

Current Legal Aspects of Implementation of Efficient Financial and Economic Instrument of Budget Control by Chief Supervisors of Budget Funds

Solodovnikova Natalia Anatolievna

LLC «Budget and Financial Technologies», Building 1, 3 Skladochnaya St.,
Moscow, The Russian Federation, 127018.

DOI: <http://dx.doi.org/10.13005/bbra/1849>

(Received: 06 May 2015; accepted: 11 June 2015)

The purpose of this review is a brief highlight of the most important information regarding the present situation and changes in the practice of establishment and application of efficient financial and economic tools of budget control by chief supervisors of budget funds in implementation of scientific and technical priorities fixed in Strategy for innovative development of the Russian Federation till 2020 (Main directions of budget policy for 2015 and planned period of 2016 and 2017, 2015; Strategy for innovative development of the Russian Federation till 2020, 2011).

Keywords: Budget control, budget control procedures,
chief supervisors of budget funds, contradictions in budget regulations.

The actuality of this review is conditioned by the fact that currently the budget system of the RF is undergoing great changes covering basic regulations governing key parameters of the budget process and financial control (Resolution of the Government of the Russian Federation No. 1105-r, 2014; Kiselyov, 2013; Krokhnina, 2013). The system of regulations governing financial and economic instruments of budget control in the RF is still in the state of intermediary contradictions and changes which is manifested in “Main directions of activities of the Government of the Russian Federation till 2018” (Main directions of activities of the Government of the Russian Federation till 2018, 2014).

Method

The data in this review, according to instructive and methodological way of

representation, is submitted as a sequence of description of objects and legal aspects of the existing instruments of budget control. Based on the content of planned scientific results, first of all the analysis of core regulations and industry documents was made for submission of brief characteristics of key notions used in the course of budget control study.

As the information basis, core regulations of civil nature were used, those setting forth the content and practice of main categories of budget law as well as scientific papers, analytical reports covering practical issues and directions of development of theoretical and legal support of efficient financial and economic instrument of budget control for chief supervisors of budget funds (Federal Act dated July 23, 2013 No. 252, 2013; Federal Act dated 05.04.2013 No. 41, 2013). During the research, general scientific research methods were used: dialectic, systematic, statistical, indicative and synergetic approaches.

* To whom all correspondence should be addressed.

RESULTS

Main categories of budget control

The study of legal aspects of realization of financial and economic instrument of budget control by chief supervisors of budget funds is integrally linked with the study of theoretical basics of budget control system establishment.

As the primary task, overall study of the current theoretical and practical context of development and implementation of budget control instruments was noted as well as designation of prospective legal aspects and principles of budget control for chief supervisors of budget funds.

For brief description of budget control realization context actual formulations characterizing key notions of budget control system were designated as represented below.

First, the core notion of budget was considered, as per clause 6 of the Budget Code of the RF being a specific form of accumulation and spending of money to be used for funding tasks and functions of state and local governance (Budget Code of the Russian Federation, 1998).

The aggregate activity of governmental authorities, municipalities and other parties of budget process on: making and considering draft budgets; approval and implementation of budgets; control over budgets implementation; budget accounting; making, external inspection, consideration and approval of budget reports forms the category of budget process (Lagutin, 2012). Chronologically, the budget process structure is represented by stages: making draft budgets; considering draft budgets; implementation of budgets; making, external inspection, consideration and approval of budget reports (Sattarova, 2010).

Simultaneously with the implementation of the main stages of budget process, budget control is required. We note that budget control is part of governmental financial control system and is the activity of representative and executive governmental authorities or municipalities as well as specialized controlling bodies in connection with inspection of legality, timeliness, correctness, efficiency and productivity of establishment, distribution and use of the main financial plan – budget, exercised at every stage

of budget process in the Russian Federation (Grachev, Arzumanova, Boltinova, Bubnova, et al., 2013).

The key subject of budget control in this research was determined by us as so called chief supervisor of budget funds which is a specific party of the budget process serving to ensure results, targeted and focused use of budget funds in compliance with the approved governmental budget allocations and budget obligation limits (Federal Act No. 6-FZ, 2011; Paul, 2013).

Regarding governmental strategy of innovative development, the role of chief supervisors of budget funds may be represented as the role of a significant subject ensuring organizational support of due execution of strategic tasks including their efficient financial and economic support (Resolution of the Government of the RF No. 2227, 2011).

Thus, chief supervisor of budget funds in the course of implementation of governmental scientific and technical priorities distributes budget allocations, limits of budget obligations to subordinate supervisors and recipients of budget funds and implements the respective part of the budget (Resolution of the Government of the RF No. 1563, 2014).

Current legal aspects in exercising budget control by chief supervisors of budget funds

Finding legal aspects in connection with the practice of establishment and use of efficient budget control instruments by chief supervisors of budget funds it should be noted that the following three regulations may be used as the core sources, effective within the few latest months:

1. On amendments to Budget Code of the Russian Federation and separate regulations of the Russian Federation. Federal Act dated July 23, 2013 No. 252-FZ (on amendments to chapter 26 “Basics of governmental/municipal financial control”, Section IX “Governmental/municipal financial control” of Budget Code of the RF) (Federal Act No. 252-FZ, 2013).
2. On approval of Rules for exercising by chief supervisors (supervisors) of federal budget funds, chief administrators (administrators) of federal budget

- incomes, chief administrators (administrators) of sources for funding federal budget deficiency of internal financial control and internal financial audit and on making amendments to clause 1 of Rules for exercising institutional control in procurement for federal needs approved by Resolution of the Government of the Russian Federation dated February 10, 2014. No. 89. Resolution of the Government of the RF dated 17.03.2014 No. 193. Legislation bulletin of the RF, 24.03.2014, No. 12, p. 1290, Federal Act No. 252-FZ, 2013 dated July 23, 2013, Budget Code of the RF (Resolution of the Government of the RF dated 17.03.2014 No. 193, 2014).
3. On approval of methodological guidelines for exercising internal financial control. Draft order of Ministry of finance of Russia. Letter of Ministry of finance of Russia, 19.01.2015 No. 02-11-05/932 (Letter of Ministry of finance of Russia No. 02-11-05/932, 2015).

The main powers of chief supervisor of budget funds exercising financial control over subordinate recipients of budget funds in the course of ensuring legal, targeted, efficient use of budget funds were determined based on Chapter 26 "Basics of governmental/municipal financial control, Section IX "Governmental/municipal financial control" of Budget Code of the RF (Budget Code of the Russian Federation, 1998). There are brief formulations of the basic types of powers: exercising control over the use of subsidies, subventions by their recipients in compliance with the terms and conditions and objectives designated when allocating the said budget funds and inspect subordinate supervisors/recipients of budget funds and state/municipal unitary enterprises including in connection with fullness and reliability of budget reports submitted.

DISCUSSION

Great impact was exerted on legal aspects of the current practice of budget control instruments implementation by chief supervisors of budget funds after significant amendments to

Section IX of Budget Code of the RF governing the procedure of governmental/municipal financial control. Those amendments took effect since January 1, 2014 (Resolution of the Government of the RF No. 1563, 2014).

In Annex A we made up a comprehensive range of novelties and contradictions regarding the parameters of procedure for external governmental/municipal control in compliance with the new version of Chapter 26 "Basics of governmental/municipal financial control, Section IX "Governmental/municipal financial control" of Budget Code of the RF (Budget Code of the Russian Federation, 1998; Federal Act dated July 23, 2013 No. 252, 2013; Gusev, 2014; Kiselyov, 2013; Martynenko, 2014).

Meantime, as seen from Annex A, currently there are some unsolved contradictions between various regulations, determining the realization of budget control by chief supervisors of budget funds.

Further, in the course of development of legal aspects of budget control instruments practice we are offering to use the following orienteers as factors for designating main directions of internal financial control in compliance with clause 2 of draft "Methodological guidelines for exercising internal financial control": compliance with the procedure provided for by the budget regulations of the Russian Federation, other regulations governing budget relations in connection with budgeting and budget implementation, making budget reports and budget accounting by chief administrator (administrator) of budget funds and subordinate recipients of budget funds; preparation and arrangement of measures on improvement of efficiency and productivity of budget funds use (Letter of Ministry of finance of Russia No. 02-11-05/932, 2015).

CONCLUSION

Upon the results of the analysis of current legal aspects manifested in the form of changes of basic regulations setting forth the procedure for realization of budget control, new knowledge was obtained and regulations novelties were generalized and contradictions in connection with the parameters of external governmental/

municipal financial control procedure were detected.

It was noted that instead of previously exercised institutional financial control in the sphere of own activity, now chief supervisors of budget funds have to exercise internal financial control and internal financial audit.

The research enabled to find a number of new forms instead of previously existing kinds of internal financial control: preliminary, consequent, internal, external, current, follow-up control (efficiency audit).

The change of actual legal aspects manifested in strengthening of financial control due to the transition of the Russian Federation to program-based budget and complies with the objectives of state policy. The contradiction detected in the course of this research relates to the zone of differentiation of control and inspection activities in budget control.

The following methods of financial control were designated: inspection, revision, investigation, sanctioning of operations. The legal contradiction detected during the research is that sanctioning is also a method of control and one of the stages of budgets implementation in the budget system on the expenditure side (article 267.1 of Budget Code of the RF and Federal Act "On Auditing chamber).

To finalize the research upon the results of the analysis of changes in basic regulations setting forth the procedure of budget control implementation, new knowledge was obtained and a comprehensive set of legal novelties was made, while current contradictions regarding regulating the basic parameters of budget control procedure were detected.

ACKNOWLEDGMENTS

This paper is prepared under implementation of the provisions of Agreement No. 18.573.21.0009 dated 17.12.2014 on granting subsidy to Ministry of education and science of Russia from the federal budget to fund (compensate) costs on scientific research work (project) under lot 2014-18-573-0044 on "Doing research aimed at establishment of efficient financial and economic instruments in implementation of scientific and technical

priorities" (unique identifier of the Agreement RFMEFI57314X0009).

REFERENCES

1. Budget Code of the Russian Federation as amended on 01.01.2015 No. 145-FZ. (1998, July 31).
2. On budget policy in 2014-2016. (2013, June 13). Budget message of the President of the RF to the Federal Assembly.
3. On amendments to Budget Code of the Russian Federation and separate regulations of the Russian Federation. Federal Act dated July 23, 2013 No. 252-FZ (on amendments to chapter 26 "Basics of governmental/municipal financial control", Section IX "Governmental/municipal financial control" of Budget Code of the RF). Federal Act dated July 23, 2013 No. 252-FZ., Legislation bulletin of the RF, 2013; **31**: 4191.
4. On measures for realization of Federal Act "On federal budget for 2015 and planned period of 2016 and 2017. Resolution of the Government of the RF No. 1563. (2014, December 27). Retrieved May 30, 2015, from <http://www.pravo.gov.ru>.
5. On Auditing chamber of the Russian Federation. Federal Act dated 05.04.2013 No. 41-FZ. Edition as on 04.11.2014. (2013, April 8). Legislation Bulletin of the RF, 14, 1649.
6. On general principles of organization and operation of controlling and auditing authorities of constituent entities of the Russian Federation and municipalities of the Russian Federation. Federal Act No. 6-FZ. (2011, February 7).
7. On approval of methodological guidelines for exercising internal financial control. Draft order of Ministry of finance of Russia. Letter of Ministry of finance of Russia No. 02-11-05/932. (2015, January 19).
8. On approval of implementation plan for governmental program of the Russian Federation "Management of state finance and regulation of financial markets for 2014 and target period of 2015 and 2016". Order of the Government of the Russian Federation No. 1105-r. (2014, June 21).
9. On approval of Rules for exercising by chief supervisors (supervisors) of federal budget funds, chief administrators (administrators) of federal budget incomes, chief administrators (administrators) of sources for funding federal budget deficiency of internal financial control and internal financial audit and on making amendments to clause 1 of Rules for exercising institutional control in procurement for federal needs

- approved by Resolution of the Government of the Russian Federation dated February 10, 2014. No. 89. Resolution of the Government of the RF dated 17.03.2014 No. 193. (2014, March 24). Legislation bulletin of the RF, 12, 1290.
10. Main directions of budget policy for 2015 and target period of 2016 and 2017. (n.d.). Retrieved May 29, 2015, from <http://www.minfin.ru>.
 11. Main directions of activities of the Government of the Russian Federation till 2018. (n.d.). Retrieved December 15, 2014, from <http://www.government.ru>.
 12. Strategy of innovation development of the Russian Federation till 2020. Resolution of the Government of the RF No. 2227-r. (2011, December 8).
 13. Gusev, A., Internal financial control. Audits and inspections of financial and commercial activity of state/municipal institutions, 2014; **4**: 60-69.
 14. Kiselyov, I, On improvement of internal financial control in constituent entities of the Russian Federation. *Financial law*, 2013; **5**: 6-9.
 15. Krokhtina, Yu., New aspects of interaction of external and internal control as a factor of improvement of governmental financial activity. *Financial law*, 2013; **11**: 5-9.
 16. Lagutin, I., Specifics of regional budget relations and development of Russian model of budget federalism. *Financial law*, 2012; **8**.
 17. Martynenko, S., To find the algorithm. *Budget*, 2014; **6**: 62-64.
 18. Paul, A., On subjects of budget law. *Financial law*, 2013; **6**: 14-18.
 19. Arzumanova, L., Boltinova, O., Bubnova, O., *et al.*, Legal regulation of financial control in the Russian Federation: problems and prospects: monograph. Chief editor E. Yu. Gracheva. Moscow: NORMA, INFRA-M, 2013.
 20. Sattarova, N., Financial control as a factor of efficient financial policy in economic crisis conditions: issues of legal regulation. Moscow university bulletin. *State audit*, 2010; **1**: 83.