



Impact of Digital Tools and Technologies on The Effectiveness of Financial Control

Impacto de las herramientas y tecnologías digitales en la eficacia del control financiero

Ekaterina Bochkareva^{1,*}, Petr Kurdyuk², Elena Voronenko¹, Ekaterina Farikova¹

¹ The Russian State University of Justice the North Caucasian branch of the Federal State Budget-Funded Educational Institution of Higher Education, Krasnodar, Russia.

² Kuban State Agrarian University named after I.T. Trubilin. Krasnodar, Russia.

*Corresponding author: bochkareva.e.a@bk.ru

(recibido/received: 28-noviembre-2022; aceptado/accepted: 26-enero-2023)

ABSTRACT

The article presents dwells on the legal consolidation of the principles of public financial control in the era of digitalization and used as part of the control of digital tools and technologies in the Russian legal field. The study materials include the Constitution of the Russian Federation, Russian and international legal acts (laws and standards), and the websites of Russian public authorities with powers in the field of financial control. To process such materials, the authors used technical and legal analysis as the main method. They conclude that the legal regulation of the principles of public financial control in the Russian Federation is fragmentary. Based on the study of network information resources of Russian public authorities, there is a set of digital tools and technologies used to organize and conduct financial and control activities in a non-contact form. This system includes three main blocks: information systems, personal accounts, and registers. According to the authors, the legal relations that arise in connection with the use of digital tools in financial control are heterogeneous: some are directly related to particular digital technologies (tools); others do not consider a digital product an object of legal relations and assign it an auxiliary value.

Keywords: Digital tools, Financial control.

RESUMEN

El artículo que se presenta se detiene en la consolidación legal de los principios del control financiero público en la era de la digitalización y se utiliza como parte del control de las herramientas y tecnologías digitales en el campo legal ruso. Los materiales de estudio incluyen la Constitución de la Federación Rusa, los actos jurídicos rusos e internacionales (leyes y normas) y los sitios web de las autoridades públicas rusas con poderes en el campo del control financiero. Para procesar tales materiales, los autores utilizaron el análisis técnico y legal como método principal. Concluyen que la regulación legal de los principios del control financiero público en la Federación Rusa es fragmentaria. Según el estudio de los recursos de información de la red de las autoridades públicas rusas, existe un conjunto de herramientas y tecnologías digitales que se utilizan para organizar y realizar actividades financieras y de control sin contacto. Este sistema incluye tres bloques principales: sistemas de información, cuentas personales y registros. Según los autores, las relaciones jurídicas que surgen en relación con el uso de herramientas digitales en el control

financiero son heterogéneas: algunas están directamente relacionadas con determinadas tecnologías digitales (herramientas); otros no consideran un producto digital objeto de relaciones jurídicas y le asignan un valor auxiliar.

Palabras claves: Herramientas digitales, control financiero.

1. INTRODUCTION

Modern life demonstrates the process of creating new options for regulating social relations, which are extremely diverse in content and forms, due to digitalization as a new aspect of being. Scientists are trying to comprehend such phenomena as the digital economy, digital financial markets, electronic budget, electronic money, cryptocurrency, blockchain, audit secrecy, and tax secrecy; study the confidentiality of information during the capital amnesty, the international exchange of tax information, information systems and technologies in financial (budgetary) control, the state information system in budgetary relations, and the introduction of information and telecommunication technologies in budgetary relations; assess the digitalization of tax control and digital technologies in the financial and banking sector; analyze the effectiveness of the legal protection of information in the national payment system (Bochkareva, 2020; Zapolsky et al., 2020).

In the context of digitalization, it is especially relevant to develop and include the principles of law in the practical activities of all actors of legal relations. However, the legal regulation of the principles of public financial control in Russian legislation is still fragmentary.

We agree that “it is important to understand that properly organized financial and legal relations in the digital age can provide great opportunities to increase the well-being of people, when functioning in a reliable legal field” (Smirnov et al, 2019, p. 152). We also agree that “Digitalizing government payments and receipts can help the public sector in emerging market economies substantially increase revenue without raising tax rates and eliminate tens of billions of dollars in waste and fraud. In addition, digitalizing payments can help reduce corruption and bribery, enabling government spending to reach its intended target” (Gupta, et al., 2017, p. 320).

Thus, the study of the regulation of public financial control and the transformation of control tools under the influence of digital technologies is not only theoretical but also of great practical importance.

The study aims at determining the content and quality of the legal consolidation of the principles of public financial control in the era of digitalization, as well as systematizing the digital tools and technologies used to organize and conduct financial control measures. The research subject is various digital tools that allow accounting and control in a non-contact form.

2. MATERIALS AND METHODS

The main data array for analysis includes the Constitution of the Russian Federation and Russian and international legal acts (laws and standards) that directly or indirectly regulate the sphere of public financial control. We also assessed the information posted on the websites of the Accounts Chamber of the Russian Federation, the Government of the Russian Federation, the Ministry of Finance of the Russian Federation, the Federal Treasury, and other public authorities with powers in the field of financial control. The main research methods were general scientific methods (analysis, synthesis, generalization, and analogy) and special methods of technical and legal analysis.

3. RESULTS AND DISCUSSION

Principles of public financial control

In science, legislation, and its application, the attitude towards principles can be described by the expression “reign, but do not rule.” They are respected, books are written about them, and they are put in the first chapters and articles of laws, but when it comes to specific legislative tasks or law enforcement, they are forgotten.

The Constitution of the Russian Federation of 1993 contains several provisions that are important for the regulation of financial and control relations. In particular, Clause 5 of Article 101 states the creation of the Accounts Chamber by the Federal Assembly of the Russian Federation “to exercise parliamentary control over the targeted and effective use of federal budget funds, the budgets of state extra-budgetary funds, as well as the management and disposal of federal property” (Khabrieva et al, 2022, p. 82).

In addition, the State Duma of the Russian Federation controls the effectiveness of the activities of the Government of the Russian Federation in the financial sector and the activities of the Central Bank, which follows from Clause 1 of Article 103 of the Constitution of the Russian Federation.

The constitutional foundations for regulating public financial control include Clause 2 of Article 132 of the Constitution of the Russian Federation, according to which “the local self-government bodies may be vested by federal laws, laws of constituent entities of the Russian Federation with certain state powers and receive the necessary material and financial resources for their implementation”.

The systemic interpretation of this norm in conjunction with Article 133 of the Constitution of the Russian Federation on the right to compensation for additional expenses incurred as a result of the performance of public functions by local self-government bodies in cooperation with state authorities allows for the conclusion that control over the timeliness and completeness of the financing of delegated powers is mandatory.

The international legal basis for the principles of public financial control is the Lima Declaration of Guidelines on Auditing Precepts (1977) about independence, legality, efficiency, objectivity, openness, and publicity. These provisions were enshrined in Federal Law No. 6-FZ (February 7, 2011) “On the General Principles of Organization and Operation of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipalities” and in Federal Law No. 41-FZ (April 5, 2013) Federal Law “On the Accounts Chamber of the Russian Federation” as the principles of external financial control. The legislation of the constituent entities of the Russian Federation on control and accounting bodies reproduces these principles almost literally. According to the law of the Krasnodar Territory, “the activities of the Chamber of Control and Accounts are based on the principles of legality, objectivity, efficiency, independence and transparency” (Article 3 of the Law of the Krasnodar Krai No. 2321-KZ, October 4, 2011).

The Budget Code of the Russian Federation enshrines the theoretically controversial definition of state (municipal) financial control (Chueva & Aghababyan, 2017) and mentions the implementation of internal financial audit based on the principle of functional independence (Article 160.2-1 of the Budget Code of the Russian Federation). It predetermines the adoption of federal standards for internal financial audit, containing the principles, tasks, grounds, and procedures for organizing, planning, and conducting the internal financial audit and other issues (Article 160.2-1 of the Budget Code of the Russian Federation). It also predetermines the adoption of the federal standard of internal state (municipal) financial control on the principles of internal state (municipal) financial control bodies (Article 269.2 of the Budget Code of the Russian Federation).

Thus, the Budget Code of the Russian Federation does not directly disclose the principles of public financial control and does not establish their system, but refers to standards. First of all, this is the Federal Standard

for Internal State (Municipal) Financial Control “Principles of the control activities of internal state (municipal) financial control bodies” (Decree of the Government of the Russian Federation No. 95, February 6, 2020), addressed to state civil (municipal) employees of control bodies authorized to exercise internal state (municipal) financial control.

This standard contains two sets of principles:

- General principles, including ethical, principles of independence, objectivity, professional competence, commitment, reliability, and professional skepticism;
- The principles of professional activities, including efficiency, risk orientation, automation, informatization, unified methodology, interaction, and information openness.

Some provisions applicable to the sphere of public financial control are contained in tax, banking, and currency legislation. Within the framework of each type of financial activity, there is a wide range of areas and objects of control due to the absence of a more or less integral system of principles and procedures. This allows us to conclude that there is a “mosaic” regulation of public financial control.

The principles of other types of publicly significant control are established by Russian law. For example, the principles of parliamentary control are legality, observance of human and civil rights and freedoms, separation of powers, autonomy and independence, consistency, transparency, openness and public access to information, and non-interference in the activities of controlled entities (Article 3 of the Federal Law No. 77-FZ, May 5, 2013).

Chapter Two of Federal Law No. 248-FZ (July 31, 2020) “On State Control (Supervision) and Municipal Control in the Russian Federation” contains a detailed list of principles of state control (supervision) and municipal control. The document also includes such important requirements as encouraging conscientious compliance with mandatory requirements, proportional interference in the activities of controlled persons, inadmissible abuse of the right, observance of secrets protected by law, etc.

However, there is no unified system of requirements for public financial control (as well as an adequate definition of the concept of public financial control) in the Russian legal field. The current Russian legislation does not ensure the uniformity and systematization of requirements in the field of financial control since Federal Law of July 31, 2020 No. 248-FZ “On State Control (Supervision) and Municipal Control in the Russian Federation” does not apply to financial control relations. Consequently, the principles established are inapplicable to financial and control relations.

The situation can be resolved by a special federal law: not by a law on financial control, whose concept has been under discussion for many years, but by a federal law on the principles of financial control. In our opinion, this development of legal regulation will correspond to the Russian multi-level system of public authority and the diversity of financial and control activities.

Digital tools for public financial control

The digitalization of public financial control requires introducing new and updating traditional control tools. We agree that “Integrated financial management information systems computerize and automate budget and accounting operations, enabling access to reliable operations data and increasing fiscal transparency and control” (Gupta et al., 2017, p. 7).

We studied the resources of public authorities of the Russian Federation posted on the Internet and the corresponding legal regulation of the activities of these bodies. The result of the study was a system that

includes three main blocks of the most typical digital technologies used in the implementation of public financial control (Table 1).

Table 1. Digital financial control tools*

Group	Tools	Main users
Information systems	State Integrated Information System for Public Finance Management “Electronic budget” (Unified portal of the budget system of the Russian Federation “Electronic budget”, 2023)	<ul style="list-style-type: none"> • Government of the Russian Federation • Ministry of Finance of the Russian Federation • Federal Treasury • government agencies • local self-government bodies • management bodies of state non-budgetary funds • state and municipal institutions and legal entities • individual entrepreneurs, peasant (farm) enterprises receiving funds from the budgetary system • individuals and legal entities using information posted on the unified portal of the budgetary system of the Russian Federation
	State automated information system “Management” (2023)	<ul style="list-style-type: none"> • participants in strategic planning • authorized persons of state off-budget funds, the General Prosecutor’s Office of the Russian Federation, state corporations, state companies, the autonomous non-profit organization “Analytical Center under the Government of the Russian Federation”, state and municipal institutions • authorized persons of other legal entities if these legal entities fulfill the state (municipal) task for the provision of state (municipal) services (execution of work)
	Monitoring system for state and municipal purchases (Ministry of Finance of the Russian Federation, n.d.)	<ul style="list-style-type: none"> • Ministry of Finance of the Russian Federation • Federal Treasury • executive authority of the constituent entity of the Russian Federation for the regulation of the contract system in the field of procurement • municipal bodies for the regulation of the contract system in the field of procurement • participants in the contract system in the field of procurement
	State information system for posting information on the state (municipal) financial audit (control) in the field of budget legal relations (Portal of state and municipal financial audit, n.d.)	<ul style="list-style-type: none"> • Accounts Chamber of the Russian Federation • bodies of state (municipal) financial audit (control) • chambers of the Federal Assembly of the Russian Federation; the Administration of the President of the Russian Federation; legislative (representative) bodies of state power of the constituent entities of the Russian Federation; representative bodies of municipalities; the Government of the Russian Federation, supreme executive bodies of state power of the constituent entities of the Russian Federation, local administrations (executive and administrative bodies of municipalities); the Ministry of Finance of the Russian Federation, financial authorities of the constituent entities of the Russian Federation, financial authorities of municipalities • federal public authorities, public authorities of the constituent entities of the Russian Federation, local self-government bodies, state (municipal) institutions endowed with budgetary powers as the main managers of budget funds, the main administrators of budget revenues, the main administrators of sources of financing the budget deficit; governing bodies

		<p>of state extra-budgetary funds of the Russian Federation and territorial state extra-budgetary funds</p> <ul style="list-style-type: none"> • other state and municipal institutions; state corporations and state companies, state and municipal enterprises • other objects of audit (control)
	Information and analytical system of remote external state audit (control) of the Accounts Chamber (n.d.)	<ul style="list-style-type: none"> • Accounts Chamber of the Russian Federation • bodies of state (municipal) financial audit (control) • chambers of the Federal Assembly of the Russian Federation; the Administration of the President of the Russian Federation; legislative (representative) bodies of state power of the constituent entities of the Russian Federation; representative bodies of municipalities; the Government of the Russian Federation, supreme executive bodies of state power of the constituent entities of the Russian Federation, local administrations (executive and administrative bodies of municipalities); the Ministry of Finance of the Russian Federation, financial authorities of the constituent entities of the Russian Federation, financial authorities of municipalities • federal public authorities, public authorities of the constituent entities of the Russian Federation, local self-government bodies, state (municipal) institutions endowed with budgetary powers of the main managers of budget funds, the main administrators of budget revenues, the main administrators of sources of financing the budget deficit; governing bodies of state extra-budgetary funds of the Russian Federation and territorial state extra-budgetary funds • other state and municipal institutions; state corporations and state companies, state and municipal enterprises, other objects of audit (control)
Personal accounts	Personal tax account (Personal account of the taxpayer, n.d.)	<ul style="list-style-type: none"> • Federal Tax Service of the Russian Federation • taxpayers: <ul style="list-style-type: none"> – individuals – individual entrepreneurs; – payers of tax on professional income (self-employed) – legal entities – foreign organizations paying taxes
	Personal procurement account (Personal account of the participant of purchases, n.d.)	<ul style="list-style-type: none"> • Federal Treasury of the Russian Federation • Federal Antimonopoly Service of the Russian Federation • participants in the contract system in the field of procurement
	Personal information exchange account (Personal account of the information exchange participant, n.d.)	<ul style="list-style-type: none"> • Central Bank (Bank of Russia) • credit organizations, branches of credit organizations • non-bank financial institutions, payment system operators, and payment infrastructure service providers that are not credit institutions • operators of foreign payment systems through their divisions in the territory of the Russian Federation • self-regulatory organizations in the financial market, self-regulatory organizations of actuaries
	Personal account for reporting organizations and individuals (n.d.)	<ul style="list-style-type: none"> • Federal Service for Financial Monitoring • leasing companies • organizations within the federal postal service • organizations and individual entrepreneurs engaged in the purchase and sale of precious metals and precious stones, jewelry, and scrap • gambling organizers, lottery operators • organizations and individual entrepreneurs providing intermediary services in real estate purchase and sale transactions • payment acceptance operators

		<ul style="list-style-type: none"> • commercial organizations entering into financing agreements on the assignment of a monetary claim as financial agents • telecom operators who have the right to independently provide mobile radiotelephone services • lawyers, notaries, and persons engaged in entrepreneurial activities in the field of legal or accounting services
Registers	Register of complaints, scheduled and unscheduled inspections, their results, and orders issued (2023)	<ul style="list-style-type: none"> • Federal Antimonopoly Service of the Russian Federation • participants in the contract system in the field of procurement
	Register of bank obligations to depositors (Inspections of banks, n.d.)	<ul style="list-style-type: none"> • Central Bank (Bank of Russia) • State Corporation “Deposit Insurance Agency” • banking credit organizations • contributors
	Register of financial institutions obliged to organize the interaction with the Commissioner for the Rights of Consumers of Financial Services (Register of financial organizations according to 123 - Federal Law, 2023)	<ul style="list-style-type: none"> • Central Bank (Bank of Russia) • insurance companies • microfinance organizations • pawn shops • consumer cooperatives • credit organizations • non-state pension funds

*The classification of digital technologies and tools proposed by the authors is not exhaustive.

The use of certain digital tools determines the variety of financial and control legal relations embracing entities of different statuses (public authorities, business entities, and individuals).

It is legitimate to distinguish between two groups of financial and control legal relations, whose emergence is associated with digitalization. The first group comprises the legal relations that arise in connection with digital technology (tool). Scientists analyzing the issues of transforming legal relations in the context of digitalization consider the Internet, digital platforms, artificial intelligence, etc. as objects of the latter (Tanimov, 2020).

In our case, it is the power of tax authorities enshrined in the Federal Law “On Accepting Payments from Individuals Carried out by Payment Agents” (Federal Law No. 103-FZ, June 6, 2009) to verify compliance of payment agents with their obligations to use cash registers with fiscal memory and a control tape.

The second group includes legal relations in which subjects implement a set of legal rights and obligations with the help of digital technologies: for example, filing a declaration through the personal taxpayer account. In this context, digital technologies and tools play an auxiliary (supportive) role.

In general, the use of the tools indicated in the table guarantees non-contact financial control, which is important for ensuring a balance of private and public interests. However, this does not mean that inspections, in particular on-site inspections, are excluded. Inspections are still conducted but mainly in the form of complex investigations.

4. CONCLUSION

Effective financial control is an indicator of the quality of management activities, while digitalization is an important factor in the transformation of legal relations in the field of financial control. In this regard, it is

important to consolidate a single and consistent system of financial control principles at the state level. To attain this end, we propose to adopt a special federal law “On General Principles of Financial Control”.

The digitalization of tax, budgetary, banking, and settlement activities stimulates the introduction of IT tools in the field of public procurement control, intergovernmental financing, and tax administration, as well as the provision of subsidies and public investments to private entities. Innovative technologies are widely used in budget planning and in the process of involving civil society in the control of public spending. The use of digital technologies for financial control should ensure a balance of private and public interests.

REFERENCES

Bochkareva, E.A. (2020). Printsipy finansovogo prava kak obyekt nauchnykh issledovaniy [Financial law principles of as a research object]. *Finansovoye pravo*, 8, 3-6. <https://doi.org/10.18572/1813-1220-2020-8-3-6>

Chueva, A.S., Aghababyan, V. (2017). Nauchno-teoreticheskiye podkhody k razrabotke definitsii “finansovyy kontrol” [Scientific-theoretical approaches to the development of the definition of “financial control”]. In *Science of Russia: Goals and objectives: Collection of scientific papers on the materials of the VI international scientific conference*, pp. 54-57. Yekaterinburg, Russia. <http://dx.doi.org/10.18411/sr-10-12-2017-34>

Decree of the Government of the Russian Federation No. 95. (February 6, 2020). On approval of the federal standard for internal state (municipal) financial control “Principles of control activities of internal state (municipal) financial control bodies”. Retrieved from: <http://publication.pravo.gov.ru/Document/View/0001202002070015>

Federal Law No. 103-FZ. (June 6, 2009). On the activity of receiving payments from individuals by payment agents. Retrieved from: <http://pravo.gov.ru/proxy/ips/?docbody=&firstDoc=1&lastDoc=1&nd=102130066>

Federal Law No. 248-FZ. (July 31, 2020). On state control (oversight) and municipal control in the Russian Federation. Retrieved from: <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102801479>

Federal Law No. 41-FZ. (April 5, 2013). On the accounts chamber of the Russian Federation. Retrieved from: <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102164449>

Federal Law No. 6-FZ. (February 7, 2011). On the general principles of the organization and operation of the accounts offices of the constituent entities of the Russian Federation and municipalities. Retrieved from: <http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=102062162&backlink=1&nd=102145236>

Federal Law No. 77-FZ. (May 5, 2013). On parliamentary control. Retrieved from: <http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=102077052&backlink=1&nd=102165151>

Gupta, S., Keen, M., Shah, A., Verdier, G. (2017). Digital revolutions in public finance. International Monetary Fund. Retrieved from: <http://pinguet.free.fr/digitalrevo.pdf>

Information and analytical system of remote external state audit (control) of the Accounts Chamber of the Russian Federation (n.d.). Retrieved from: <https://portal.eskigov.ru/nfap/software/424>

Inspections of banks. (n.d.). Control program of the register of bank liabilities to depositors. Deposit Insurance Agency. Retrieved from: https://www.asv.org.ru/financial-institutions/for-banks/banks_check

Khabrieva, T.Y., Andrichenko, L.V., Nanba, S.B., Pomazanskiy, A.E. (2022). Commentary to the Constitution of the Russian Federation (article-by-article): Taking into account the changes approved during the nationwide voting on July 1, 2020. Moscow: INFRA-M.

Law of the Krasnodar Krai No. 2321-KZ. (October 4, 2011). On the control and accounts chamber of Krasnodar Krai. Retrieved from:

<http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=140018966&backlink=1&&nd=140016063>

Ministry of Finance of the Russian Federation (n.d.). Retrieved from: <https://minfin.gov.ru/ru/performance/contracts/purchases/>

Personal account for reporting organizations and individuals. (n.d.). Federal Financial Monitoring Service. Retrieved from: <https://portal.fedsfm.ru/account/choice?ReturnUrl=%2f>

Personal account of the information exchange participant. (n.d.). Bank of Russia. Retrieved from: https://www.cbr.ru/lk_uio/

Personal account of the participant of purchases. (n.d.). Unified information system for procurement. Retrieved from: <https://zakupki.gov.ru/auth/welcome>

Personal account of the taxpayer. (n.d.). The Federal Tax Service. Retrieved from: <https://lkfl2.nalog.ru/lkfl/login>

Portal of state and municipal financial audit (n.d.). Retrieved from: <https://portal.audit.gov.ru/#/>

Register of complaints, scheduled and unscheduled inspections, their results, and orders issued. (2023). Unified information system for procurement Retrieved from: <https://zakupki.gov.ru/epz/main/public/aggregate-feedback.html>

Register of financial organizations according to 123 - Federal Law. (2023). Register of financial institutions obliged to organize interaction with the Ombudsman for the Rights of Consumers of Financial Services. Bank of Russia. Retrieved from: <https://www.cbr.ru/registries/123-fz/>

Smirnov, D.A., Botasheva, L.E., Leonov, A.N. (2019). Transformatsiya finansovo-pravovykh otnosheniy v usloviyakh tsifrovoy ekonomiki [Transformation of financial and legal relations]. Gumanitarnyye i yuridicheskiye issledovaniya, 2, 152-156.

State automated information system “Management”. (2023). Retrieved from: <https://gasu.gov.ru/>

Tanimov, O.V. (2020). Transformation of legal relations in the context of digitalization [Transformatsiya pravootnosheniy v usloviyakh tsifrovizatsii]. Actual Problems of Russian Law, 15(2), 11-18. <https://doi.org/10.17803/1994-1471.2020.111.2.011-018>

Unified portal of the budget system of the Russian Federation “Electronic budget”. (2023). Retrieved from: http://budget.gov.ru/epbs/faces/page_home?_adf.ctrl-state=1cyy3mk8tc_4®ionId=45

Zapolsky, S.V., Bochkareva E.A., Kozhushko, S.V. (2020). General theoretical problems of Russian financial law: A review of scientific research [Obshcheteoreticheskiye problem rossiyskogo finansovogo prava: Obzor nauchnykh issledovaniy]. Gosudarstvo i pravo, 11, 58-71. <https://doi.org/10.31857/S102694520012538-2>