

ppi 201502ZU4645

Esta publicación científica en formato digital es continuidad de la revista impresa
ISSN-Versión Impresa 0798-1406 / ISSN-Versión on line 2542-3185 Depósito legal pp
197402ZU34

CUESTIONES POLÍTICAS

Instituto de Estudios Políticos y Derecho Público "Dr. Humberto J. La Roche"
de la Facultad de Ciencias Jurídicas y Políticas de la Universidad del Zulia
Maracaibo, Venezuela



Vol.41

Nº 78

Julio

Septiembre

2023



Financial control as a kind of state control over the activities of public railway transport

DOI: <https://doi.org/10.46398/cuestpol.4178.53>

Hanna Zaikina *

Volodymyr Nikitin **

Oleksandr Demenko ***

Oksin Vitaliy ****

Vadym Bilyk *****

Abstract

Using the scientific method, the purpose of the article was to study financial control as one of the types of state control over the activity of public railway transport. In the results of the research, the scientific approaches to the concepts of: “control”, “state control” and “financial control” are considered. The place of the latter in the general system of control over the management of state (local) resources and its specific use is studied. In addition, the characteristics and purpose of the regulation of financial control are established. In terms of its practical significance, it is determined that state financial control is carried out by conducting financial audit activities, monitoring financial transactions, identifying violations of the use of funds, etc., activities which are carried out by special state authorities and their authorized representatives. In the conclusions, it is stated that the state financial control over public railway transport should be understood as the system of measures aimed at ensuring the effective use of funds from the state budget and other state financial resources, in order to achieve national, economic and social goals.

Keywords: audit; financial transactions; financial control; state audit service; public transport.

* Candidate of Legal Sciences, Doctoral Student of the Scientific Institute of Public Law, Ukraine. ORCID ID: <https://orcid.org/0009-0007-7141-1391>

** Doctor of Legal Sciences, Acting Dean of the Law Faculty of the National Aviation University. ORCID ID: <https://orcid.org/0000-0001-6915-6319>

*** Candidate of Legal Sciences, Senior Researcher of the Scientific Institute of Public Law, Ukraine. ORCID ID: <https://orcid.org/0009-0005-4992-9907>

**** Doctor of Legal Sciences, Leading Researcher of the Scientific Institute of Public Law, Ukraine. ORCID ID: <https://orcid.org/0000-0001-6080-7752>

***** Candidate of Legal Sciences, Associate Professor of the Police Law, Department of the National Academy of Internal Affairs, Ukraine. ORCID ID: <https://orcid.org/0000-0002-6511-1719>

El control financiero como forma de control estatal de las actividades del transporte público ferroviario

Resumen

Mediante el uso del método científico, el propósito del artículo fue estudiar el control financiero como uno de los tipos de control estatal sobre la actividad del transporte público ferroviario. En los resultados de la investigación, se consideran los enfoques científicos de los conceptos de: «control», «control estatal» y «control financiero». Se estudia el lugar de este último en el sistema general de control sobre la gestión de los recursos estatales (locales) y su uso específico. Además, se establecen las características y el objeto de la regulación del control financiero. En términos de su significado práctico, se determina que el control financiero estatal se lleva a cabo mediante la realización de actividades de auditoría financiera, el seguimiento de las transacciones financieras, la identificación de violaciones del uso de los fondos, etc., actividades que se llevan a cabo por las autoridades estatales especiales y sus representantes autorizados. En las conclusiones, se establece que el control financiero estatal sobre el transporte público ferroviario debe entenderse como el sistema de medidas destinadas a garantizar el uso eficaz de los fondos del presupuesto estatal y otros recursos financieros del Estado, con el fin de alcanzar los objetivos nacionales, económicos y sociales.

Palabras clave: auditoría; transacciones financieras; control financiero; servicio estatal de auditoría; transporte público.

Introduction

The modern stage of socio-economic development of Ukraine, which is characterized by the establishment of market relations, processes, threatening the stable functioning of economic mechanisms (Kharytonov *et al.*, 2021), struggle between democracy and fascism (Panchenko *et al.*, 2022) requires an increase in the role of the State in the system of economic management, strengthening of the fight against corruption and offenses in the economic sphere.

At the same time, the desire for constant improvement of the state administration process demands a scientific analysis of transformations and understanding and awareness of the organizational and economic mechanisms used by the state during the implementation of its main functions. The most important in this regard is the system of financial and economic control, which should ensure equilibrium and balance in the functioning of society. The State cannot function effectively and

develop without a clearly organized system of control over the production, distribution and redistribution of the public product and other spheres of public life (Dmytrenko, 2011).

Financial control over the activities of business entities is a complex category, the essence of which is being tried by the representatives of legal and economic sciences, public administration specialists, since the concepts of purpose, subject and object of control are interpreted in different ways. Solving the problem is complicated by differences in the current legislation, the uncertainty of the essence of the concepts “financial control”, “state supervision”, the functions of state financial control bodies and their powers. It is not by chance that there are numerous draft laws on financial control, in particular on the activities of economic entities, as well as increased interest in these problems by scientists.

That is why the purpose of the article is to reveal financial control as one of the types of State monitoring of the activities of public railway transport based on the theoretical foundations of financial and administrative law, the norms of current legislation and the practice of executive authorities.

1. Methodology

The methodological basis for the article is a system of general scientific and special methods and techniques, the cognitive potential of which is aimed at achieving the research goal.

Dialectical method made it possible to comprehensively consider the phenomenon of financial control over the activities of public railway transport in its development and interrelationship with a number of related concepts, to identify established directions and regularities of the mechanism of its implementation.

With the help of formal logic methods (analysis and synthesis, induction and deduction, generalization, abstraction, etc.), the essence of State financial control in general and in the considered sphere in particular is clarified.

Logic and semantic method is applied to formulate the relevant definitional constructions regarding the concepts of control, State control and financial control.

As part of the systemic approach, the systemic and structural method is used to clarify the features and system of financial control.

Structural and functional method helps to clarify the place of this form of control within the types of State control.

Analytical method is the basis for the study of the legal instruments governing the procedure of implementing financial control over the activities of public railway transport.

Hermeneutic and formal and dogmatic methods are applied for interpreting the views of scientists and the provisions of legislative acts.

2. Literature Review

The current state of the national economy, its shadowing, the rapid growth of economic offenses specifically in the field of financial activities of enterprises, institutions and organizations determine the need to control the circulation of financial resources, as well as the legality and correctness of the formation of data on the financial status of a certain business entity. Financial control is designed to ensure this.

The latter is control over the legality and accuracy of the distribution and re-distribution of financial resources in the economic sphere, as well as supervision of appropriateness of information on the financial state of the enterprise in terms of all the provided indicators. Its purpose is to establish the accuracy and lawfulness of the financial activity of a business entity.

Financial control involves a thorough examination of all aspects of financial activity and is applied to all economic entities. This is due to the fact that all of them, without exception, conduct financial activities. A state audit is conducted at state-owned enterprises and budget institutions in terms of the effectiveness of the use of budget funds (this also concerns the public railway transport enterprises) (Dikan and Syniuhina, 2011, p. 20).

Nastenko (2018) remarks that financial control is a legal instrument for regulating the country's financial system, in particular the finances of business entities, and depends on the tasks of the State's economic development, political and social objectives that must be solved by the government in its current situation. At the same time, the control covers the areas that are of particular importance for society: education, health care and social protection of the population, science and culture, housing and communal services, fuel and energy and agro-industrial complexes, transport, defense, etc.

Sidorenko et al. (2012) in this regard note that railway transport enterprises in most cases refuse to conduct external audits, relying on their own service of control and audit work and financial investigations. The main tasks of the internal audit of railway transport should be methodical support, consulting, analytical examination of the decisions made for their compliance with the current legislation and the interests of the industry, optimization of taxation, development of measures to exclude losses,

assessment of the correctness of the determination of revenues from transportation, etc.

The authors believe that an internal audit, in contrast to external one, is a control system organized at an economic entity in the interests of its owners and regulated by its internal documents over compliance with the established accounting procedure and the reliability of the functioning of the internal control system at railway transport enterprises.

Shinkarenko *et al.* (2012) stress that the implementation of the process of reforming the financial control system in this sphere should take place in stages, with a clearly defined action plan indicating the goals, deadlines and responsible actors.

The performance of this plan will allow to create a control system of a vertically integrated structure – a state joint-stock company of public railway transport, capable of functioning effectively in the conditions of intensified international technological competition, to increase the efficiency of the functioning of the industry and, as a result, will lead to an increase in the competitiveness of Ukrainian railways on the market of transport services, increasing the employment of the population in all regions of Ukraine and deduction of taxes, fees (mandatory payments) to the budgets of all levels.

Prokopiev (2020) believe that the transition to a new model of the organization of railway transport should be accompanied by the complete separation of the functions of state regulation from economic activity. To implement structural changes in the railway transport sector, it is important to pay attention to the property used in the economic activity of railway transport enterprises: 1) property which must necessarily be publicly owned (a critical property, without which economic activity in the field of railway transportation is impossible), that is, what defines the industry as a monopoly; 2) assets that may be used for engaging private investments, on a competitive basis. This distribution of property will make it possible to build an economic mechanism for the functioning of railway transport, which will combine a natural monopoly and the provision of public interests of society (traffic safety, accessibility of transportation, etc.) and services provided on commercial basis.

3. Results and Discussion

In the unified transport system of Ukraine, railway transport objectively takes the leading place, satisfying the transportation needs of both the industrial sector and the population, being an important factor in the development of not only the transport industry, but also the national economy in general. Railway transport provides internal and external transport

and economic connections of the economy of Ukraine, contributes to the normal functioning of all industries, as well as international cooperation (Dubynskyi, 2018), ensures connections between industries, enterprises, regions of the country, and foreign countries (Sirko *et al.*, 2022).

When studying the state financial control over the activity of railway transport of Ukraine, first of all, it is necessary to define such legal categories as “control” and “State financial control”. Thus, according to the Academic Explanatory Dictionary, the term “control” means checking, accounting for the activities of someone, something, or supervision of someone, something (Bilodid, 1973).

According to Harashchuk (2013), the word “control” is more correctly interpreted as an inspection, as well as observation for the purpose of inspection to counteract something undesirable, that is, detection, prevention and termination of illegal behavior by anyone.

In turn, Leontovych (2008) notes that control in a broad sense is a process associated with ensuring that the management object functions are complied with the administrative decision and is aimed at the successful achievement of the set goal.

Kolomoiets (2008) came to the conclusion that control is “a management function, a means of performing management tasks, the peculiarity of which is that it has an active nature, i.e. control subjects have the right to intervene in the activities of controlled objects”.

Along with this, Kolpakov and Kuzmenko (2012) correctly point out that control is an organizational and legal means of ensuring legality and discipline, which is characterized by observation and verification of the control object activity and the actual compliance of certain actions with the requirements of current legislation with the possibility of intervention in operational and economic activity to eliminate identified deficiencies and bring violators to justice.

Bandurka (2004) characterizes control as a peculiar form of feedback that allows to see and detect how precisely the set parameters of the control system are being followed, i.e. the process of ensuring that the object of control achieves the goals set for it.

Thus, this term can be understood as a certain process of checking actions, decisions, documents or behavior of a person, institution or organization in order to ensure compliance of their actions with established rules, norms, standards or laws.

It is worth noting that there is no unified approach to the definition of the concept of «financial control», its structure, principles, functions and due to the variety of studies on the problems of financial control in Ukraine. Some scientists interpret financial control as legally regulated activities of

public entities and non-governmental organizations, business entities or their structural units, natural persons endowed with appropriate powers or rights, which is aimed at ensuring validity of the formation of public funds, the completeness of the revenues to the relevant funds, legality and effectiveness of their distribution and redistribution and use (Nastenka, 2017).

According to Malein, «financial control» should be considered as the activity of financial, credit, and economic bodies (organizations), regulated by law, aimed at ensuring financial, budgetary, tax, credit, settlement, and cash discipline in the process of implementing plans and which consists in checking the legality, reasonableness and rationality of monetary expenditures (Pivovarov, 2013).

A significant and special place in the general system of control is occupied by State control, that is, control over the activities of the economic entity by the State. In its essence, state control is verification by the State of the compliance of public officials with their duties, how the civil service functions as a whole (Razumtsev, 2009). It is not without reason that Blihar (2017) notes that in domestic science “state financial control” has an extremely complex meaning and multi-vector manifestation.

The analysis of the views by scientists allows us to distinguish several approaches to defining the essence of this concept:

1. managerial – lies in evaluating the effectiveness of state management at all stages of the budget process;
2. functional – is reduced to control over the formation, distribution and use of financial resources of the state and local self-government;
3. targeted – support for national and regional socio-economic development and verification of legality, efficiency and expediency of formation, distribution, redistribution, use of financial resources;
4. legal – related to the activity of financial bodies regarding the detection of any offenses in the field of economic activity, financial and tax discipline, as well as taking appropriate measures to eliminate these offenses.

The Draft Law No. 2020 (2008) provides a definition of this term and notes financial and economic activity as the object of this control. State financial control is considered in a broad sense as control over the legality, expediency and effectiveness of the use and disposal of state property rights (property rights to shares of enterprises, etc.), assessment of the effectiveness of the organization and implementation of the transformation of forms of ownership (privatization), legality, appropriateness and effectiveness of the disposal of intangible assets objects of state ownership (which create financial resources), the state and use of state stocks and reserves, etc.

The object of state financial control is the financial economic activity of a business entity related to the adoption of management decisions operations connected with resources and assets.

The Draft Law No. 9086 (2018) determines that state financial control is government supervision, which is carried out by state financial control bodies in order to ensure legal, efficient, economical and effective formation, distribution, management and use of state resources by the controlling actors and aimed at prevention, detection and elimination of violations of financial and budgetary discipline. Therefore, the definition of state financial control is related to state (government) institutions as controlling subjects.

The authors of the draft law name the State Audit Service the main body entrusted with the responsibilities of state financial control. The authority of the controlling subject provides for the right to conduct monitoring of the activities of a wide range of business entities that use both state and private funds, but it is about checking the share of state funds. Among the powers of this agency is the right to perform state financial audit, in particular, revision of the activities of business organizations, investment projects, individual economic operations and others, as well as inspection and monitoring of purchases.

Investigating the organization and implementation of financial control in Ukraine, Dmytrenko (2011) recognizes it as the legally regulated activity of state authorities and management to control the timeliness and accuracy of financial planning, the validity and completeness of receipts and movement of state financial and material resources, the correctness and efficiency of their use.

Kolisnyk (2020) notes that, in general, the system of establishing a domestic model of financial control over the management of state (local) resources and their use is as follows:

- state external financial control (audit), which is carried out by the Accounting Chamber on behalf of the Verkhovna Rada of Ukraine (parliamentary control);
- state financial control, which is performed by the bodies of the State Audit Service, authorized by the Cabinet of Ministers of Ukraine (government control);
- state internal financial control, in particular internal control and internal audit, which is provided by the managers of budget funds and the internal audit unit in the budget institution, respectively.

As it has been previously noted, state financial control is implemented by the bodies of the State Audit Service, in particular by the Department of Control in the Industry, Energy, Transport and Financial Services, whose area of responsibility includes:

1. extractive industry (coal, lignite and peat extraction; hydrocarbon extraction and related services);
2. processing industry (production of oil refining products and nuclear materials; production and distribution of electricity and gas);
3. activity of railway, water, aviation, pipeline transport);
4. financial activity.

Public joint-stock company Ukrzaliznytsia and its units are included in the list of controlled institutions. We should note that in Ukraine railway shall mean a separate division of the joint-stock company of public railway system (hereinafter referred to as JSC Ukrzaliznytsia), which transports passengers and cargo in a certain region of the railway network. That is why the representatives of the abovementioned Department are entitled to conduct state financial audits and inspections in these organizations.

Ukrzaliznytsia includes:

1. Public railway transport enterprises:
 - railways;
 - state enterprises belonging to the sphere of management of the central executive body, which ensures the formation and implementation of State policy in the transport area.
2. Institutions and organizations of public railway transport:

health care institutions, educational institutions belonging to the management sphere of the central executive body, which ensures the formation and implementation of state policy in the transport sphere, as well as higher educational institutions of the 1st level of accreditation, which prepare specialists for railway transport (Prokopiev, 2020).

State financial audit of business entities is a type of state financial audit, which lies in checking and analyzing the state of affairs regarding the legal and effective use of state and/or communal funds and property, other state assets, the correctness of accounting and the reliability of financial reporting, the state of internal control at economic entities (Resolution No. 252, 2019).

State financial audit is a type of state financial control, which lies in checking and analyzing the actual state of affairs regarding: legal and effective use of: state funds; utility funds; state property; communal property; other state assets; the correctness of accounting; reliability of financial statements; functioning of the internal control system.

The inspection lies in a documentary and actual inspection of a certain complex or individual issues of financial and economic activity of the object of control and is carried out in the form of an audit, which should ensure the detection of facts of violations of the law, the identification of officials and responsible persons who are guilty of their admission (Resolution No. 550, 2006).

Conclusion

Financial control covers all areas of activity of subjects of any legal status related to the formation, distribution, redistribution and use of public financial resources. With the help of financial control, legality is ensured in financial and economic activities. It is one of the means of prevention of mismanagement, detection of abuse and waste.

Analyzing the opinions of some scientists, we can come to the conclusion that the state financial control over public railway transport should be understood as a system of measures aimed at ensuring the effective use of the state budget and other financial resources of the state, with the aim of achieving national, economic and social goals. Such control is implemented by conducting financial audit activities, monitoring financial transactions, identifying violations of the use of funds, etc., which is carried out by special state authorities and their authorized representatives.

Bibliographic References

- BANDURKA, Oleksandr. 2004. Theory and practice of management of internal affairs bodies of Ukraine: monograph. NUVS. Kharkiv, Ukraine.
- BILODID, Ivan. 1973. Dictionary of the Ukrainian language: in 11 volumes. Naukova Dumka. Kyiv, Ukraine.
- BLIHAR, Mariia. 2017. "Legal principles of financial control in the implementation of investment activities" In: Visegrad Journal on Human Rights. No. 01 – 02, pp. 17-22.
- DIKAN, L; SINIUHINA, N. 2011. Financial and economic control: a study guide for independent study of the discipline. KhNEU. Kharkiv, Ukraine.
- DMYTRENKO, Gennadii. 2011. Organization and implementation of Public control in Ukraine (financial and economic aspects). Doctoral Dissertation. National Academy of Public Administration, the President of Ukraine. Kyiv, Ukraine.

- DRAFT LAW NO. 2020. On State financial control, Official Web-site of the Verkhovna Rada of Ukraine. Kyiv, Ukraine.
- DRAFT LAW NO. 9086. 2018. On the main principles of activity of state financial control bodies, Official Web-site of the Verkhovna Rada of Ukraine. Kyiv, Ukraine.
- DUBYNSKYI, Oleh. 2018. "Content of state control over compliance with legislation on railway transport" In: Scientific Bulletin of Public and Private Law. Vol. 01, No. 03, pp. 54-58.
- HARASHCHUK, Volodymyr. 2013. The doctrine of control and supervision in public administration (pp. 201 – 207)// In the collection: Legal doctrine – the basis for the formation of the legal system of the state of the International science and practice conference, dedicated to the 20th anniversary of the National Academy of Legal Sciences of Ukraine (November 20–21). National Academy of Legal Sciences of Ukraine. Kharkiv, Ukraine.
- KHARYTONOV, Evgen; KHARYTONOVA, Olena; KOLODIN, Denis; TKALYCH; Maxym; LARKIN, Mikhail; TOLMACHEVSKA, Yuliia; ROJAS-BAHAMON, Magda Julissa; ARBELÁEZ-CAMPILLO, Diego Felipe; PANCHENKO, Olha Ivanivna. 2021. "Distance Learning in the Conditions of Covid-19: Problems and Prospects of Their Solution" In: Amazonia Investiga. Vol. 10, No. 48, pp. 157-169.
- KOLISNYK, Anna. 2020. "Legal regulation of financial control over the activities of business entities" In: Law and innovation. Vol. 31, No. 03, pp. 71–77.
- KOLOMOIETS, Tetiana. 2008. Administrative law of Ukraine: training manual. Istyna. Kyiv, Ukraine.
- KOLPAKOV, Valerii; KUZMENKO, Olena. 2012. Course of administrative law of Ukraine: textbook. Yurinkom Inter. Kyiv, Ukraine.
- LEONTOVYCH, Serhii. 2008. "Directions of development of financial control on the use of budget funds" In: Investment: practices and experiences. No. 24, pp. 31-34.
- NASTENKO, Mariia. 2017. "Principles of financial control over the activities of business entities within the system of financial law principles" In: Law and Public Administration. Vol. 27, No. 02, pp. 69–74.
- NASTENKO, Maryna. 2018. Legal Regulation of Financial Control over the Activities of Business Entities in Ukraine. PhD Dissertation. Kharkiv National University of Internal Affairs. Kharkiv, Ukraine.

- PANCHENKO, Olha; ARBELÁEZ-CAMPILLO, Diego Felipe; KAMINSKA, Oleksandra; ROJAS-BAHAMÓN, Magda Julissa. 2022. "Editorial" In: *Amazonia Investiga*. Vol. 11, No. 56, pp. 06-08.
- PIVOVAROV, Kostiantyn. 2013. "Features of financial control as a function of government" In: *Investments: practice and experience*. No. 13, pp. 89-92.
- PROKOPIEV, Roman. 2020. "Legal status of railway transport entities" In: *Entrepreneurship, Economics and Law*. No. 04, pp. 105-109.
- RAZUMTSEV, Volodymyr. 2009. Financial control of special-purpose using of state-financed funds by coalmining enterprises. PhD Dissertation. Donetsk National University. Donetsk, Ukraine.
- RESOLUTION NO. 252. 2019. On the approval of the Procedure for the State Audit Service and its interregional territorial bodies to conduct a state financial audit of the activities of business entities. Bulletin of the Verkhovna Rada of Ukraine, Kyiv, Ukraine.
- RESOLUTION NO. 550. 2006. On the approval of the Procedure for conducting inspections by the State Audit Service, its interregional territorial bodies, Bulletin of the Verkhovna Rada of Ukraine. Kyiv, Ukraine.
- SHINKARENKO, Viktor; GRESOVA, O; Gresova, Y. 2012. "Issues of internal control during the reform period" In: *Bulletin of Dnipro National University of Railway Transport*. No. 42, pp. 333-340.
- SIDORENKO, Ivan; ONISCHENKO, Volodymyr; GILDERMAN, Elena. 2012. "Features of control of profits on enterprises of railway of transport" In: *Bulletin of Dnipro National University of Railway Transport*. No. 03, pp. 82-85.
- SIRKO, Rostyslav; KYSLYAK, Lesya; BEZNOSIUK, Oleh; BODNARCHUK, Mykhailo. 2022. "The improvement of the institution of railway transportation in the context of modern challenges" In: *Amazonia Investiga*. Vol. 11, No. 60, pp. 197-205.



UNIVERSIDAD
DEL ZULIA

CUESTIONES POLÍTICAS

Vol.41 N° 78

*Esta revista fue editada en formato digital y publicada en julio de 2023, por el **Fondo Editorial Serbiluz**, Universidad del Zulia. Maracaibo-Venezuela*

www.luz.edu.ve
www.serbi.luz.edu.ve
www.produccioncientificaluz.org