції розвитку державного фінансового контролю. Дано характеристику кількості перевірених об'єктів, підготовлених звітів, обсягів виявлених порушень, кількості документів відповідного реагування та обсягів кошторисного фінансування. Представлено структуру виявлених порушень за основними напрямками, до яких належить порушення бюджетного законодавства, неефективне управління коштами та порушення адміністрування дохідної частини державного бюджету.

Визначені базові критерії здійснення аудиту ефективності та надано їх аналітичну оцінку. Запропоновано основні напрями удосконалення державного фінансового контролю з використанням ключових характеристик концепції «Good Governance», основними з яких є верховенство права, рівноправність та інклюзивність, результативність, ефективність, прозорість та підзвітність.

Рекомендовано запровадження та використання уніфікованого звіту про бюджетні правопорушення, який сприятиме комунікації між контролюючими органами та дозволить отримувати, обробляти й зберігати великі масиви інформації щодо результатів контролю.

Ключові слова: державний фінансовий контроль; бюджетні порушення; стандарт аудиту; аудит ефективності; аудит відповідності; фінансовий аудит; звіт про порушення.

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Государственный финансовый контроль в Украине: состояние, проблемы, перспективы

Аннотация. В статье дана оценка современного состояния государственного финансового контроля в Украине, идентифицированы основные проблемные аспекты и предложены пути их решения. Установлена прямая взаимозависимость между повышением уровня коррупции и ослаблением действенности государственного финансового контроля. Рассмотрены формы и виды государственного финансового контроля в зависимости от контролируемых субъектов.

Авторами определены формы аудита государственного сектора согласно стандартам ISSAI, которые включают финансовый аудит, аудит эффективности и аудит соответствия. Доказана необходимость законодательного введения аудита в соответствии с определением целей, задач, предмета, субъектов, объектов, методов и процедур.

Предложено внедрение стандарта аудита соответствия публичных ресурсов, который будет определять общие положения, принципы и критерии аудита соответствия, а также порядок планирования, направления, методы и контрольные точки при его проведении, обобщение и реализацию результатов.

Представлены основные обобщенные показатели деятельности Счетной палаты в период 2009-2019 годов, а также освещены основные тенденции развития государственного финансового контроля. Дана характеристика количества проверенных объектов, подготовленных отчетов, объемов выявленных нарушений, количество документов соответствующего реагирования и объемов сметного финансирования. Представлена структура выявленных нарушений по основным направлениям, к которым относятся нарушения бюджетного законодательства, неэффективное управление средствами и нарушения администрирования доходной части государственного бюджета. Определены базовые критерии осуществления аудита эффективности и предоставлена их аналитическая оценка.

Предложены основные направления совершенствования государственного финансового контроля с использованием ключевых характеристик концепции «Good Governance», основными из которых являются верховенство права, равноправие, инклюзивность, результативность, эффективность, прозрачность и подотчетность. Рекомендуется внедрение и использование унифицированного отчета о бюджетных правонарушениях, который будет способствовать коммуникации между контролирующими органами и позволит получать, обрабатывать и хранить большие массивы информации о результатах контроля.

Ключевые слова: государственный финансовый контроль; бюджетные нарушения; стандарт аудита; аудит эффективности; аудит соответствия; финансовый аудит; отчет о нарушениях.

1. Introduction

The performance of operational duties by managers and recipients of budget funds is inextricably linked with the use of public resources, including public funds (budget funds and own funds of state or municipal enterprises, institutions, organizations) and material resources. Therefore, the receipt and use of public resources is subject to inspections by regulatory authorities for their efficient and rational use, however the results of public financial control indicate the existence of violations and abuses which lead to loss of financial resources. Improving the efficiency and effectiveness of the public financial control system requires not only improving the organization and methodology of its implementation, but also a clear legislative regulation and standardization in accordance with international ISSAI standards.

Asymmetry of information databases, fragmentation of information support, duplication of functions and lack of communication between regulatory authorities, superficial analysis during control, imperfect reporting on the results of its implementation necessitate reconsidering a number of fundamental theoretical and practical issues and develop recommendations for improving public financial control in Ukraine.

2. Brief Literature Review

The following leading domestic and foreign scientists have made a significant contribution to the development of the system of public financial control (also referred to as state financial control): Alaverdyan & Aleksanyan (2018), Ali et al. (2010), Alm et al. (2019), Atanelishvili et al. (2017), Bardash & Osadcha (2020), Bohdaniuk et al. (2018), Bush (2019), Falko (2013), Florin et al. (2016), Free et al. (2020), Grytsyshen & Nazarenko (2018), Kaletnyk & Lutkovska (2020), Kaletnyk et al. (2020), Kaletnik & Zdyrko (2019), Kolesnyk et al. (2018), Korpaniuk et al. (2019), Kozachenko et al. (2019), Lohosha et al. (2020), Matveeva (2020), Shulha & Zharovska (2019), Trusova et al. (2019), Umame (2019), Zdyrko (2016), Zdyrko & Shevchuk (2018).

Despite the high level of scientific achievements in the research field, a number of current theoretical and applied issues remain unresolved. The main problematic aspects of the implementation of public financial control remain some inconsistencies of regulatory support to the requirements of international ISSAI standards, a lack of strict measures to establish liability for violations of budget legislation, a lack of classification and typification of violations, including a unified form of the report on the results of control. Problematic issues related to the standardization of compliance audits, as well as a clear definition of the functions and powers of regulatory authorities, are of particular importance and need to be resolved.

3. Purpose

The purpose of the paper is to assess the current state of public financial control in Ukraine, identify problematic aspects of its implementation and suggest ways to solve the related problems.

4. Results

Dynamic development of the global economy, along with numerous benefits, leads to the emergence of serious global problems (Korpaniuk, Ishchenko, & Koval, 2019, p. 117). One of the problems in Ukraine is a high level of corruption, as evidenced by the Corruption Perceptions Index by Transparency International Ukraine (2020), showing 33 points out of 100 possible in 2020, which is 3 points lower than during the preceding year. Ukraine has returned to the level of 2017 and now ranks 126th out of 180 countries, ranking similar to Kyrgyzstan, Azerbaijan and Djibouti.

The index of perception of corruption among the countries of Eastern Europe and Central Asia in 2020 is presented in [Figure 1](#) and in Europe - in [Figure 2](#). Such negative indicators give grounds to claim the presence of corruption risks in the operations of receipt and use of public resources which include budget funds and material resources. Therefore, such cases and violations can be established with a high level of quality and effectiveness of public financial control.

According to standard approaches, control is one of the main elements of management (Kozachenko, Panadiy, & Chudak, 2019, p. 117). The role and importance of financial control is difficult to overestimate. Currently, almost all processes of production and non-production nature are organized and take place in terms of spending money allocated from relevant sources. As a result, there is a need to take measures to account for and control appropriations at all stages of their use - from justifying the needs and areas of expenditure in planning relevant budgets to verifying

their target implementation, including the final results of projects and programs), and assessing the effectiveness and feasibility (adopted) decisions (Umane, 2019, p. 47). State control is seen as a tool to increase Ukraine’s economic development and needs legislative regulation (Lohosha et al., 2020).

An in-depth research was conducted in the areas of public control of not only financial resources, but also natural resources in order to ensure environmental and food security of the country. Kaletnyk & Lutkovska (2020) identified priorities for improving modernization measures in the development of security development, one of which is the constant control over the environmental development of the national economy, developed innovative technologies and environmental modernization. Kaletnyk, Honcharuk et al. (2020) assessed the state and the trends of agricultural development, as well as the problem of land use, which proves the need for public control. The depth and efficiency of the domestic financial system impacts the efficacy of the capital account policy (Bush, 2019, p. 561).

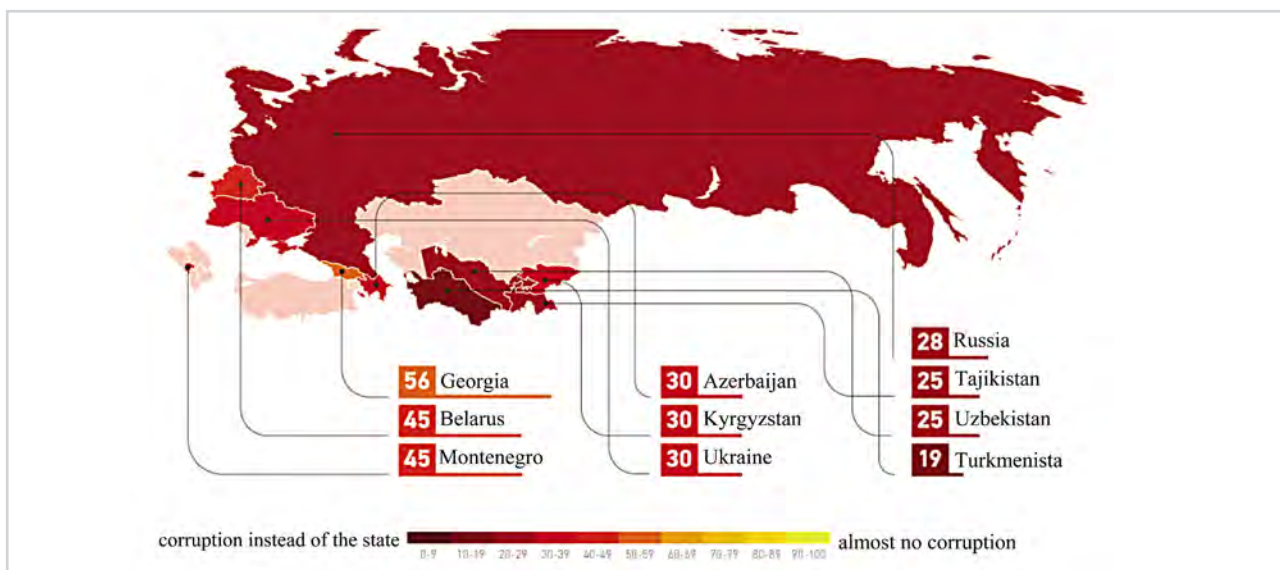


Figure 1:
Corruption Perceptions Index among Eastern European and Central Asian countries, 2020
Source: Transparency International Ukraine (2020)

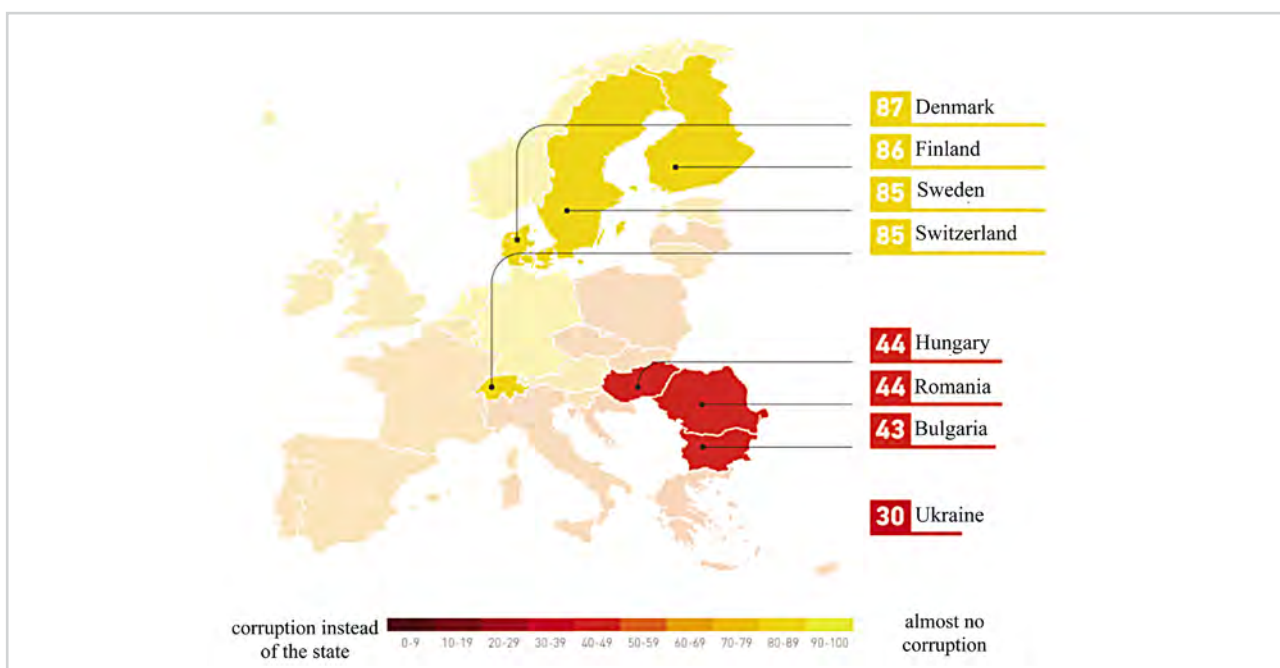


Figure 2:
Corruption Perceptions Index among European countries, 2020
Source: Transparency International Ukraine (2020)

Importance of financial processes is consistent with international commitments and is balanced through specific interests of all entities of redistributive assets that can be fulfilled only if the synergy effect of the factors of the formation of financial security and their interconnection with food security, budget security, investment security, debt security, as well as credit security of the credit and the security of the financial sector (Trusova et al., 2019, p. 169).

Control is an eclectic phenomenon, which is widely used. Therefore, it may be characterized differently, for example, as one of the main principles of management, as a stage of management process (cycle), a method of management and a mode of activity, or the possibility of impacting the behaviour of the relevant object, a function of public administration, an integral part of adoption and implementation of managerial decisions, which is continuously involved in this process from its beginning to its completion (Shulha & Zharovska, 2019, p. 245).

Financial control is a major part of the financial management system. Its increasing importance in the contemporary world is reflected in the Lima Declaration of Guidelines on Auditing Precepts, according to which financial control is an integral component of public finance management (Matveeva, 2020, p. 69).

Budgets represent the main tool. They specify the resources employed in carrying out a project with regard to a certain assignment or time period. At the level of activity of the institution for which the budget has been drawn up, static budgets are independent. Dynamic budgets require assets depending on the activity volume. Spreadsheet programs are the main tools of budgeting. Sheets represent the productivity custom tools utilized to draw up the budget (Florin et al., 2016, p. 66).

According to the Lima Declaration of Control Guidelines, organization of control is a mandatory element of public financial management, since such management entails responsibility to society. According to the above document, control an integral part of the regulatory system, which aims to identify deviations from accepted standards and violations of the principles, legality, efficiency and economy of material resources at the earliest stage in order to be able to apply corrective measures and, in some cases, to bring the perpetrators to justice, to obtain compensation for the damage caused or to take measures to prevent and reduce such violations in the future (Lima Declaration of Control Guidelines, 1977).

According to the ISSAI 9100 «Glossary of Terms», audit - audit / control is an analysis of the activities and actions of the body to ensure that they are performed in accordance with the objectives, budget, rules and standards. Thus, ISSAI international standards define public sector audit through financial audit, performance audit and compliance audit (Figure 3).

The control function of management entities in the field of public resources is manifested through the conduct of external public audit and internal audit. According to the Law of Ukraine «On Basic Principles of Public Financial Control in Ukraine» as of 26 January 1993, 2939-XII, external public audit may be carried out in the form of:

- 1) financial audit (subject - the Accounting Chamber of Ukraine and the State Audit Office of Ukraine);
- 2) performance audit (subject - the Accounting Chamber of Ukraine) (Figure 4).

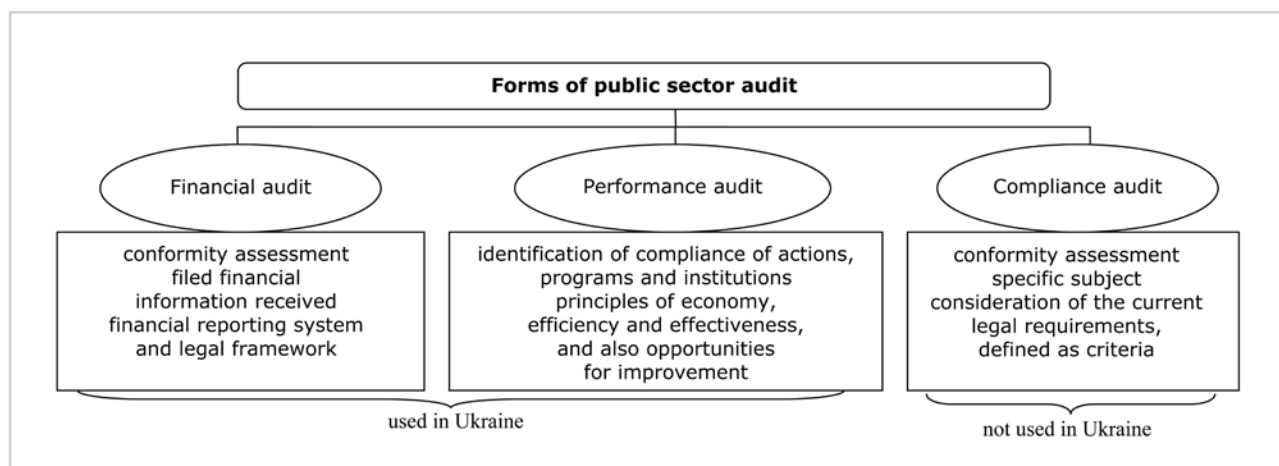


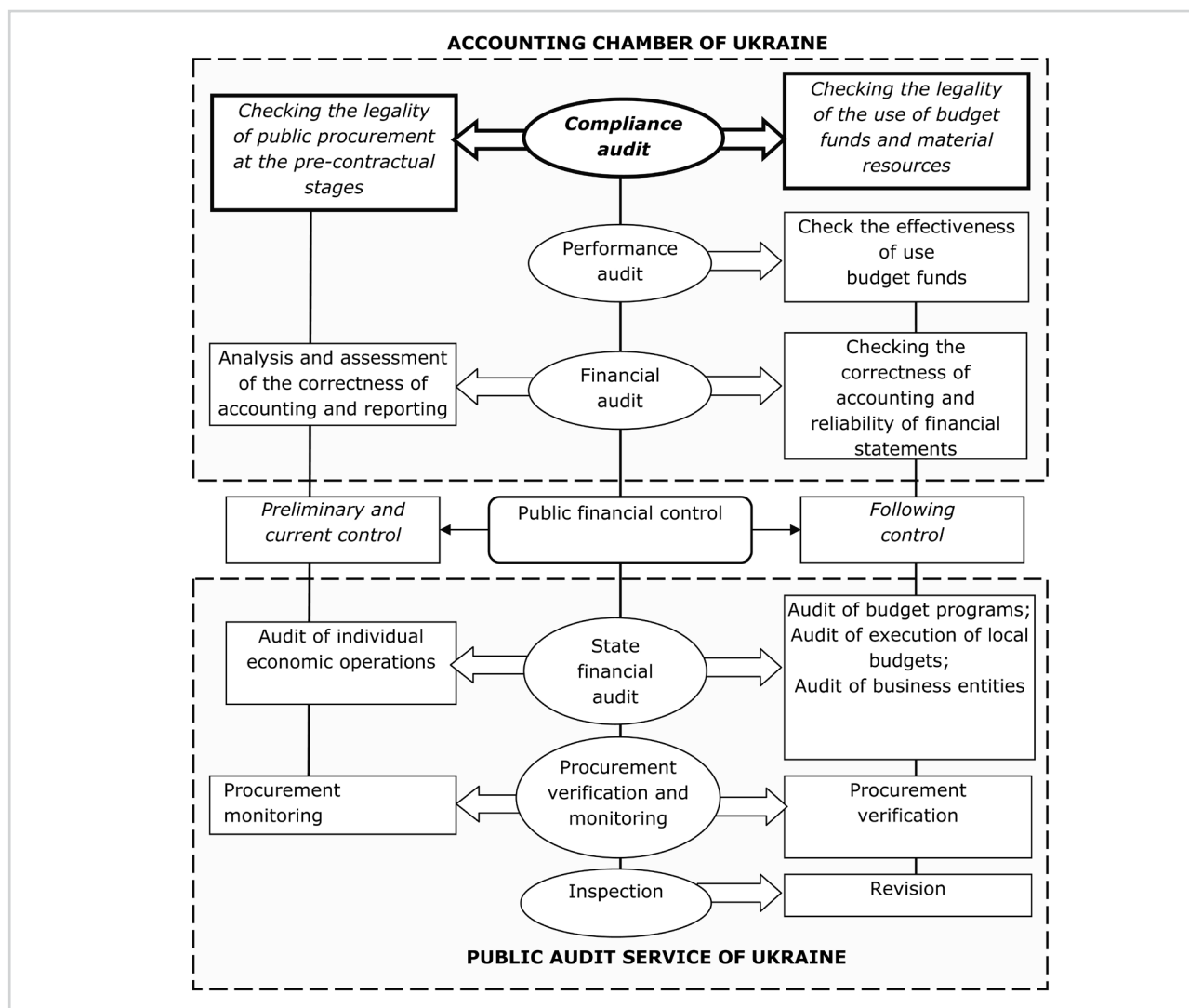
Figure 3:
Forms of public sector audit in accordance with ISSAI
Source: Compiled by the authors

Thus, analyzing the legal framework for public financial control, it is established that Ukraine does not legally establish such a form of public audit as compliance audit, which hinders the full implementation of public audit and indicates non-compliance with the international standards ISSAI 400 «Basic principles of compliance audit» and ISSAI 4000 «Compliance Audit Standard».

A compliance audit consists of an independent assessment of whether the auditee meets the applicable laws and regulations defined as criteria (ISSAI 400/12). The purpose of the compliance audit can be to inform potential users (the state represented by state bodies and the public) about the legality of the management of public resources (budget funds and material resources) of the state. Tasks are defined within the scope of the audit, but they are united by the main task: verification and assessment of the legality of the activities of entities in the field of receipt and use of public resources in general (ISSAI 4000/23).

The subject of compliance audit is public resources of Ukraine at the micro, meso and macro levels. The object of compliance audit is the activities of recipients of budget funds and material resources, financial transactions and information about them, which meets the international standards ISSAI 400/12 and ISSAI 400/33.

The compliance audit involves three different parties (ISSAI 4000/19), i.e. the subjects of the audit are:



Legend:

[- - - -] - existing system

[] - suggested by the authors

Figure 4:
Directions and forms of public financial control in Ukraine
Compiled by the authors based on Ukrainian legislation

- 1) the auditor, as a representative of the Accounting Chamber (controlling entity) (ISSAI 400/36);
- 2) the responsible party - controlled (inspected) entity (ISSAI 400/37);
- 3) potential users - the state in the person of controlling bodies and representatives of society, i.e. civil institutions (citizens, organizations, mass media) for whom the auditor prepares the Report (ISSAI 400/38).

Thus, the essence of compliance audit, as a form of public (state) audit (control) is an objective assessment of audit evidence to verify compliance with current legal requirements for recipients of public resources for the receipt and use of budget funds and material resources.

In order to formally approve and regulate compliance audits, the Public Resources Compliance Audit Standard should be approved, which is aimed at conducting an independent and effective compliance audit and support practicing auditors in developing their own professional approach in accordance with the specifics of the subject matter and national legislation.

The standard will define the general provisions, principles and criteria for compliance auditing, planning procedures, directions, methods, control points in performing compliance audits, generalization and implementation of its results, which will identify both general and specific approaches to its implementation.

Another problem of public financial control is the lack of clear and approved standardization of violations in terms of different controlling entities. Thus, with regard to measures of public external financial control taken by the Accounting Chamber, all violations and shortcomings are grouped into three sections: 1) illegal and inappropriate use of budget funds corresponding to the financial audit and compliance audit; 2) inefficient use of budget funds, which corresponds to the conducted performance audit; 3) violation of revenue administration. For example, it should be noted that the State Audit Office, which represents the executive branch, systematizes violations by other classification groups: underfunding of financial resources, misappropriation of public resources, and illegal expenditures and shortages. Therefore, this procedure does not allow interested parties to analyze violations in terms of inspected entities, but only by regulatory authorities.

We consider it expedient to assess the current state of public financial control in Ukraine, which is carried out by the Accounting Chamber (Table 1).

In general, the volume of violations detected in 2019 is the largest in the last 11 years, as is the volume of audited public funds (UAH 763.2 billion in 2019 compared to UAH 293.5 billion in 2010).

Table 1:
Generalized performance indicators of the Accounting Chamber, 2009-2019¹

| Indexes | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Deviation |
|---|----------------|-----------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. Checked entities, units | 910 | 732 | 873 | 903 | 932 | 744 | 627 | 644 | 635 | 598 | 602 | -308.0 |
| 2. Prepared and approved reports, pcs | 130 | 118 | 120 | 116 | 128 | 123 | 118 | 96 | 95 | 91 | 77 | -53.0 |
| 3. Volume of audited public funds, UAH billion (USD billion) | * | 293.5 (36.9) | 87.0 (10.9) | 151.4 (18.9) | 181.0 (22.7) | 598.1 (37.9) | 370 (15.4) | 314 (11.5) | 504 (18.0) | 304.7 (11.0) | 763.2 (32.2) | 469.7 (-4.7) |
| 4. Volumes of identified violations and shortcomings in the total amount, UAH billion (USD billion), incl. | 36.9 (4.6) | 52.0 (6.5) | 23.4 (2.9) | 12.9 (1.6) | 17.9 (2.2) | 22.5 (1.4) | 22.7 (0.9) | 16.9 (0.6) | 23.3 (0.8) | 17.0 (0.6) | 49.8 (2.1) | 12.9 (-2.5) |
| a) violation of budget legislation (illegal and misuse of budget funds), UAH billion (USD billion) | 10.8 (1.4) | 16.1 (2.0) | 9.7 (1.2) | 4.7 (0.6) | 4.9 (0.6) | 5.3 (0.3) | 6.4 (0.3) | 7.1 (0.3) | 6.1 (0.2) | 5.8 (0.2) | 32.1 (1.4) | 21.3 (0.0) |
| in% to all violations | 29.3 | 31.0 | 41.5 | 36.4 | 27.4 | 23.6 | 28.2 | 35.7 | 26.2 | 34.1 | 64.5 | 35.2 |
| b) volumes of inefficient management and inefficient use of budget funds, UAH billion (USD billion) | 11.4 (1.4) | 14.4 (1.8) | 13.7 (1.7) | 8.2 (1.0) | 13 (1.6) | 14.3 (0.9) | 6.2 (0.3) | 4.1 (0.2) | 6.6 (0.2) | 4.4 (0.2) | 14.7 (0.6) | 3.3 (-0.8) |
| in% to all violations | 30.9 | 27.7 | 58.5 | 63.6 | 72.6 | 63.6 | 27.3 | 20.6 | 28.3 | 25.9 | 29.5 | -1.4 |
| c) violation of revenue administration, UAH billion (USD billion) | 14.7 (1.8) | 21.5 (2.7) | * | * | * | 2.9 (0.2) | 10.1 (0.4) | 5.7 (0.2) | 10.3 (0.4) | 6.8 (0.2) | 3.0 (0.1) | -11.7 (-1.7) |
| in% to all violations | 39.8 | 41.3 | * | * | * | 12.9 | 44.5 | 28.6 | 44.2 | 40.0 | 6.0 | -33.8 |
| 5. The number of documents of the appropriate response to the results of control and analytical measures, units | 583 | 556 | 513 | 429 | 520 | 540 | 547 | 498 | 633 | 567 | 498 | -85.0 |
| 6. The number of actually working people | 479 | 463 | 458 | 454 | 480 | 432 | 433 | 413 | 428 | 456 | 486 | 7.0 |
| 7. Volume of estimated financing, UAH million (USD billion) | 54.1 (6.8) | 70.5 (8.9) | 65.8 (8.2) | 84.2 (10.5) | 98.9 (12.4) | 82 (5.2) | 79.7 (3.3) | 83.6 (3.1) | 149.1 (5.3) | 279.8 (10.1) | 462.5 (19.5) | 408.4 (12.8) |
| 8. Salary with accruals, UAH million (USD billion) | 48.27 (6.0) | 53.66 (6.7) | 52.65 (6.6) | 51.21 (6.4) | 71.94 (9.0) | 67.03 (4.3) | 64.12 (2.7) | 68.02 (2.5) | 119.07 (4.2) | 244.8 (8.8) | 274.6 (11.6) | 226.3 (5.6) |

Notes: ¹ - years
dollar exchange rate | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019
7.99 | 7.96 | 7.99 | 7.99 | 7.99 | 15.77 | 24.00 | 27.19 | 28.06 | 27.68 | 23.69

Source: Compiled by the authors based on data by the Accounting Chamber of Ukraine (2019)

Thus, in 2019, the Accounting Chamber found violations amounting to UAH 49.8 billion, which is UAH 32.8 billion more than in 2018 and UAH 12.9 billion more than in 2009.

An interesting trend is observed in the structure of violations detected by the Accounting Chamber. Thus, if in recent years the largest share of violations was established in the direction of administration of state budget revenues; in 2019 the structure of violations changed dramatically: the amount of deviations was UAH 3.8 billion (compared to 2018), in percentage terms - by 34% less, which is explained, in our opinion, by an increase in the level of effectiveness of public financial control in terms of budget legislation (Figure 5).

In our opinion, the decrease in the number of inspected objects and the reports provided based on their results is negative. Thus, in 2019, compared to 2009, the number of controlled objects decreased from 910 to 602 units (308 units in total), 53 reports less were prepared.

It should be noted that there was a significant increase in budget funding for the maintenance of the Accounting Chamber. Thus, from UAH 54.1 million in 2009 (per 479 people) costs increased more than eightfold to 462.5 million UAH (per 486 people). Given the amount of violations identified in recent years, it should be noted that labour productivity decreased with a simultaneous increase in budget funding (except for 2019), which is also a negative trend.

We consider it is expedient to dwell in more detail on the main areas where violations of budget legislation were committed (illegal and misuse of budget funds), which accounts for 64.5% of all violations totaling UAH 32.1 billion (Figure 6).

Based on Figure 6, we conclude that most violations of illegal and misuse of budget funds were found in the medical and social spheres (42.7%); in the field of management of state property and material reserve (19.7%); in the field of relations between the State Budget of Ukraine and local budgets and the use of budget funds for socio-economic development of territories (12.7%) and in the field of state budget revenue management (10.4%).

It is important to analyze the violations of inefficient management of funds and their inefficient use, which in the overall structure of violations is 29.5% (UAH 14.7 billion) (Figure 7).

Analytical data in Figure 7 allow us to conclude that most violations of inefficient management of budget funds were identified in the area of state security and defense capabilities of the state (36.2%), in the field of interaction between the State Budget of Ukraine and local budgets and the use of budget funds for socio-economic development of territories (32.2%) and in the field of functioning and development of infrastructure (9.0%).

According to the Law of Ukraine «On the Accounting Chamber», performance audit involves establishing the actual state of affairs and assessing the timeliness and completeness of budget revenues, productivity, efficiency, economy of use of budget funds by their managers and recipients. Thus, the basic criteria for conducting an efficiency audit (in addition to the efficiency itself) are economy, productivity and efficiency (Figure 8).

We agree with the opinion of D. Hrytsyshen and T. Nazarenko (Grytsyshen & Nazarenko, 2018) that nowadays, there are reasons that do not allow us to significantly introduce an efficiency audit in Ukraine, among them:

- restriction of functions of the Accounting Chamber;
- lack of a system of public financial control approved at the legislative level, with the assignment of functions and powers of certain bodies;
- lack of scientifically sound methodological support for performance audit;



Figure 5:

Structure of violations identified by the Accounting Chamber in 2019, %

Source: Compiled by the authors based on data by the Accounting Chamber of Ukraine (2019)

- absence of a clearly defined subject of the organization, regulation, control and performance audit;
- a significant number of violations of the use of funds and low responsibility;
- lack of accountability by budget organizations and organizations that are provided with budgetary funds in the areas of their use;
- focusing on violations of the use of funds, rather than on their effectiveness in use (Grytsyshen & Nazarenko, 2018, p. 28).

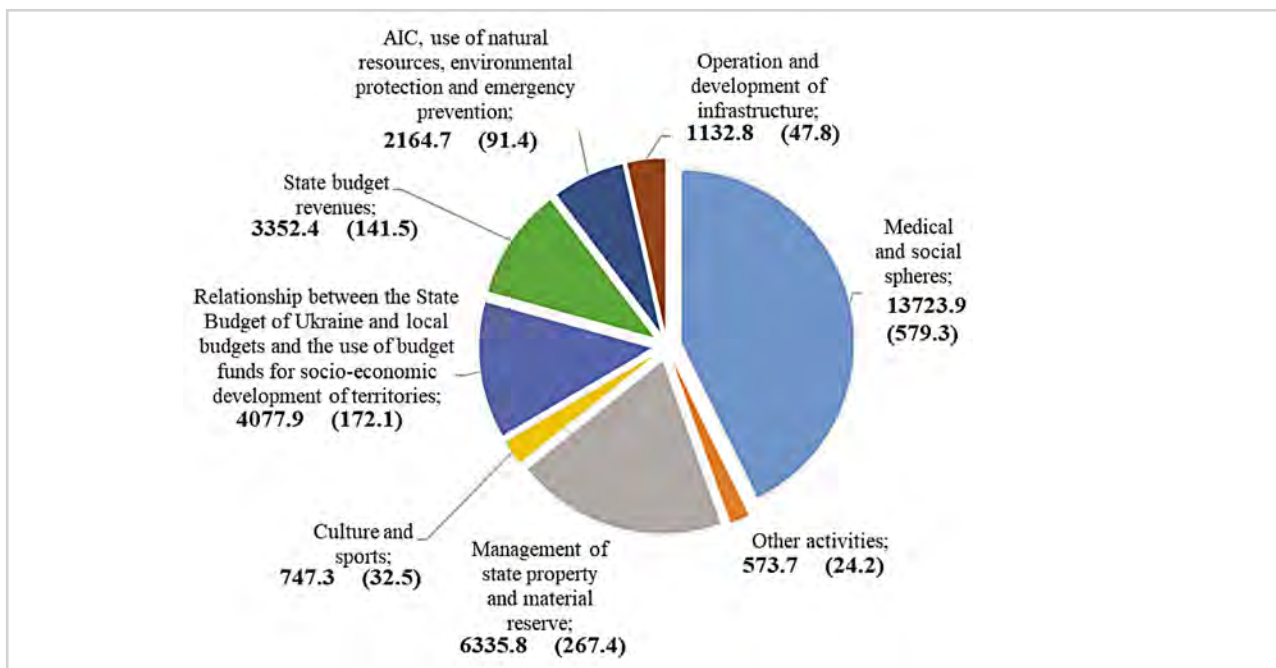


Figure 6:

Structure of violations of budget legislation and misuse of budget funds by areas, UAH million (USD million)

Source: Compiled by the authors based on data by the Accounting Chamber of Ukraine (2019)

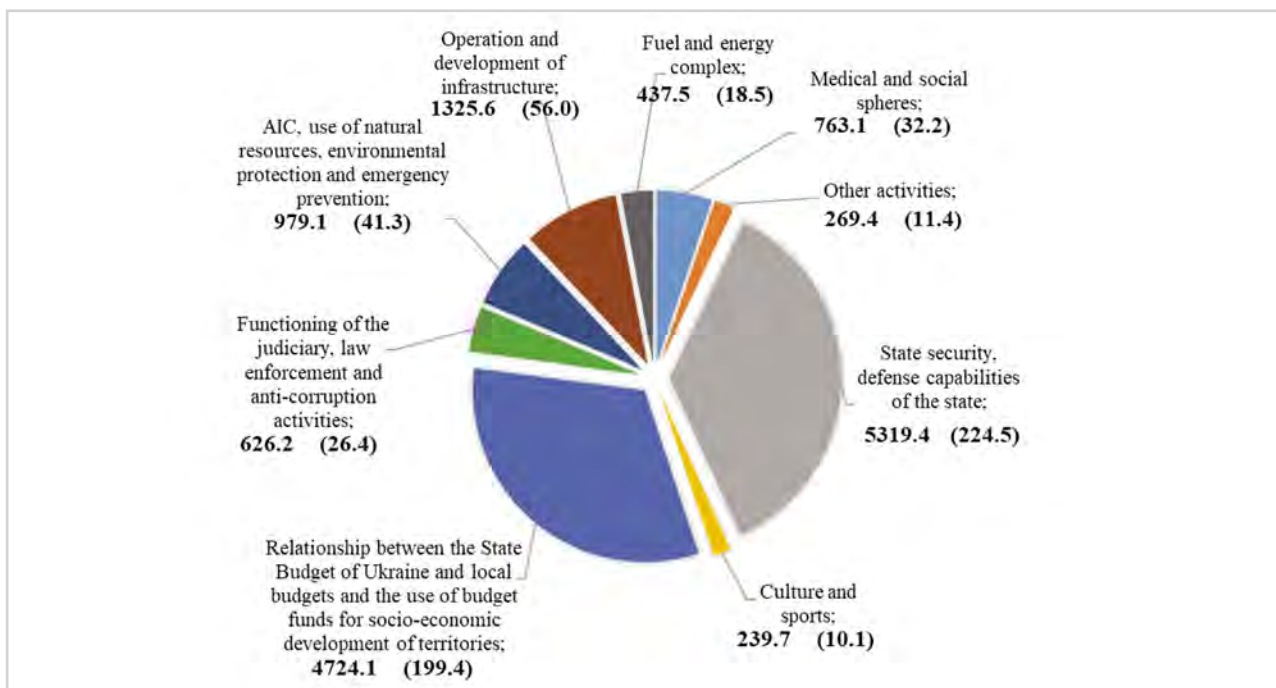


Figure 7:

Structure of facts of inefficient management of budget funds and their use (by directions) revealed in 2019, UAH million (USD million)

Source: Compiled by the authors based on data by the Accounting Chamber of Ukraine (2019)

Thus, according to the Report of the Accounting Chamber for 2019, from the total amount of violations related to inefficient use of budget funds (UAH 14,684.1 million), we see that 45% of violations (UAH 6,608.5 million) are caused by inefficient use of funds, inefficient management - 42.1% (UAH 6184.7 million), unproductive use of funds - 9.3% (UAH 1,360.5 million) and uneconomical use of budget funds - 3.6% (UAH 530.4 million) (Figure 9).

One of the shortcomings that makes it impossible to systematize information on the results of the public audit is the lack of clearly regulated information in the reports.

Also, it is poor quality of documentation covering violations, ranging from simple lack of references to violated legal acts and grammar mistakes ending with illegal and unconfirmed conclusions. Sometimes, such mistakes make it impossible to understand the essence of the statement outlined in the act, which is why there is no doubt that only the competent, consistent and complete information received by the auditors during the control measure contributes to the achievement of the objective of financial control (Bohdaniuk, Kolisnichenko, & Ustyomenko, 2018, p. 34).

According to S. Bardash and T. Osadcha, public control must meet a number of requirements that are determined by the interests of the state. First of all, it is about ensuring the effectiveness of the activities of the bodies that make up its power apparatus, and of the total system as a whole. An important condition for ensuring the effect of the functioning of state control bodies is the systematicity, optimality and balance of their control actions. Failure to comply with at least one of these conditions leads to the inefficient functioning of the entire system of public control (Bardash & Osadcha, 2020, p. 23).

The main shortcomings in the development of public financial control in Ukraine include:

- 1) insufficient number of control units in the State Audit Office, as well as failure to ensure organizational and/or functional independence of such units;

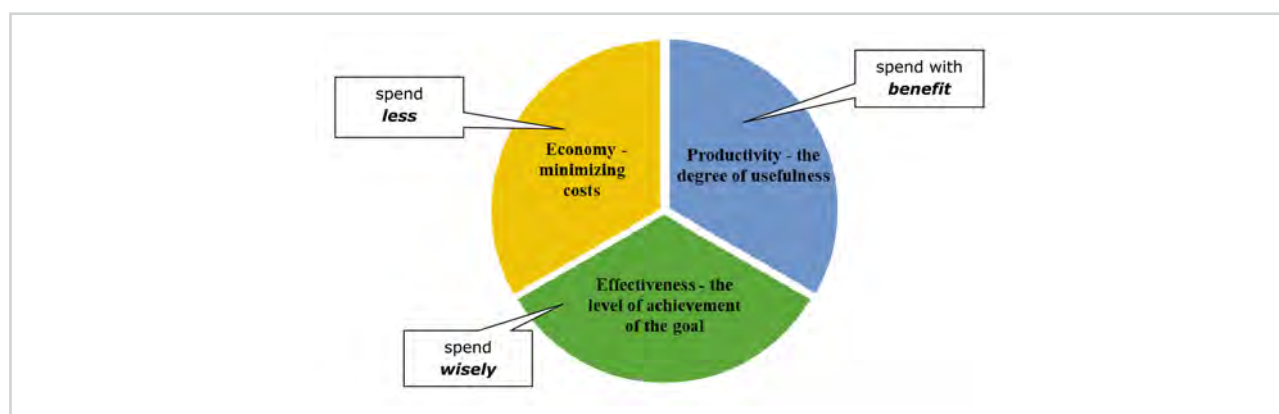


Figure 8:
Basic criteria for performance audit
Source: Compiled by the authors

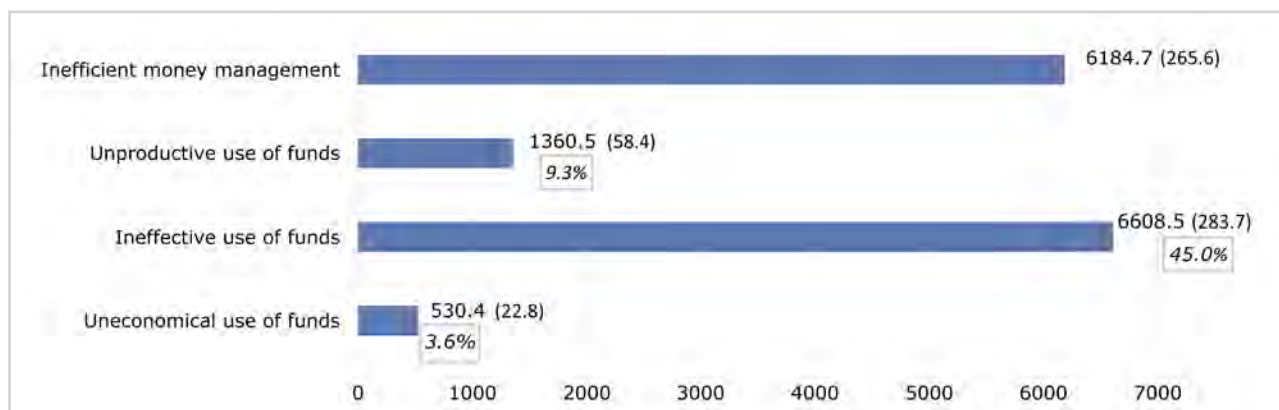
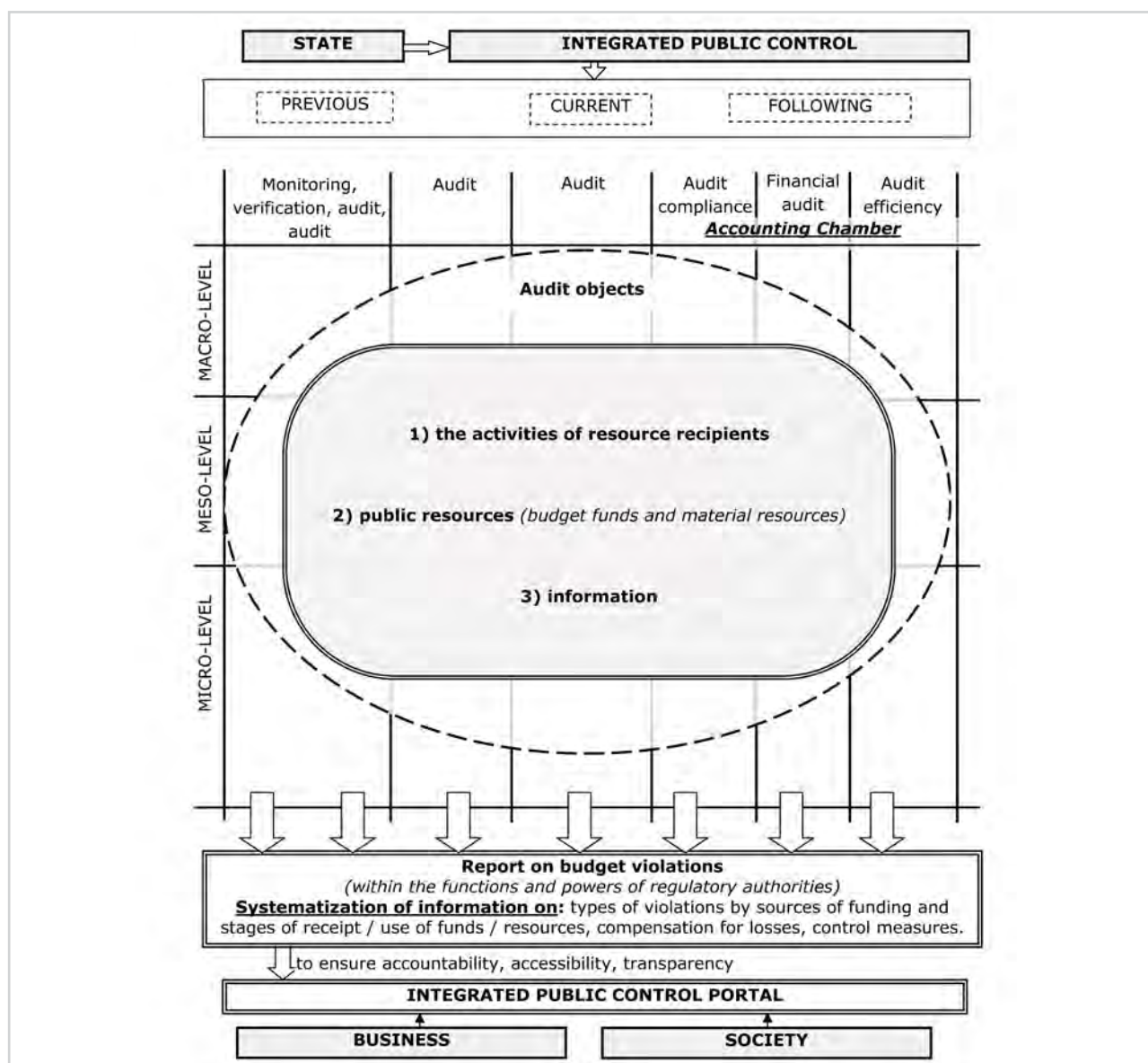


Figure 9:
Structure of inefficient management of budget funds and their use in 2019, UAH million (USD million), (%)
Source: Compiled by the authors based on data by the Accounting Chamber of Ukraine (2019)

- 2) imperfection of the internal and external methodological framework for public financial control;
- 3) shortcomings in terms of completeness of audit actions, the quality of documentation related to inspections, as well as the validity of conclusions based on their results;
- 4) lack of a proper regulatory framework in terms of the implementation of the State Audit Office (Zdyrko & Shevchuk, p. 16).

In Ukraine, unlike foreign countries, there is a diffuse concentration of control functions, which leads to their duplication by the controlling bodies (Kaletnik & Zdyrko, 2019, p. 88).

We agree with Y. V. Falko who believes that most of the control measures in the field of public procurement today fall on audits and inspections conducted by the State Audit Office, the Accounting Chamber of Ukraine and departmental auditors. At the same time, there is no single legislative act that would clearly define the tasks, functions, status and areas of competence of these bodies; the implementation of the relevant powers is regulated by various legal documents, the provisions of which are often contradictory and do not provide systematic public control (Falko, 2013, p. 80).



Legend:

⊖ - a single public information procurement space as an information base of integrated public control

Figure 10:
Integration and communication of regulatory authorities in terms of their reporting on the control of public resources

Source: Compiled by the authors

In a market environment and under the condition of systemic crises the problem is exacerbated by the impact of various internal and external factors (Kolesnyk et al., 2018, p. 256).

We believe that it is impossible to improve public control without focusing on the key characteristics of the Good Governance Concept which focuses on consensus, participation, rule of law, responsiveness, equality, inclusiveness, effectiveness, efficiency, transparency, accountability.

To avoid conflicts of interest, there should be a clear division of functions and tasks between public auditors. It would be more appropriate to implement efficiency audit to focus not only on the efficient use of public finances, but also on the effectiveness of their creation. Laws and regulations defining the liability for violations of financial discipline require substantial revision (Zdyrko, 2016, p. 69).

In confirmation, it should be noted that the impact of public control on the welfare of society is provided by ISSAI 12 «The value and benefits of higher audit bodies - the impact on the lives of citizens» (Intosai, 2014). The standard defines the following goals of influencing the well-being of citizens:

- strengthening accountability, transparency and integrity of public sector governance bodies;
- ensuring relevance for citizens, parliament and stakeholders;
- positioning the institution of its exemplary role as an example for others.

The last two goals cannot be achieved without efficient work of regulatory authorities.

The concept of accountability, in accordance with ISSAI 20 «Principles of Transparency and Accountability» and ISSAI 21 «Principles of Transparency and Accountability - Principles and Good Practices», allows the public control body to perform functions and powers within the approved budget, to evaluate and control of its activities and to prepare public reporting on the efficiency of the use of own funds and resources.

The concept of transparency provides timely, reliable, high-quality and up-to-date reporting on its work, status, authority, activities, financial management, operations and performance. In addition, it is mandatory to provide public access to the information of higher audit bodies.

The main characteristics of the system of integrated public audit should be efficiency, transparency and accountability.

Accountability and transparency of public audit of public procurement could be ensured through the use of information technology to create an open portal of integrated public control (hereinafter - the portal). Therefore, the portal interface should allow the selection of menus for individual applications within the requests of interested users.

The creation of an integrated public control system will shift the emphasis from the controlling entity to the controlled entity, as it will provide an opportunity to systematize information on identified violations by different regulatory institutions at different stages of their implementation in a single document.

In order to increase the level of clarity of information on the results of public control, it is necessary to go beyond pdf-reports, which provide detailed information on the objects of inspections. We believe that the systematization of information by different sections will have a textual, graphical and tabular representation to increase the level of accessibility and understanding by potential users.

Integration and communication of regulatory authorities in terms of their reporting on public financial control over its types and forms are presented in [Figure 10](#).

The standardized report on budget violations should be completed based on the results of inspections of compliance with the law:

- at the stage of preliminary control (by the State Audit Office, the Antimonopoly Committee);
- at the stage of current control (by the Antimonopoly Committee, the State Audit Office and the Treasury);
- at the stage of subsequent control (by the Accounting Chamber of Ukraine on financial audit, performance audit and compliance audit).

The main task of the system of controlling bodies is to ensure strict compliance with the law by preventing violations, and in case of their detection, liquidation should be guaranteed. A well-functioning system of regulatory bodies meets the interests of all stakeholders - customers, participants and society as a whole (Kaletnik & Zdyrko, 2019, p. 85).

The report should contain information on the following sections:

- vertical indicators: the amount of funds covered by the control (in terms of forms and types of control over the term); information on identified violations and shortcomings (by type of

control); compensation for loss of resources; prevented violations of the legislation; measures taken based on the results of control; implementation of control results;

- horizontal indicators: public resources (including funds from the state budget, international organizations, trust funds and purchased items); local public resources (including funds from the local budget, international organizations, trust funds and purchased items); own funds of managers and recipients.

Implementation of integrated public control will allow for systematizing the results of the unified report, receiving, processing and storing large amounts of information using BigData technology on an open portal basing on the «one page» principle of, which will ensure accountability, transparency and availability of information to interested users, businesses, society or the state).

5. Conclusions

The lack of legislation in the field of compliance audits hinders the implementation of public audit and indicates the existence of non-compliance with international standards ISSAI 400 «Fundamental Principles of Compliance Audit» and ISSAI 4000 «Standard of Compliance Audit».

In order to unify the Ukrainian legislation in the field of public audit with international standards, the Standard «Audit of Compliance of Public Resources» is proposed for approval, which defines the general provisions, principles and criteria of audit of compliance of public resources, planning, directions, methods, control points, generalization and implementation of results, which allows to determine the general approaches to the audit of compliance, and specific approaches, taking into account the characteristics of different areas of the use of budgetary resources, modifying the tasks, methods and control actions of the auditor.

The generalized results of the activity of controlling bodies in relation to public resources are characterized by fragmentation and lack of comprehensive, integral and complete information in terms of managers (customers), which is why the scientific and applied provisions for strengthening the effectiveness of public financial control have been improved by introducing an electronic unified report on budget offenses within the functions and powers of various controlling bodies, which allows comprehensive assessment of managers (recipients) within the previous, current and subsequent control of effective use of public resources to ensure the implementation of the principles of accountability, accessibility and transparency in accordance with ISSAI. This allows for receiving, processing and storing large multifaceted arrays of information using BigData technology on an open portal and helps to systematize their results on the «one page» principle with regard to interested users (state, businesses, society or the state).

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