

CHAPTER 9

SETTLEMENT SYSTEM AND FINANCIAL CONTROL

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INTRODUCTION

Banking investment systems are determined by investments in securities that are traded on the financial market. Accordingly, the focus is on the categories that characterize the investment process. The issue of bills in Ukraine is the least studied in the classification of securities. Bills of exchange should be considered as part of the banking system. In today's context, calculations using promissory notes should be prominent among other forms of calculations. The bill is necessary in the calculations to solve a number of problems, but its application must be balanced, regulated and the results of the bill circulation should be transparent and predictable. Unfortunately, the economic conditions in our country do not meet the conditions of effective bill circulation. In Ukraine, there has been and remains a difficult economic and political situation, which does not contribute to either the introduction of bills or their definition in our country, and even more so abroad. The development and implementation of science-based measures aimed at creating effective bill circulation is one of the priority tasks of the scientific community of the state. This is in the area of interest of the National Academy of Sciences, subject to proper funding and organization of control over the effectiveness of scientific development.

The development of democratic relations, the formation of a civilized legal environment necessitates a change in approaches to financial control. Budgetary management as a whole and the implementation of its individual functions are formed on a new organizational and methodological basis, providing transparency, evidence, priority and effectiveness of the implementation of various projects or programs.

Formation of an effective system of state financial control in Ukraine for completeness and timeliness of receipt, legality and efficiency of use of budgetary resources is one of the directions of modern economic policy. Therefore, the improvement of the system of state financial control in Ukraine should be a priority in the overall system of restructuring of the financial mechanism.

The need to improve the effectiveness of public financial control of budget resources is due to the complication of financial aspects of government activity in market conditions, including the active involvement of commercial structures to meet public needs, the use of infrastructure of banks and other financial institutions to service public funds, the entry of the state as an owner property and manufacturer of goods and services.

The foregoing substantiates the feasibility and relevance of the study of issues and issues below in the sections of this monograph.

9.1. Settlement system

According to the National Bank of Ukraine, the banking system of Ukraine has 34% overdue, prolonged and doubtful loans. Some banks overdue 90% of their total loan portfolio. At that, 70% of this amount was debt on loans for public programs. In this situation, the National Bank of Ukraine initiated the launching of the so-called state receipt or budget (treasury) bill¹. This security, like government bonds, had 100% liquidity, which facilitated the conditions for obtaining a loan on a liquid security. The introduction of the budget promissory note was supposed to allow for the offsetting of offsetting between the clients of the banks that are guilty of the state and the state itself.

Treasury bills were practically distributed with the release of the order of the Ministry of Finance of Ukraine No. 269 of 09.12.1997 “On putting into circulation treasury bills”².

According to the Instruction “On the procedure for issuance, registration and redemption of bills of the State Treasury of Ukraine” (No.269 of 09.12.1997), the treasury had the following features:

1. The Chief Treasurer of the State Treasury of Ukraine acts as a bill-payer and payer on treasury bills.

2. Bills of the State Treasury are issued in the form of simple bills with bill amounts of 5000 and 10000 hryvnia. Interest on the bill amount is not accrued.

3. The endorsement is carried out on general terms, that is, no different from the endorsement of commercial bills³.

Note holders of treasury bills may carry out the following operations with them: repayment of accounts payable with the consent of

¹ National Bank of Ukraine. URL: <https://bank.gov.ua/>

² Order of the Ministry of Finance of Ukraine No. 269 of 09.12.1997 “On putting into circulation treasury bills”. URL: <https://minfin.com.ua/>

³ Ibid.

creditors (payments are made on promissory notes); sale to legal entities that are residents according to the legislation of Ukraine; pledge operation – to secure obligations to residents; credit offset payment of taxes and fees to the state budget at the request of the holder of the bill.

Treasury bills are repaid by bodies of the State Treasury of Ukraine as follows:

- transfer to the account of the bearer of treasury bills of cash in the amount of corresponding promissory notes;
- crediting the amount of the Treasury bill in payment by the holder of obligatory payments, which are fully paid to the State budget. It should be noted that it is this method of repayment that is most widespread due to its greatest flexibility and rationality.

The Treasury bill should fulfill the important functions of a government securities: it has the highest liquidity, ie it can serve as a collateral for obtaining loans; in the absence of restrictions on the sale and purchase of residents, the Treasury bill creates the conditions for conducting transactions with it in the internal secondary market; the possibility of repayment of the bill by deducting the amount of the treasury bill in payment by the holder of the obligatory payments creates the conditions for the functioning of the system of offsetting between the state and the enterprises.

In view of the above, the restriction on the use of treasury bills (except for the enterprises of the coal industry), in our opinion, significantly worsened the ability of business entities and the state in financial calculations and circulation of funds and securities, and consequently financial support for the further development of the state economy.

The main conditions for improving the efficiency of calculations using promissory notes should be, first, general economic conditions, namely:

- relatively stable political and economic situation in the country;
- satisfactory inflation;
- availability of a sufficient number of producers and consumers, a certain volume of marketable products;
- availability and satisfactory level of development of financial institutions of the state;
- no special restrictions on the bill legislation;
- the proper level of economic consciousness of the population and entrepreneurs;
- availability of sufficiently qualified personnel.

The last two conditions can be reached at a certain interval of time with the gradual introduction of promissory notes, and all the above – are dictated by the general conditions of market functioning.

Second, the conditions relating to the intrinsic nature of bills:

- the bill must fulfill its functions only when it is drawn up in a certain form – any failure to meet the established standards will destroy the bill's capacity;

- the bill is a payment document, a security, so it must be protected from forgery (for example, a bill of exchange of one of the Russian banks has 12 degrees of protection);

- provision of promissory notes. Each bill as a debt carries a risk of default. The degree of this risk decreases as the solvency, profitability, better indicators of profitability of production, positive image of the promissory note company increase.

But if the drawer refuses to pay the debt, there is a mechanism of protest, with levers such as fines, penalties, prosecution, marks in the register of billsmen, publication of a list of unreliable, insolvent billsmen in the press, it is possible not only to repay debts, but also to pay debtors' irresponsibility and reduce their negative impact on bill circulation.

Ukraine is taking the first steps towards implementing promissory notes. This is the formation of a legislative framework in the context of bill circulation; the use of promissory notes in the calculations, as a rule, to repay the debt of enterprises.

Number of general economic problems that hinder the development of bill circulation in Ukraine:

- persistent inflation expectations;

- lack of required number of capable producers and consumers.

Thus, for every 2000 years, every third company operated at a loss. Most of the businesses were in a difficult financial state, with a negative return on production. Moreover, the Law of Ukraine “On the State Budget” practically banned the effect of government bills and as a variant of their treasury checks⁴.

Among the reasons for the tensions in the calculations are the stagnation of the economy, the fall in the competitiveness of the products of enterprises, as well as the shortage of money in circulation due to the policy pursued by the National Bank of Ukraine aimed at overcoming

⁴ Law of Ukraine “On the State Budget” for 2001. URL: <https://zakon.rada.gov.ua/>

inflation. These reasons led to an increase in receivables and payables, barter payments, and a decrease in the working capital of enterprises.

In a crisis of payment, a promissory note can be identified as an effective means of overcoming it. Of course, for the effective functioning of the promissory note repayment, it is necessary to observe all the conditions of effective promissory note circulation and to define a specific scheme of issue, circulation and redemption of such promissory notes. Ukraine has an example of an unsuccessful attempt to repay debt by means of promissory notes. These are the energy bills of the NDU. Ways to improve the terms of use of promissory notes in Ukraine are:

- first, since the introduction and use of promissory notes is based on the general economic conditions of economic development and takes a long time, it is necessary to maintain a stable satisfactory level of inflation, accelerate the pace of privatization and structural restructuring of the economy;

- secondly, the improvement of the existing legislation on the issues of promissory notes circulation, due to the enforcement of the Law of Ukraine "On the circulation of promissory notes in Ukraine"⁵, based on the world legal and economic practice, will create legal grounds for the effective use of promissory notes through financial and administrative sanctions;

- thirdly, in the circumstances prevailing in our countries, it is imperative to conduct a private and / or state examination (audit) of the bidding companies on the terms of solvency, profitability of break-even;

- fourth, the gradual introduction of promissory notes under the conditions of mandatory circulation control, determination of the scheme of issue and maturity, the terms of circulation.

These measures are possible to implement if the scientific potential of both Ukraine itself and the experience of developed countries of the world are involved. Science is a sure guarantee of the further development of society, spiritual and material enrichment of all citizens of the country. In the development and implementation of strategic programs of state development, science sets high economic and social standards.

Economic research even before the IT revolution showed that nearly 85% of the measured increase in per capita income in the United States was due to technological change.

⁵ Law of Ukraine "On the circulation of promissory notes in Ukraine". URL: <https://zakon.rada.gov.ua/>

According to the Law of Ukraine “On Scientific and Scientific and Technical Activities”⁶, the highest scientific organization of Ukraine, which organizes and conducts basic and applied research on the most important problems of natural, technical and human sciences, and coordinates the implementation of basic research in scientific institutions and organizations regardless of forms. The property is owned by the National Academy of Sciences of Ukraine.

The Academy enjoys the rights of self-government, which consist in the independent determination of the topic of research, its structure, the solution of scientific-organizational, economic, personnel issues, the implementation of international scientific relations. The Academy brings together full members, correspondent members and foreign members, all scientists of its institutions, organizes and carries out basic and applied research on the most important problems of natural, technical and socio-human sciences.

At the same time, the Academy does not have complete data on the amount of implementation of the research results for the study period as a whole and in terms of their sources of funding (the general fund of the state budget of Ukraine and at the expense of economic contracts and contracts). The Academy does not actually carry out an adequate analysis of the level of implementation of research results.

Thus, the Academy's passive position on the quality of research results makes it impossible to carry out a thorough analysis of the efficiency of use of the funds of the General Fund of the State Budget.

In addition, with a significant annual increase in funding, there is a significant decrease in the level of the total citation index of publications of scientists of the Academy (from 16.6 in 2004 to 13.8 – in 2017), although the total number of publications fluctuated slightly. In turn, the comparison of the rankings of the academies of sciences of the countries of the former Soviet Union showed a rather low level of citation of scientists of the Academy.

Regardless of the results obtained in the course of the research, the Academy is obliged to ensure the maintenance of scientific institutions, while the sole source of funding remains the programs aimed at financing research. This approach to funding does not improve the quality of research results. Proof of this statement is the data on the rapid decline in the level of the general citation index of the Academy's

⁶ Law of Ukraine “On Scientific and Scientific and Technical Activities”. URL: <https://zakon.rada.gov.ua/>

scientists against the background of significant increase in the amount of funding from the state budget.

The lack of correlation between the quality of research and the amount of funding, and transparent competitive bidding on the allocation of budget funds, does not contribute to improving the quality of scientific work and, in turn, improving the level of implementation of their results.

In view of the above, the regulatory framework governing the planning, financing and implementation of research requires urgent substantial changes, the adoption of which will in the future enhance the efficiency and quality of research, which in turn will increase the contribution of the scientific sector to the growth of national research economy and public well-being. Thus, the non-implementation by the Academy of competitive principles in the financing of departmental and research topics of research leads to a decrease in the quality of research results and as a consequence – inefficient use of funds.

The formation of a reserve of unallocated funds for the purpose of allocating budget allocations for the implementation of measures not envisaged by the directions of the budget program, leads to inefficient use of budgetary funds allocated for scientific research. In addition, the budget reserve thus allocated for centralized activities does not have a clear purpose for their use and the expected results, which does not actually meet the basic principles of the programmatic target method, the main purpose of which is to establish a link between the allocation of budget funds and the results of their use.

9.2. Financial control

In the sphere of the national economy of Ukraine there are significant transformations related to the establishment of market relations, the development of democratization and the formation of a civilized legal field. This led to a change in the philosophy of functioning of budgetary institutions, the introduction of new standards for the formation of their budgets, resource base, recognition of the appropriateness and efficiency of use of budgetary resources. Budgetary management as a whole and the implementation of its individual functions are formed on a new organizational and methodological basis, providing transparency, evidence, priority and effectiveness of the implementation of various projects or programs. The activities of any budgetary institution must be absolutely justified, effective and progressive. Consumer approaches to budget allocations,

economically unjustified budget projects, etc. are becoming unpopular.

Financial control issues have always occupied a special place among pressing social problems. Financial control is a system of bodies and measures for verification of legality and expediency of actions in the sphere of creation, distribution and use of state funds and local self-government, one of the forms of state control, which promotes legality, protection of property rights, proper and efficient use of budgetary, loan and own funds. Clearly functioning state financial control is an integral part of a democratic society and a rule of law. Such control ensures that the public is provided with objective information on the use of budget resources, which in turn implies the responsibility of the authorities for the legality and efficiency of financial management.

State control in Ukraine in accordance with the current legislation is carried out as necessary and within their competence by various bodies of state power of Ukraine and their subordinate organizations: Verkhovna Rada of Ukraine, President of Ukraine, Cabinet of Ministers of Ukraine, Ministry of Finance of Ukraine, Accounting Chamber, local state administrations and executive bodies relevant councils (their financial departments), State Audit Service of Ukraine, State Treasury of Ukraine, State Tax Service of Ukraine, National Bank Ukraine, the State Customs Service of Ukraine, the State Commission on Securities and Stock Market, the State Property Fund of Ukraine, various services and inspections.

The financial control system built in Ukraine does not provide adequate fiscal discipline both at the state level and at the regional level in particular. This is due to a number of problems that create trends in the number and volume of major financial irregularities.

First of all, it is important to highlight the lack of a comprehensive financial control system. One of the reasons for the failure of a coherent system is the imperfect legislation. The system of public financial control of Ukraine functions without the existence of a basic law that would set basic concepts in this area, clearly divide tasks, functions and powers between state and local authorities, regulate relations between entities and entities of control, determine responsibility and independence of the relevant authorized officials. The Budget Code of Ukraine does not regulate these issues⁷. The rules of applicable laws and regulations in the field of public financial control are not always

⁷ Budget Code of Ukraine. URL: <https://zakon.rada.gov.ua/>

consistent with each other. Guidelines and instructions cover only certain aspects. Higher education institutions do not actually have a systematic training course for the training and retraining of relevant personnel in this field.

The consequence of the systemlessness in the legal field has been the unbalanced system of bodies providing state financial control and audit. The activity of state bodies carrying out control, control and audit, supervisory and fiscal actions on budgetary funds is regulated by separate special laws and normative legal acts. Although in the Constitution of Ukraine⁸ (Article 98), only the Accounting Chamber is defined as a body that controls the use of state budget funds. The Verkhovna Rada of Ukraine adopted amendments to this article, significantly expanding the powers of the Accounting Chamber in terms of parliamentary control over the formation of state and local budgets and the implementation of local budgets.

At the same time, it should be noted that the decree of the Cabinet of Ministers of Ukraine on streamlining the structure of local state administrations does not provide in the structure of the apparatus of administrations of a separate unit, which would be entrusted with the functions of conducting internal financial control.

Audit reports are compiled according to the old system of indicators, which does not comply with a number of norms of the Budget Code of Ukraine, while at the local level, such reports are not compiled. implementation of state and local budgets and is not considered by the Verkhovna Rada of Ukraine and relevant councils. Regarding the reports on the implementation of local budgets, they are not prepared at all by the conclusions of an external (independent) body of financial control, and are considered only by the budget committees of the respective councils. Generalized results of audit reports sent by the bodies of the State Control and Audit Service to the Verkhovna Rada of Ukraine and the Ministry of Finance are not approved and no relevant decisions are taken, but only taken by the authorities.

In terms of control over the use of funds from the State Budget, the tasks of the State Control and Audit Service intersect with those of the Accounting Chamber of Ukraine. At the same time, the Accounting Chamber conducts parliamentary control mainly at the level of central government bodies, and the State Audit Office – starting with the budgetary institutions in the villages, up to the ministries and

⁸ Constitution of Ukraine. URL: <https://zakon.rada.gov.ua/>.

departments. For this purpose, the State Audit Office has for almost ten years an extensive structure in all cities, districts and oblasts, and the Accounting Chamber consists only of a central office.

Disputes are resolved by law enforcement and public authorities, provided that the parties submit written findings to an independent audit authority.

Financial and economic control of the activity of enterprises in terms of market relations and different forms of ownership takes on another meaning, since a new form of financial control has emerged – audit control.

Analyzing the effectiveness of financial control in Ukraine, we can identify a number of serious problems of becoming a state financial control. The most important of these is the methodological problem associated with the lack of clarity on the nature of internal and external financial control.

To date, Ukraine has failed to create a coherent, robust, effectively functioning system of public financial control. Evidence is that there are significant problems in the state's financial system.

Aiming at maximizing high profits, a number of entrepreneurs reach it in the forbidden way: tax evasion; engaging in prohibited activities; illegal export of capital abroad; appropriation of assets and deprivation of investors' rights to income; illegal legalization of income and creation of fictitious firms; monopoly overvaluation of commodity prices and falsification of trademarks; theft of state property; misuse of budgetary funds and government guarantees.

There is no better situation with the use of public finances and in the budget sphere. There are many financial violations related to the spending of funds beyond budgetary purposes, non-compliance with legislation in the course of calculations for tangible goods and services, demand of volumes and overestimation of works performed, leasing of state property at low prices, failure to secure state and communal property.

The practice of misuse and inefficient use of a large part of the budget funds of all levels, state trust funds, has not been overcome.

State financial control is regulated by the rules of law, the activity of state authorities and management to control the timeliness and accuracy of financial planning, the validity and completeness of the receipt and movement of public financial and material resources, the correctness and efficiency of their use.

Public financial control should be involved in solving problems such as: identifying business entities that threaten national security (carry out smuggling operations, engage in drug trafficking, weapons, etc.), prevent monopolization of markets; reliable assessment of the results of natural monopolies and regulation of their tariffs; proper functioning of investment, pension funds, ensuring the interests of their depositors.

The need to improve the domestic system of financial control due to the shortcomings in its organization. Although some elements of the control system are already functioning, they operate in a differentiated, uncoordinated manner, under the conditions of imperfect and sometimes contradictory regulatory framework governing their activities.

Today, control functions in the financial sphere are entrusted to 10 state bodies, duplication of functions and interference of some control bodies into the competence of the activities of others. At the same time, responsibility is shifted from authority to authority and the burden on entrepreneurs is increasing. The situation can be corrected by the adoption of the Law of Ukraine "On State Financial Control", which should establish uniform rules, define a clear organizational structure of the system of state financial control, clearly distinguish the powers of the controlling bodies, determine the objects of control and forms and methods of its implementation.

The problem of legal uncertainty of the integrated system of public financial control is partially solved by separate laws and numerous by-laws, which outline control powers and procedures only for some ministries, other central executive bodies whose main or one of the separate functions of activity is control. financial and economic activities of other public sector bodies that are not within the scope of their management (centralized control).

Another problem is that public financial control does not always apply the proper methods (techniques, forms) of control.

The main purpose of public financial control is to promote the growth of sectors and sectors of the economy by monitoring the achievement of target targets and checks on compliance with the restrictive parameters of the financial and economic development of the national economy at the micro and macroeconomic levels.

Achieving this goal requires that the state direct control actions not only on the activities of government bodies and non-profit institutions and organizations, but also on the activities of business entities of all forms of ownership.

Taking into account the existing methodological base and taking into account the existence of a budget deficit in Ukraine, the tasks of state financial control should be periodically refined. Now they have to meet the common objectives of the budgetary mechanism, to provide the solution of three urgent problems:

1. Who and what methods should be supported from the budget?
2. How to ensure that budget funds are already used for the purpose (programs) already defined?
3. How to fill the budget without excessive fiscal?

At the same time, finding answers to these questions using a form of audit control is difficult or impossible at all. This is due to the following disadvantages:

- the audit focuses on identifying violations and violators, that is, studying the consequences instead of concentrating efforts to identify systemic deficiencies that lead to them, that is, the causes;
- audits are usually carried out after the end of the budget year, when it is almost impossible to recover the lost funds;
- during the audit, there is no assessment of the internal control system, which, according to the current legislation, is obliged to create the head of the institution in order to prevent financial irregularities, as well as an assessment of the quality of control implemented by the chief managing officer.

Thus, there was a need to change the approaches or even the ideology, philosophy of public financial control. If the main purpose of the state financial control to date was to prevent violations of current legislation, then it is added here to prevent inefficient management.

Along with the traditional audit, a form of control is introduced in the practice of the controlling bodies as an audit of financial and economic activity. This is a fundamentally new form of control, envisaged by the Budget Code and aimed at preventing financial irregularities and ensuring the reliability of financial statements. Due to the fact that this form of control is new in Ukraine, there is a problem of its legal, regulatory and methodological support.

The status of this form of control has not been determined to date. On the one hand, it is considered that the audit of financial and economic activity is a form of day-to-day control, because according to the Procedure of carrying out audits of financial and economic activities of budget institutions by the bodies of the state control and audit service, it is aimed at preventing financial offenses, that is, it is intended to ensure prevention of financial offenses first of all. operational control of risky

business operations. Adhering to this concept, the audit methodology should provide for mechanisms to prevent financial misconduct in a timely manner.

On the other hand, there is an opinion that audit of financial and economic activities is a form of follow-up control, which provides not so much a warning as a complete elimination or minimization of the consequences of committed violations.

The disadvantages of state financial control of budgetary resources in Ukraine should also be attributed to the fact that it is not sufficiently prophylactic, sufficiently costly and closed to the public, does not always cover all objects of control.

As the world experience shows, a system of effective public financial control should consist of two independent, but equally important parts: internal public financial control and independent-external. Today, public financial control does not apply to the revenues of the State and local budgets. In Ukraine, such functions are vested in the tax service. An important problem is the lack of proper state financial control over the use of state and communal property.

In order to ensure the stable operation of organizations, enterprises, in accordance with the adopted course on business deregulation, the supervisory authorities should coordinate the terms of holding

checks. According to government regulations, scheduled on-site inspections of financial and economic activity of business entities are conducted by all control bodies simultaneously on the day, determined and notified 10 days before the inspection by the State Tax Service. Where it is not possible to carry out simultaneous inspections, the inspections shall be carried out at different times agreed by the supervisory authorities with the inspected undertaking. Compliance with these rules can help to eliminate a large number of violations in the exercise of state functions.

Another major problem is the lack of a system of control over the use of public funds. Violation of current legislation, misuse of funds, waste and even theft become, unfortunately, the norm of our lives.

The effectiveness of financial policy implementation depends on many factors, including financial control. It is he who provides the feedback between the intended and the achieved results. Finance is a very complex system of relationships, they have a clearly contradictory character. Of course, in the process of developing the principles and directions of financial policy should take into account as much as possible all circumstances and specifics of the use of certain financial

instruments. However, as the economic and political situation in the country is constantly changing, it affects the nature and directions of financial instruments. Continuous monitoring is required to monitor the success of financial policies and the effectiveness and relevance of the impact on the intended results of specific financial instruments.

The main functions of control over the implementation of financial policy are vested in the higher bodies of the legislative and executive power. Direct control is exercised by the Ministry of Finance and the specialized independent body, the Accounting Chamber. The tasks of the Accounting Chamber are more important. The Ministry of Finance, while developing the principles and directions of financial policy, controls only their implementation. The Accounting Chamber must also control how soundness and appropriateness of the financial policy implemented and its course – galization. However, while the Accounting Chamber may also carry out detailed audits of the financial activities of individual entities, its main focus is; but at the control of the implementation of financial policy at the micro and macro levels: And in the field of international financial relations.

Financial control over the activities of individual entities is intended to verify its compliance with applicable financial legislation. At the same time, given that current laws reflect the content of financial policy, such controls are also directly linked to its implementation. The illegality of the actions of individual entities leads to distortion of financial policy and impedes the achievement of the intended results. If many entities are subject to continuous violations of financial law in the control process, this may indicate that their interests are not taken into account by financial policies. Some adjustments should be made to such policies, as no strengthening of control will produce the desired results as long as the financial policy does not take into account the interests of all financial entities.

In order to enhance the role of financial control in Ukraine, to address the main problems in the country related to this issue, it is necessary to reform the system of financial control. Among the reform measures are the following:

- development of legislative framework, normative-legal acts, guidance and methodical documents that increase the efficiency of the state financial control;
- creation and improvement of the mechanism of coordination of work of control bodies;

- solving the issue of improving logistical support of control bodies;
- conducting measures to improve the professional level of employees of control bodies;
- studying and putting into practice the foreign experience of conducting state financial control.

Public financial control is one of the most important functions of public administration, which is increasingly important. Only proper use of control in the management of public financial resources will allow to create the necessary prerequisites for effective economic policy in the country. Therefore, building a coherent system of financial control is an important step in ensuring the functioning of the public authority and is of particular interest both in theory and in practical terms.

In scientific terms, the issue of state financial control has not been studied and developed sufficiently. This is due to the fact that over the past years its role as an element of the unified system of public administration has been diminished, and only the crisis state of the state and public finances has forced to draw attention to the practice of exercising public financial control. The specific attitude to the state financial control, its underestimation is also caused by the fact that it is carried out in the plane of intertwining of state, regional, corporate and individual interests.

At present, a considerable number of government bodies and services are operating in Ukraine, exercising financial control in one way or another. In the absence of a clear concept and regulatory framework in the field of public financial control, they are usually associated with the Accounting Chamber, the Chief Audit Office, the State Treasury, the Ministry of Finance, the State Tax Administration, the State Customs Service, the State Securities Commission securities and stock market, National Bank, State Property Fund, Bankruptcy Agency, etc.

However, it is more logical to refer only to the Accounting Chamber, the Main Control and Audit Department and the audit services of central government bodies to the bodies of state financial control. The State Tax Administration and the State Customs Service are fiscal bodies and do not exercise control over the use of public funds, but, conversely, require control over their activities, especially those related to ensuring the implementation of the revenue side of the budget. They do not exercise systematic control over the use of state property and funds by the Ministry of Finance, the State Treasury, the State Commission on Securities and Stock Market, the State Property Fund, the Bankruptcy

Agency. These management structures perform only specific specific control functions and will not be attributed to the control bodies and will not be necessary. After all, in the case of such an approach, all ministries and agencies will need to be referred to the supervisory authorities, since they perform separate oversight functions, not to mention law enforcement agencies, which are even empowered to designate audits and inspections.

The activities of control agencies are carried out in the absence of clear interaction. In fact, state financial control in practice does not operate as a single system but exists in the form of separate units. The latter, as a rule, in the autonomous mode perform their tasks and functions, which are determined by numerous laws, decrees of the President of Ukraine, government decrees and other normative legal acts. It is clear that in such circumstances there are inconsistencies, duplications, lack of interaction, and sometimes contradictions. This leads, first of all, to the lack of efficiency in the activities of financial control bodies, the dispersion and excessive expenditure of human and financial resources, legal and methodological chaos. As a result, the same control subjects are repeatedly audited, while others are not controlled at all. Therefore, the current system of financial control is outdated, does not take into account the realities of today, contradicts the principles of building a democratic state and requires urgent, properly elaborated, quality reform.

There are bills proposing to reform the system of public financial control in one way or another. As a rule, they are they are reduced, in their essence, to the role of regulatory documents, which contain a list and subordination of control bodies and normative acts regulating the organization of the existing financial control in the country, including in the sphere of activity of higher state bodies, in the system of local self-government, intra-governmental, communal and independent financial control, audits and more. These draft laws do not properly define the concept of state financial control, the system of financial control bodies, the peculiarities of its implementation in relation to institutions maintained at the expense of state and local budgets, national extrabudgetary funds, state (treasury), joint-stock and private enterprises. No due regard was given to the legal status of control officers, which would guarantee independence from organ interference/

It is extremely important to define the objectives and purpose of the state financial control, the methodological bases of its formation, taking into account both the accumulated own and foreign experience.

Unfortunately, the vast majority of drafters, individuals, and scholars see this category only as a routine check on the use of budgetary resources. But this task does not require extraordinary efforts, only the existence of control and audit bodies at the level of all units of the budgetary system. However, such primitive views at this stage of development of the state and its economy are a way into the past. That is why in order to build an effective system of public financial control that meets the standards of leading democratic countries, it is urgently needed to develop a strategic concept paper. This will clearly differentiate the tasks and powers of the control bodies, eliminate duplication and parallelism in their work.

The concept of creating a unified system of state financial control should give a clear concept of the category of state financial control, its principles, system, tasks, priorities, main types and order of implementation.

It is necessary to establish a mandatory periodic audit for all business entities and the responsibility of audit firms and auditors directly for the objectivity and completeness of control. It is also appropriate to determine the legal status of the audit report as a document and the scope of its use.

The core of this concept should be the division of state financial control into parliamentary and governmental ones. Certainly, both the legislative and executive branches of government should exercise control functions. This will at once remove the reasons for the discussion in recent years regarding the definition of the main body of state financial control, will allow to improve the methodological basis of a unified system of state financial control in a consistent and conceptual way.

Financial science and practice have long divided control into three main forms: previous, current and later. Taking this criterion as a basis in the development of the above concept, we will have a clear structuring, because the vast majority of control agencies have their specific tasks, clearly defined area of activity and work on the first two forms of control. The main problem arises in the organization of further control, in the division of tasks and powers between the Accounting Chamber, the Main Audit Department and the reanimated departmental control.

The state has more than 15 thousand managers and recipients of budget funds. In the economic plane of the state there are more than 800 thousand taxpayers, from them receive certain tax exemptions over 100 thousand. The above indicators indicate that the field of control activity is sufficient for all control bodies. Of course, in order to ensure

elementary order and financial discipline, it is necessary to check at least every two years the legality, efficiency and purposeful use of budgetary funds, the functioning and use of state property, the relationship of taxpayers with the state, etc. Therefore, the main function of the State the control and audit service should become a control over the legality, efficiency and purposeful use of public funds by each spending unit and their recipient.

The Accounting Chamber should not focus solely on budgetary issues. The functions, powers and functions of the Accounting Chamber should be fundamentally different from other state bodies of financial control, at least because this institution, as a constitutional body, is outside the executive power and is called upon to exercise financial control over it on behalf of the Verkhovna Rada of Ukraine and for the benefit of all taxpayers. that is, society as a whole. its activities should shift from controlling the flow of funds to controlling the effectiveness of the use of budgetary resources, at a minimum, and at a maximum – to determine the effectiveness of the activities of the relevant ministry. That is, the result of the audit is to answer the question: how does a government agency work, using the money it receives from the budget?

Taxpayers need to be sure that the money they pay to the public treasury is not just used for its intended purpose, but also efficiently. Only in this case, we will set the procedure for payment of taxes and in reality, and in all requirements, we will achieve compliance with payment discipline. Thus, the Court of Auditors should first of all conduct not an audit of financial performance but an audit of the efficiency of the use of public finances and state property.

The issue of developing proposals for improving financial, budgetary, tax and customs laws should not be left out. In order to ensure a comprehensive system of state financial control, the scope of powers of the Accounting Chamber should be attributed to the control over the effectiveness of all activities of the National Bank, not just the implementation of its budget. There is no doubt that some of the functions that are currently being performed should be preserved. In particular, such as control of public debt, budget deficits, etc.

In the concept it is advisable to regulate the issues of relations and interaction of control bodies, to consolidate the provision that the Accounting Chamber is the highest body of state control and controls both the revenues and expenditures of the State Budget of Ukraine and has the right to inspect all state institutions, and the State Control- the audit service provides periodic audits and inspections, including at the

request of law enforcement agencies. At the same time, the control functions of certain structures exercising public financial control should be determined by special laws.

To develop the concept, a working group should be created and, after completion, the document should be thoroughly discussed at a joint meeting of representatives of the supervisory bodies with the involvement of relevant scientists and approved by a joint decision of the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine, and possibly by Presidential decree. This will allow to remove all inconsistencies and misunderstandings of strategic character before the preparation and adoption of the relevant legislative act and to gain the support of both the legislative and the executive. Only after the concept is developed and approved will it be appropriate to proceed with the preparation of the relevant draft law.

The implementation of the proposed measures will create a coherent and effective system of public financial control, improve budgetary discipline, minimize misuse of budgetary and use of state property, improve public finance management and achieve democratic standards of transparency in this process.

CONCLUSIONS

Based on the results of the above study, it is possible to draw conclusions. The development of the economy of the state in terms of market relations necessitates the formation of mechanisms to ensure payments between economic entities. Among them, it is advisable to use world experience in the application of bills of exchange. The role of financial control over the formation and use of budgetary resources in each element of the national economy, which is in one way or another related to the budget process. The use of available scientific potential, with adequate financial support, will enable the development of research-based proposals to solve emerging practical problems.

It is essential for the economy to ensure proper control over the distribution and use of budgetary resources at different levels of government and self-government. The development of new methods, procedures, control actions aimed at noticing effective control over the formation of the allocation and use of budget funds will have a positive result for the development of the economic potential of Ukraine.

Local authorities are not interested in organizing internal financial control in the regions, which leads to poor internal control over the spending of local budgets and transfers. The low level of objectivity in

the assessment of the state of financial and budgetary discipline in Ukraine and the inefficiency of the procedure and mechanisms of reporting.

In the context of market relations, conflicts arise between businesses and state control bodies regarding the amount of taxes to be paid to the budget, prices and the procedure for applying them. In the system of financial control a special place belongs to the state financial control, which reveals deviations from the adopted laws, standards, determines the efficiency, expediency and economy of resource management.

The system of public financial control in Ukraine should be built on a common legal framework, be guided by common principles and solve the tasks of controlling the formation and use of budgetary resources. At the same time, the functions and powers of the supervisory authorities should be clearly distinguished.

The proposals made on the results of the study, provided they are fully implemented, will significantly improve the situation in the country in terms of financial control and use of budget funds for the development of the Ukrainian economy.

SUMMARY

The article presents the results of the study on solving the problem of settlement. In particular, the ways and suggestions for improving the circulation of promissory notes are highlighted. The proposal is made to use the available scientific potential of the state and use the experience of developed countries of the world. The attention is paid to the state and necessity of development of financial control. Particular attention is paid to the feasibility of developing new methods and procedures. The opinion is expressed that the improvement of control over the formation of budget funds, their allocation and use will help to increase the economic potential of the state. The need to form a democratic society with a well-defined legal environment for the activities of economic entities and government bodies and local self-government bodies is emphasized.

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