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**FORMATION OF THE SYSTEM OF INTERNAL FINANCIAL
CONTROL IN THE MANAGEMENT OF PUBLIC SECTOR
ORGANIZATIONS**

Specialty 5.2.4 Finance

Abstract

of dissertation paper for the degree
of Candidate of Economics

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Relevance of the research topic. Public sector institutions occupy a significant segment of the economy and public administration. The management system in such organizations is based on budget financing of expenses that are related to the exercise of budgetary powers and the implementation of the budget process. The allocated financial resources should reach the addressee, be targeted and documented, subject to external and internal financial control.

In recent years, the public sector has seen many errors and violations in budget formation and distribution, accounting transactions, public procurement, and asset safety. External financial audits conducted by the Federal Treasury and the Accounts Chamber of the Russian Federation do not always have the desired effect, and the internal control system is undergoing serious reform in state corporations as well. Regulatory documents on the organization of internal financial control and internal financial audit, which regulated the organization and procedure for financial control, have been abolished. It is important to form an effective internal financial control system in the public sector that improves the quality of financial management, reduces the risks of violations, and ensures a chain of control over public finances at all levels of management. In government agencies, according to the principle of "best" corporate financial practices, internal control should go beyond audits of budget accounting and reporting and cover all budget processes and operations, ensure transparency and reliability of the distribution and redistribution of public finances.

Internal financial control involves improving organizational, methodological and regulatory standards that govern the activities of enterprises and organizations in all areas of the economy, not only in the public sector. To improve financial processes and develop organizational control tools, acquired scientific knowledge, applied fundamental research, and generalization of the practice of organizing and conducting internal financial control in the industry context are important. Testing of conclusions and results allows us to substantiate the possibility of applying corporate control practices in government agencies, their compliance with state regulations and standards, which has received the opportunity to be approved by the public in books, articles at the Russian and international level on conceptual problems of sustainable development, responsible financing, and public finance.

Taking into account the review and generalization of corporate financial practices, confirmation of the reliability of internal financial control includes an assessment of the quality of the budget process organization, its content, forms, methods, technology, and control tools. The functioning of a modern financial control system is based on the use of a score-rating assessment and confirmation of reliability, taking into account a risk-oriented approach.

Improving the tools of internal financial control in conjunction with the tools of state financial control of the budget process and financing of expenses in the public sector determines the relevance of the topic of the dissertation research, its practical significance for responsible financing.

The degree of the topic development. Research into the theoretical foundations of public finance and internal financial control are reflected in the scientific works of foreign scientists: D. R. Agrawal, H. Albach, T. Allweyer, F. A. Anyanwu, J. Becker, J. A. de Bruyne, A. Butikofer, J. Gill, A. Kossu, J. Feldmeier, W. Schulz, B. Ebel and other authors.

Russian scientists rely on fundamental works in the field of finance theory, public and social finance: Aleksandrov A.M., Bogolepov M.I., Bukovetsky A.I., Voznesensky E.A., Genzel P.P., Dyachenko V.P., Ivanova N.G., Ozerov I.Kh., Tverdokhlebov V.N. Considering the importance and fundamental nature of the works of these authors, there are not enough works that would be adapted to the specifics of the activities of public sector institutions.

The provisions of the organization of state financial control in the corporate sphere and public administration, which is external in nature and is associated with the activities of controlling structures, are considered in scientific works by the authors: Avramchikova N. T., Arabyan K. K., Berzon N. I., Vorobyeva E. I., Gavryushenko A. P., Zapolsky S. V., Martynenko S. V., Morozko N. I., Lukin A. G., Nasibyan S. S., Turishcheva T. B., Fedchenko E. A., Chaldaeva L. A. and others. However, these works do not consider in detail the specifics of internal financial control and internal financial audit, the relationship between them, the features of building a system of internal financial control and financial management in corporations and government agencies.

Financial control of the budget process, financing of the activities of corporations participating in the budget process, control of investment in government programs and projects is the subject area of research in the works of Agarkova L.V., Bogataya I.N., Borsch L.M., Margolin A.M., Petrov A.M., Popova O.V.

It is necessary to note the works of Russian scientists who in recent years have made a significant contribution to the development of public finances at the intradepartmental level, the formation of a corporate financial control system, including in the public sector. Among such scientists of the sectoral financial science: Baryshnikov N.G., Bulyga R.P., Vorotnev A.S., Gracheva A.A., Dubinsky A.M., Polyanskaya I.V., Kozlov N.A., Kevorkova, Zh.A., Lapin A.V., Lytneva N.A., Melnik M.V., Mishanova E.V., Parushina N.V., Pronyaeva L.I., Trubnikov V.M., Obukhova A.S. and others.

The purpose and objectives of the study. The purpose of the study is to form a system of internal financial control in the management of public sector organizations. To achieve the goal, the following tasks were set and solved:

1. development of a conceptual apparatus of internal financial control, formulation of control principles, types of control and its characteristics, determination of the relationship between external and internal financial control;
2. justification of the organization of internal financial control on a systemic basis with an indication of the constituent elements of the system;
3. study of trends and patterns in the functioning of public sector institutions, the system of building internal financial control in government agencies and corporations;
4. formation of an organizational and methodological platform for conducting control, determination of its substantive components based on the coordination of the implementation of the budget process, budgetary powers and operations, and assignment of responsibility holders;
5. development of a methodology for assessing the reliability of internal financial control as a functionality of financial management in state corporations and public administration in conjunction with external financial control.

The object of the study is the system of internal financial control and financial management in public sector organizations, in particular in state corporations and institutions.

The subject of the study is the theoretical and methodological and organizational and methodological provisions of internal financial control among participants in the budget process.

Theoretical and methodological basis of the research. The theoretical and methodological basis of the study were fundamental works of foreign and domestic financiers, scientific works in the field of industry finance and the system of internal financial control. The study was conducted on a systematic basis using a dialectical approach, including formal and logical methods, monographic study of literature, as well as methods of observation, comparison, deduction, induction, historical, systemic, expert research method, point-rating assessment, multifactorial correlation-regression modeling, by means of which the interpretation of scientific and empirical material was carried out to form conclusions and proposals.

The information base of the study was made up of the regulatory and legislative framework governing the formation of internal financial control in the public sector, scientific works on the issues under study, analytical materials of state financial control and audit bodies, information from the official websites of the Ministry of Finance of the Russian Federation and the Federal Treasury, rating and expert agencies, open data from the State Information System “Electronic Budget”, the portal “Federal Target Programs of Russia”, as well as the results of the author’s research, his own calculations and the results of empirical research.

The compliance of the topic with the dissertation requirements of the passport of specialties of the Higher Attestation Commission. Conceptual provisions, scientific hypothesis, content of scientific research, conclusions and recommendations are formulated within the framework of the points of the Scientific Specialty Passport 5.2.4. "Finance", point 9. Public finances. Budget system and budget process. Budget policy. Initiative budgeting, point 15. Corporate finances. Financial strategy of corporations. Financial management, point 17. Financial control system in corporations: content, forms, methods and tools for implementation.

The scientific novelty of the obtained results consists in improving the system of internal financial control in public sector institutions as a function of financial management based on the development of regulatory departmental tools for financial control of the budget process.

The novelty of scientific research is contained in the following points, which determine the author's contribution to the development of scientific problems:

1. The conceptual apparatus of internal financial control of public sector organizations has been improved, the place of IFC in the system of state financial control has been defined, the types of IFC have been classified, which allows structuring the process of organizing financial control over public finances to achieve quality financial management. The definition is given: Internal financial control (IFC) is an internal process for implementing control actions for compliance and execution by participants in the budget process of their budgetary powers in order to ensure and confirm the legality and appropriateness of transactions, to identify and eliminate violations and (or) deficiencies, which is subject to reliability assessment by internal financial audit (IFA). To understand the essence of this concept, the list of participants in the budget process who are required to implement IFC is regulated by the Budget Code of the Russian Federation;

2. A systemic approach to the organization of internal financial control in the public sector is substantiated, conditioned by the integrity of its components, including the object, subject, subject, organizational and functional zone, control level, job description and methods of internal financial control, which constitutes the substantive basis of the author's departmental regulations for the organization and conduct of internal financial control. The financial control system in corporations, which constitutes the organizational and functional zone of internal financial control, in contrast to existing approaches, is expanded by including, in addition to the control environment, risk assessment, control actions, information systems and control tools, also budgetary subprocesses, the control of which

allows improving the quality of financial management and ensuring the sustainability of public finances, including in government agencies;

3. The trends and patterns in the sphere of state financial control are substantiated, the relationship between the number and nature of violations in the public sector and the state of reliability of the financial control system is determined, which allows improving the quality of control and reducing risks, reducing losses of financial resources. The multifactor model of the dependence of the quality of financial management on the number of control activities, the level of responsibility of management, and the participation of stakeholders in control, developed for corporations based on the testing of the financial control system, made it possible to substantiate the author's hypothesis that the quality of financial management in public sector institutions is determined by the level of reliability of the financial control system;

4. Departmental regulations for the organization and implementation of the financial control system have been proposed - the Regulation "Finance Control System" and the Regulation "Finance Control Assessment", the content of these regulations has been clarified. The Regulation "Finance Control System" reflects the points of organizing financial control for corporations and government agencies aimed at improving the information and methodological platform of the financial control system based on a systems approach. The Regulation "Finance Control Assessment" provides a methodology for assessing the reliability of the financial control system for participants in the budget process, which includes a set of proposed control tests for review and detailed testing of financial control components, as well as budget subprocesses linked to budgetary powers, procedures and responsibilities of process owners, procedure owners and executors and the financial controller. The author's proposals allow expanding the control toolkit, increasing the efficiency of financial management, reducing financial risks and financial control risks;

5. A methodology for assessing the reliability of the internal financial control based on the trinity of processes, budget procedures and budget operations,

the use of point-rating calculations, the calculation of weighting coefficients and confirmation of the quality of financial management has been developed, which has a target multi-level assessment value for the internal financial control and the quality of financial management in the implementation of national projects. The author proposes an expanded methodology for calculating the level of reliability of the internal financial control and internal financial control among participants in the budget process when monitoring the quality of financial management. The essence of the methodology is to model the redistribution of weighting coefficients between state and internal financial control, which allows justifying the boundaries of growth and decline in the efficiency of public finance management with a decrease in the assessment of the quality of the process and the system of organizing the internal financial control in an institution.

The theoretical and practical significance of the dissertation research lies in the possibility of using individual conclusions, ideas and proposals formulated by the author on the basis of the conducted research in lawmaking, the activities of financial bodies, as well as in the working process of functioning of state institutions and state corporations. Recommendations and proposals can be further used in the development of financial strategies and financial management of the development of public sector institutions in domestic practice.

The results of the dissertation research. The discussion of the dissertation research, its conceptual provisions, points of scientific novelty and practical activities were reflected in the author's chapter of the monograph on the problems of responsible financing of social development of the country's population and a scientific publication on the problems of state financing of agribusiness in a publication included in the international Scopus database.

The justification of the relevance of the problems of building and regulating the internal financial control system, information and analytical support for the organization of control over the budget process and operations, risk assessment and reliability of the control system for effective financial management was discussed on the pages of publications in highly rated peer-reviewed publications in Russia, presented in the list of references to the dissertation.

The results of the study, conclusions and recommendations of the author were discussed at international and Russian forums and conferences: at the international forums "Bakanov Readings" held at the Oryol State University of Economics and Trade (Oryol, December 22, 2016, November 27-28, 2019), at the international conference on "Development of the Strategic Planning System in the Russian Federation" held at the Central Russian Institute of Management - a branch of RANEPA (Oryol, April 24-25, 2020), at the II All-Russian scientific and practical conference of teachers, graduate students, and master's students on "Economy of Russian Regions: Current State and Forecast Prospects" held at the Ivanovo branch of the G.V. Plekhanov Russian University of Economics. Plekhanov (Ivanovo, April 14-16, 2020), at the All-Russian scientific and practical conference with international participation dedicated to the 80th anniversary of PSU on the topic "Research of methods of strategizing and digitalization in accounting, analysis, taxation and audit" (Penza, November 24, 2023), at international scientific and practical conferences on the topic "Fundamental and applied research in the field of economics and finance", held at the Central Russian Institute of Management - a branch of RANEPA (Orel, December 3, 2020, December 2, 2021), at the VI international scientific and technical forum on the topic "Modern technologies in science and education - STNO-2023", held at the Ryazan State Radio Engineering University named after V.F. Utkin (Ryazan, March 01-03, 2023).

A number of provisions and conclusions of the study can be used in the educational process when teaching higher education disciplines: "Budget process", "Financial management", "System of internal financial control and audit in the public sector", as well as in the development of special courses for retraining and advanced training of specialists.

Professional tools, scientific skills and technologies of systemic comprehensive research of the important for science and practice controversial problem of financial control in the public and corporate sector helped to reach the final of the track "Public Administration" of the competition of managers "Leaders of Russia 2021-2022" (honorary certificate of the director of ANO "Russia - the Country of Opportunities" A.G. Komissarov).

The results of the study and the author's proposals were tested in the Engineering and Operations Department of the Engineering and Technical Support Service of the Federal Security Service of the Russian Federation, Moscow, the State Atomic Energy Corporation "Rosatom", Moscow, the Department of Road Management, Transport and Implementation of State Construction Programs of the Oryol Region.

Publications. The provisions of the dissertation, the results of the research are published in 17 scientific papers with a volume of 4.75 author's p.s., including 4 publications with a total volume of 1.4 author's p.s., published in leading peer-reviewed journals recommended by the Higher Attestation Commission of the Ministry of Education and Science of Russia, 1 article in the international Scopus database.

The structure of the dissertation includes three chapters, nine paragraphs, an introduction, a conclusion, a bibliography and appendices with the author's calculations.