Development of public control in the system of financial control of the Russian Federation

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Abstract. The article conducts a study of the theoretical and methodological provisions and approaches to the construction and development of state-public financial control in the financial control system of the Russian Federation. The author of the work analysed the current public control system in the Russian Federation. In the process of writing the article, several measures were proposed to improve the efficiency of the financial control system of the Russian Federation. Improving public control in the financial control system requires significant changes to the system of external and internal control, critical assessment of functioning control models, initiation of responsibility for ensuring social progress not only of controlled objects, but above all – subjects of control. Based on a retrospective study and methodological foundations of the development of the state-public financial control system, the limitations of the current financial control system are revealed and directions for its further modernization are proposed. The author used general scientific and special methods of retrospective analysis, comparison, and scientific abstraction.

1. Introduction

An important tool to ensure the most complete flow of funds to the state budget and its rational use, management of state property and the fight against crimes in the sphere of financial relations is financial control, which in the leading countries of the world is a priority area of development of financial and budgetary relations. The condition of the financial system of the state largely depends on the efficiency of its functioning.

In recent years, the existence of public control in the financial control system in the Russian Federation problems start to appear in the regulatory, organizational, technical, informational, and labor force parts, which lead to a decrease in the efficiency and objectivity of public and financial control, inefficient management state property and use of budgetary resources. All this indicates the necessity to find ways to improve public control in the financial control system, considering both the peculiarities of the national economy and positive foreign experience in area of financial relations.

Currently the theoretical basis for building a system of public financial control is ambiguous and does not consider its new forms, which arise from the development of information and innovative technologies. This leads to problematic issues of determining the location of each form of control in the overall system. An integral place in the implementation of the financial and budgetary policy of the state, as well as ensuring its financial stability, belongs to financial control, which is a system for implementing public control measures, organizing internal audit, and inspecting to ensure optimal
management of budgetary resources and state property based on the principles of legality and
efficiency, economy, productivity and transparency [1, 2].

In accordance with the provisions of the Declaration of Lima (INTOSAI), under the control should
be understood as the regulated activity of authorized persons, which is a certain sequence of actions on
establishing the extent to which the controlled subject observes the rules of conduct regarding the
object of control, which can have the effect perpetrators accountable. Control in public administration
is a special function of public and local authorities; it is also a way of providing law and discipline in
public administration.

In the context of public administration, it is about state control. So, control is:
1) function control;
2) the activities of certain persons;
3) a specific process, procedure.

Moreover, these "manifestations" of control occur simultaneously. Given this statement, as well as
the above concept of "control", it can be concluded that control is characterized by the following
features:
1) it is implemented by specially defined, authorized persons;
2) it is carried out in the framework of relations of subordination;
3) it is a procedure that is defined in the established method, a set of consistent, regulated actions;
4) it aims to establish the degree of compliance by the controlled entity with the established rules of
   conduction and with respect to the object of control;
5) it may result in the initiation of the issue of bringing the guilty persons to justice [3, 4].

Thus, under control, it is necessary to understand the regulated activities of authorized persons,
which is a certain sequence of actions on establishing the extent to which the controlled subject
observes the rules of conduct with respect to the object of control, which can result in the case of
violations bringing guilty persons to justice [5, p. 319].

By acquiring additional attributes, one or another type of control extends its effect to a less wide
range of relationships [6].

Public control means a type of control, which is the activity of authorized bodies of authorities and
local governments, regulated by legal norms, a procedure established at a regulatory level for checking
certain subjects of control for compliance with regulatory and individual acts regarding a certain
object of control, including financial one [6, p. 7].

At the same time, it should be noted that some scientists and others, divide financial control into
medium, current (operational) and following ( retrospective, final) [7, p. 100].

Economic financial control (control of the owner or management body of a business entity) is
carried out through the owner’s bodies (management body) – divisions, their financial and economic
services within the limits determined by the owner (management body) of authority and / or by
engaging audit firms (auditors) the right to conduct audit activities in accordance with the law [8, p.
59]. Objects of economic financial control are operations exclusively with objects of property rights of
business entities, financial and material resources and other assets under their management or full
economic management, as well as with their obligations [6, 8, 9].

Subjects of public financial control are public associations. It is carried out in the form of
monitoring by their structural subdivisions of the current activities of the authorities, for compliance of
these activities with the norms of legislative acts and state financial discipline.

Considering the subject of control as a priority criterion of the system of public control, we
identified the following types of control:

- proactive, arising from their own will and the discretion of its subjects;
- forced (mandatory), due to external circumstances that encourage subjects to implement it.

The system of public control is divided into two types:

- economic control – aimed at tracking the real economy, i.e. the sphere of creation and
  movement of flows of goods, jobs and services;
financial control designed to check the virtual economy, the sphere of finance (the making of money and the circulation of cash flows).

It should be noted that, at the same time, the authors identified the same types of control according to other criteria – to the degree of coverage of the economic sphere, namely, such types of control as economic, financial, currency, banking were highlighted. Regarding external and internal control, consideration is given to the authority and attitude to the owner [10, 11].

2. Materials and methods
Methods used in economic science are used: popular science (dialectical, analysis and synthesis, comparisons and analogy); special (system, comparative analysis). An extensive literature search with PubMed was performed with the terms public control system, subjects of control, international law, financial control, budget, monitoring, financial management restricted to studies written in English and Russian that were published within the preceding 5 years. Given many found studies that included primary data associated with financial control, and references contained selected studies identified from the abstract review were selectively reviewed. The information base was compiled by scientific works, articles published in printed Russian and foreign publications on issues of public control in the financial control system of the Russian Federation.

3. Results and discussion
Studying modern trends in the implementation of public control in the financial control system at the state and local levels, it was determined that in the financial control system these requirements are often not adhered to and ignored, leading to limitations of this system that can be grouped into three groups (Table 1).

Table 1. Limitations of public control in the financial control system in Russia.
Source: it is made by the author.

| Legal flaws | Organizational limitations | Methodological limitations |
|-------------|---------------------------|---------------------------|
| 1. There is absence of legislative decisions on the formation of an integral system of public control in the system of financial control in the state. In particular, the laws do not define: - the general procedure of public control in the financial control system; the list of bodies and subjects to which the right to exercise it has been delegated; - the status, functions and jurisdiction of bodies and subjects of specialized public control in the system of financial control, their relations and accountability; - jurisdiction of the highest state authorities in the control system; - a unified methodological support of public control in the | 1. The lack of a precision list of bodies entrusted with the implementation of public control in the Russian Federation in the system of financial control, and their jurisdictions. 2. Insufficient attention to control actions that provides a preventive control function. 3. Duplication and parallelism in the work of controlling bodies of different levels, excessive overload of some objects with revisions and checks. 4. Detachment of public control bodies from the development, discussion and acceptance of organizational and legal measures to prevent financial flaws. 5. Insufficient work with the public to clarify the tasks of | 1. The lack of methodological support of the main forms of financial control (specific procedural standards). 2. Inconsistency with the basic principles of public control systems in the financial control system of leading European countries. 3. The absence of a unified information and methodological base of public control in the financial control system. 4. The lack of compliance with the previous, current and subsequent monitoring. 5. The lack of regulatory bodies with qualified staff. 6. Lack of proper level of organization of professional training and retraining of staff. |
financial control system in terms of establishing a system of economic indicators reflecting the state of financial discipline, and methods for calculating them; - the mechanism of the internal control of compliance with the current legislation of public control in the financial control system.

2. Inconsistency between the norms of current laws and legal acts in the sphere of public control.

3. Failure to comply with the situations of the current legislation in terms of ensuring proper interaction between authorities of the financial control, which strengthens duplication and parallelism in work.

4. Non-compliance and violation of the norms and principles of budget and tax legislation by participants in financial and economic relations.

5. Insufficient application in the control and audit work of techniques aimed at determining the effectiveness of the use of public financial resources.

6. Insufficient application in the control and audit work of techniques aimed at determining the effectiveness of the use of public financial resources.

7. Violations of the rights of controlled subjects; order and procedures for public procurement; procedures for the distribution of budgetary funds between budgets and funds of various levels.

8. Ineffective management of public funds and property.

9. There is no due responsibility of officials for violating laws, rules, regulations and the corresponding compensation for lost resources.

At the present stage of public control in the system of financial control in Russia the proper level of financial and budgetary discipline through problems that are inherent in state financial control are not provided. Figure 1 shows the main indicators of the results of the state financial control bodies at the federal level: the number and amounts of detected violations are enormous. Of course, tremendous work has been done in recent years in the area of the state financial control bodies. In 2018, 7,319 control events were held by the state financial control bodies at the federal level in 2018, the number of which decreased by 1,167 compared to 2017. But the number of violations detected and the amount of violations detected increased by 4,368 pieces and 559, 1 billion rubles respectively, which indicates an increase in the efficiency of detection of violations with fewer control measures carried out. However, the number of returned budget funds in 2018 decreased by 31.8 billion rubles compared to 2017. In 2018, 3,566 submissions and 1,051 orders were sent to control objects in order to eliminate not only the budget violation itself, but also the causes and conditions of its occurrence. That is why the timely identification and elimination of deficiencies, as well as improvement, development and reform of state financial control in our country acquires relevance and importance.

To the formation and functioning of the public financial control system in Russia with all problems and limitations was paid attention by many leading scientists. Voeykova M.I. systematized the views of scientists regarding the limitations of the functioning of the state financial control system; Voronina Yu. M. formulated the theoretical and methodological foundations of the organization of a unified system of public control; Babich A. M. studied the current state and prospects for the development of public control in the financial control system; Arutyunyan R. E. systematized the quintessence, functions and types of state financial control; Grib V.V., Zubarev S.M., Lvov I.G., Sadokhin N.E.
considered the problems of the functioning of state financial control at the stage of public and social development. Gerchikova V.I. studied the current state of the public financial control system, highlighting the problems of its organization, regulation, and directions for development improvement.

A holistic scientific vision of the problems of the development of public financial control, increasing its efficiency in the context of financial sustainability has not been formed yet.

As a result of the study, we believe that in order to improve public control in the financial control system, increase the level of effectiveness of its implementation:

- development of common conceptual foundations for the organization of public control in the financial control system, standardization of forms and methods of control activities;
- acceptance of public control standards in the financial control system to create an effective mechanism for countering offenses and abuses in the use of budgetary funds, state and municipal property;
- optimization of the organizational structure, clarification and delineation of the functions of public control bodies in the financial control system;
- compliance with international principles of financial control at the state and regional levels, adaptation of the system of public financial control in European requirements;
- integration of preventive forms of public control in the system of financial control in the work of controlling subjects;
- improving the personnel of public control in the financial control system (training, retraining and advanced training of personnel in accordance with new qualification requirements and methods);
- improvement of material, technical, scientific and information-analytical support of the functioning of public control in the financial control system;
- organization of the work of internal audit in budgetary institutions and organizations, in local executive bodies;
- strengthening the responsibility of managers at all levels of government and clearly establish its boundaries in legislation;
- creation of a unified automated information and analytical database in the field of state financial control with the possibility of using it at the local level;

![Figure 1. Main indicators of the results of the state financial control bodies at the federal level (Russia, 2016-2018) (compiled by the author according to the Federal Treasury).](image-url)
the use of a risk-oriented approach when selecting objects for inspection among budget enterprises, institutions, organizations and enterprises that use budgetary financial resources or state property.

Along with this, it should be considered that in the context of decentralization of authority and local government reform, it is important to build and accept at the legislative level an updated modern model of public control in the financial control system at the local level that would meet the requirements and have the following features:

- external independent financial control over the income of budgets of all levels and the spending of budgetary funds, including local budgets and transfers, should be exercised by its regional offices;
- internal financial control over the timely and full income of taxes, fees (mandatory payments) to the budgets of all levels, as well as other authorized authorities;
- internal financial control over the spending of local budget funds and transfers from local budgets – internal control and audit services in the composition of local authorities and auditors in budgetary institutions; for the use of transfers from the state budget to local budgets – authorized representatives (state auditors) of the Minister of Finance.

An important requirement for building a modern system of public financial control at all levels of management is to exercise control based on a clear interaction and coordination of efforts of all participants in financial and budgetary relations to solve the tasks of state financial control. The modern system was quickly and efficiently tune in to the tasks and challenges. Thus, only the integrated implementation of the above measures will ensure the best effect from their integration.

4. Summary
Public control in the financial control system in Russia has several problems and limitations that make it ineffective, expensive and non-transparent. For today, there is not enough legal, informational, organizational, communicative, methodological, and personnel support available for exercising public control in the financial control system. All of this has a negative effect on the level of public confidence in the government, on the development of financial and budgetary relations in Russia, breaking several transformations in this area.

One of the main issues on the way to improving the system of public control is the consolidation of legislative norms of types, forms and methods of state financial control specifically for Russian society. The solution of the set goals is possible only through the unification of the existing diversity of views on the classification of state financial control and the development of a scientifically based concept for the development of this system.

The practical significance of the study lies in the possibility of using its results in the course of improving the activities of state financial control bodies in Russia at state and local levels, as well as in the teaching of relevant professional disciplines. The direction of further research is the development of a holistic mechanism for exercising public control in the financial control system in the Russian Federation, considering modern transformations.

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