

## THE MANAGERIAL ISSUES OF STATE BUDGETS EXECUTION: THE CASE OF UKRAINE AND KAZAKHSTAN

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**Abstract:** The article is devoted to the current managerial issues of state financial budgets, particularly, the improvement of financial management processes within state budget execution. Effective budgets execution is very important for every state, especially for developing countries. To ensure that, governments need to provide different managerial types, ways and control techniques of financial management. The research methodology of this paper is based on conducting the comparative analysis of existing patterns of macroeconomic development, political and social issues in the context of the financial management processes within state budget execution. It is also implemented SWOT, systematic vision, causes and consequences analysis and expert assessment. In the research, it is carried out the current analysis of financial management issues in state budgets of Ukraine and Kazakhstan from 2013 to 2017. It is determined the main directions for the development and improvement of financial management over the budgets executions in terms of management, control and standardization processes. It is proposed the classification of financial management standards into organizational, functional and special ones, where the solutions and recommendations are designed taking into consideration the short, medium and long-term perspectives.

**Key words:** financial management, state budgets, execution, improvement, standardization, state financial control (SFC), Ukraine, Kazakhstan

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### Introduction

The budget is a key economic category of any state financial system. It helps in the realization of the goals and objectives determined by the economic policy of the government. In this sense, the significance of the appropriate highly effective state regulation and management system cannot be overestimated. The state budget expresses the financial management system of economic relations between the state, enterprises and the population with regard to the distribution and redistribution of the aggregate social product and national income and the formation of a centralized nationwide fund (Hall, 2015).

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In other words, this is the main financial plan for the formation and expenditure of the state funds. The state budget is an economic category that unites the aggregate of all budgets that are formed on the territory of particular country-centralized financial funds that are accumulated and used by the state in the process of redistribution of national income. The state budget is the unity of the main financial categories (taxes, government credit, etc.) in their operation. Its main purpose is to create conditions for the effective development of the economy and the solution of national and social tasks. The essence of the state budget reflects the basic functions of finance in general as well as the current financial management policy of a particular state (Khan and Hildreth, 2002; Simionescu, 2016).

Thus, exploring the managerial issues of improving the existing financial management processes used in the budgets execution management, monitoring and control are one of the highest priority and necessity. The problem of effective state budget management and execution is urgent for both Europe and Asia since it has the utmost influence on the quality of control and expert-analytical activities implementation, as well as on the effectiveness of financial management as a whole. At the same time, the most debatable issue is the problem of managing and control standardization development.

### **Objectives and Methodology**

The research is aimed at the current managerial issues of state financial budgets, particularly, the improvement of financial management processes within state budget execution.

The main objective of the research is to study the managerial aspects of state financial budgets execution of Ukraine and Kazakhstan by considering the financial management processes within state budget execution, and to find out the ways and directions of improving the current financial management system of the countries' budgets executions in terms of standardization with the further managerial recommendations provided.

To achieve this objective, the following tasks have been identified:

- to consider the theoretical and managerial background of the financial management processes within budget execution,
- to analyze the contemporary dynamics and features of state budgets in developing countries considering the cases of Ukraine and Kazakhstan for the five-year-period of 2013-2017,
- to determine directions for the development and improvement of financial management over the budgets executions in terms of management, control and standardization processes,
- to develop managerial solutions and recommendations on how to improve the financial management processes within budget execution for the short, medium and long-term perspectives.

The research methodology of this paper is based on conducting the comparative analysis of existing patterns of macroeconomic development, political and social issues in the context of the financial management processes within state budget execution. It is also implemented SWOT, systematic vision, causes and consequences analysis and expert assessment. The methodology includes a comparative study of state budget management system of two post-Soviet states – Ukraine and Republic of Kazakhstan.

### Literature Review

In the framework of the aim and tasks of the given research, in this part, it is studied the theoretical and managerial background of the financial management processes within budget execution. For this purpose, it is considered in details the historical evolution of such concepts as ‘budget’, ‘public budget’, ‘financial management’, as well as explored the processes in managing state budgets.

The most well-known classic theorists studied the issue of public budgeting is represented by Henry Adams (Adams, 1985), William F. Willoughby (Willoughby, 1918), V.O. Key (Key, 1940) and Aaron Wildavsky (Wildavsky, 1961). Among recent theorists, they are Baumgartner and Jones-Frank R., Baumgartner and Bryan D. Jones (Baumgartner and Jones, 2005), Allen Schick (Schick, 1966) and Irene Rubin (Rubin, 1990). The budget theory was a central topic during the ‘Progressive Era’ and was much discussed in municipal bureaus and other academic and quasi-academic facilities (Khan and Hildreth, 2002).

Robert W. Smith and Thomas D. Lynch describe public budgeting through four perspectives (Smith and Lynch, 2004). The politician sees the budget process as ‘*a political event conducted in the political arena for political advantage*’. The economist views budgeting as a matter of allocating resources in terms of opportunity cost where allocating resources to one consumer takes resources away from another consumer. The role of the economist, therefore, is to provide decision-makers with the best possible information. The accountant perspective focuses on the accountability value in budgeting, which analyzes the amount budgeted to the actual expenditures, thereby describing the ‘wisdom of the original policy’. Smith and Lynch’s public manager’s perspective on a budget is a policy tool to describe the implementation of public policy. Further, they develop an operational definition: *a ‘budget’ is a plan for the accomplishment of programs related to objectives and goals within a definite period, including an estimate of resources required, together with an estimate of resources available, usually compared with one or more past periods and showing future requirements.*

Frederick Cleveland constructed a working definition of budgeting (Cleveland, 1915). William F. Willoughby describes the purpose of a budget document (Willoughby, 1918). Key V.O. sparked the normative question regarding how scarce resources ought to be distributed to unlimited demands (Key, 1940). Verne B. Lewis argued for a budgeting theory based on economic values; actively contributing to the study of public finance (Lewis, 1952). Richard A. Musgrave

is considered the 'father' of public finance who identified the three roles of government in the economy: allocation of resources, distribution of goods and services, and economy stabilization (Walsh, 2007). Aaron Wildavsky suggested that budgetary decision making is mostly political, rather than based on economic conditions (Wildavsky, 1961). Allen Schick outlined the three functions of budgeting, including strategic planning, management control and operational control (Schick, 1966). Irene S. Rubin facilitated the discussion of the dichotomy between theory and practice of public budgeting (Rubin, 1990).

Financial management is recognized as the most important branch of business and public administration. Financial viability is the basis for decision-making. Financial management has been defined as the administrative function which has to do with the management of the flow of cash (Melnikov, 2011). The modern school defined finance as 'an activity concerned with planning, raising, controlling and administering financial funds'. It basically deals with the application of principles developed by the financial managers and those borrowed from accounting, economics and other fields to the task. As effective management and as 'cash' in this context, it is proper to mention (Hall, 2015).

The concept of financial management refers to planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds. Financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives. 'Financial management is that activity of management which is concerned with the planning, procuring and controlling of the financial resources' (Hampton and Christensen, 2002).

It should not be forgotten that the approaches to financial management in the private and public sectors have their own peculiarities. For example, the ability to manage liquidity can affect the quality of processes, as it has been investigated in the paper by M. Otrusnova and A. Kullova (2019). The results of other studies (Sebestova et al., 2018) also confirm this fact *"financial stability of municipalities is an essential condition for long-term sustainable development, as disproportional debt can generate risks for providing public services and their standard functioning"*. The authors note that, along with the simplicity of the calculation methods, the standard form of financial evaluation of public institutions is the undeniable advantage.

Studying foreign experience in managing state budgets, it is concluded that they are built around the six basic principles (Khan and Hildreth, 2002):

- 1) the principle of budget acceptance to a representative authority - in most countries, budgets are adopted in the form of a law, and in the United States, Finland, and other countries, approval of the parliament is required for budget approval,
- 2) the principle of completeness - all incomes and expenses of the government are reflected in full (of course, this is an ideal requirement - in practice, there are often some secret expenses, the content of which the government does not detail),

- 3) the principle of budget unity - uniformity of all budget documentation and classification,
- 4) the principle of priority of compulsory expenses - depending on the amount of income received (that is why a budget deficit often appears),
- 5) the principle of annual budget approval - budgets are usually prepared for a year,
- 6) the principle of budget equilibrium - a balance (at least approximate) of the expenditure and revenue parts of the budget.

The beginning of the fiscal year is different in different countries:

- January 1 - the Netherlands, Belgium, Ukraine, Kazakhstan, Russia, the USSR, France;
- April 1 - Great Britain, Japan;
- July 1 - Italy, Norway, Sweden;
- October 1 - the USA.

According to Kells, "performance auditing is a longstanding feature of democratic government in many countries" (Kells, 2011). The author has formulated seven critiques of performance financial control or auditing: "anti-innovation", "nit-picking", "expectations gap", "lapdog", "headline hunting", "unnecessary systems" and "hollow ritual". It is underlined in the paper that not all critiques are valid in all cases. However, they can serve to categorize risks to be managed. Moreover, the author has proposed methodology instruments for monitoring and reporting during audit procedures in different spheres, including the public sector.

Besides, there are some actual researches about the history of public sector audit. Michelle Bunn, Robyn Pilcher, and David Gilchrist have used New Public Management context to examine the modern history and the teleological development of public sector audit (Bunn et al., 2017).

Another important research is about the experience of the Nordic Countries. Authors identified four options for supreme audit institutions: "*a performance auditing strategy; a financial auditing strategy; a portfolio strategy; and a hybrid strategy*" (Jeppesen et al., 2017). There is a broad discussion about the possibilities of implementation of these four strategic options in auditing of the public sector.

The problems of the state audit system are the object of paper concerning the Republic of Kazakhstan (RK) experience. The author has made the conclusion that solving of these problems in terms of reforms in RK "*might be useful for developing countries with poor public financial control as well as for the developed economies in order to improve and identify latent problems*" (Kari, 2015).

According to Schaefer (2006), organizational learning must play a major role in the public management reform process. "*Organizational learning (learning from experience - between countries and also between different federal levels in one country) must no longer be neglected in public financial management reforms*". This is especially true for the post-Soviet countries – Ukraine and Kazakhstan,

because having much in common, both countries will benefit from the exchange of experience.

Thus, there are a number of sources devoted to the study of managerial aspects of budget execution. In part of them, one can distinguish the time aspect. Therefore, it can be assumed that there may be differences in approaches to improving managerial processes in public finances in the short, medium and long term. At the same time, different standards will be relevant as key components of improving the implementation of public finances.

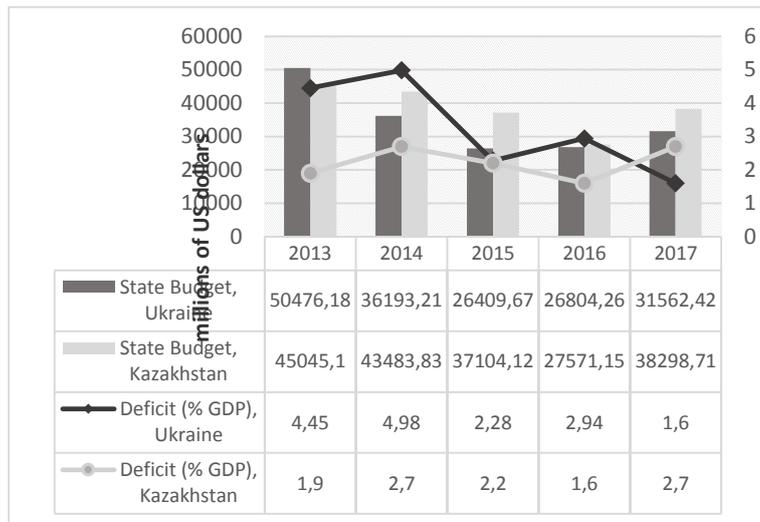
### **Research Results**

#### ***Current Analysis of the State Budget Management System: The case of Ukraine and Kazakhstan***

Both countries have lots of common features in their state budget management systems. That could be explained by a common historical background, as both countries used to be the part of Soviet Union (Zhussupova et al., 2018; Van et al., 2018). In contemporary economic conditions, they still keep the common financial management features as well. For both considered countries, Ukraine and Kazakhstan, the State Budget Management System is presented by the budget cycle occurring in six key phases as the following: (1) Revenue Estimation performed in the executive branch by the finance director, clerk's office, budget director, manager, or a team, (2) Budget Call issued to outline the presentation form, recommend certain goals, (3) Budget Formulation reflecting on the past, set goals for the future and reconcile the difference, (4) Budget Hearings can include departments, sections, the executive, and the public to discuss changes in the budget, (5) Budget Adoption final approval by the legislative body, (6) Budget Execution amending the budget as the fiscal year progresses. In the given research, it is paid attention to this process of budgeting in particular.

Despite the fact that since the collapse of the Soviet Union more than 28 years have passed, today there is a similar dynamics and trends in the implementation of the state budget in the studied countries (Figure 1).

In 2014, in both countries, there has been a growing budget deficit (in % of GDP). Also common is the general trend of reduction in state budgets and restore growth in the years 2015-2016. The authors have investigated that the reason for this is the significant dependence of both budget systems on external factors (prices on world markets) and the rate of the national currency. For a deeper analysis of the state budget execution processes in Ukraine and Kazakhstan, the SWOT analysis has been conducted and it is presented in Table 1.



**Figure 1. Dynamics of State Budget Expenditures and Budget Deficit in Ukraine and Kazakhstan in 2013-2017** (Compiled by authors: State Statistics Service of Ukraine; Committee on Statistics Ministry of National Economy of the Republic of Kazakhstan)

All elements of the SWOT analysis mentioned above are ranked and placed in the table in order of decreasing priority and / or influence of the budget process. On the basis of the above components, the study proposes a strategy for minimizing negative factors.

**Table 1. SWOT Analysis of the State Budget Systems of Ukraine and Kazakhstan** (Compiled by authors: State Statistics Service of Ukraine; Committee on Statistics Ministry of National Economy of the Republic of Kazakhstan; EUROSAT; INTOSAI)

Ukraine	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>– Treasury system of budget execution,</li> <li>– The program-target method in budget planning,</li> <li>– Innovative public procurement system “Prozorro”,</li> <li>– Reform the administration of taxes (especially VAT),</li> <li>– Budget decentralization.</li> </ul>	<ul style="list-style-type: none"> <li>– Corruption in government bodies - participants in the budget process,</li> <li>– Permanent budget deficit due to excessive social expenditures,</li> <li>– Ineffective government debt management system,</li> <li>– Tax arrears,</li> <li>– Lack of standardization in budget execution processes at all levels.</li> </ul>

<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"> <li>– Enhancement of cooperation with the EU,</li> <li>– Ability to increase budget revenues through the development of the military-industrial sector,</li> <li>– Improvement of the institutional environment of the budget process,</li> <li>– Implementing a fully-fledged medium-term budget planning.</li> </ul>	<ul style="list-style-type: none"> <li>– Threat to the territorial integrity of the state,</li> <li>– Excessive inflation,</li> <li>– Exchange rate instability,</li> <li>– Dependence on external world markets and foreign capital,</li> <li>– Permanent deficit of the Pension Fund, which as a result is financed from the state budget,</li> <li>– Energy dependence on the Russian Federation.</li> </ul>
<b>Kazakhstan</b>	
<b><i>Strengths</i></b>	<b><i>Weaknesses</i></b>
<ul style="list-style-type: none"> <li>– Implementing tax and fiscal stimulus measures,</li> <li>– Realization of the program of institutional reforms (public administration reform, regulatory framework, public finance management and accountability, sectoral and other reforms),</li> <li>– Transparency of oil revenues (through the NFRK).</li> </ul>	<ul style="list-style-type: none"> <li>– Non-transparent funding of civil servants' bonuses (not reflected in the budget and no marginal amounts),</li> <li>– Ineffectiveness of state support programs for households,</li> <li>– Lack of data and the complexity of the definition of "vulnerable population groups", which prevents continuous monitoring of this kind of budget expenditures,</li> <li>– Insufficient transparency and rigor in project approval process, the lack of clear and practical criteria for selecting programs financed from the state budget, as well as the requirements for demonstration of net benefits at an early stage,</li> <li>– Lack of standardization in budget execution processes at all levels.</li> </ul>
<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"> <li>– Restructuring public spending by rolling down inefficient subsidy programs and reorienting spending on investment in productive infrastructure, employment and education,</li> <li>– Increase in non-oil revenues by expanding the tax base and eliminating inefficient tax benefits,</li> <li>– Reduction of inefficient expenditures that distort private sector incentives.</li> </ul>	<ul style="list-style-type: none"> <li>– The dependence of the state budgets on oil prices,</li> <li>– Exchange rate instability,</li> <li>– Kazakhstan's tax structure is excessively reliant on the Corporate Income Tax (CIT), which is very vulnerable to cyclical fluctuations in the economy.</li> </ul>

Thus, for Ukraine, using the "Innovative public procurement system "Prozorro", in terms of developing e-transparency, it is possible to significantly reduce such Weaknesses as "Corruption in Government bodies - participants in the budget process" and "Ineffective government debt management system". Increasing the scale of "Reform of taxes administration" can reduce "Tax arrears". "Budget decentralization" and "The program-target method in budget planning" facilitate the reduction of "Permanent budget deficit due to excessive social expenditures", as the responsibility for making financial management decisions

will be closer to the recipients of social services. In addition, the use of opportunities "to implement the full-fledged medium-term budget planning" and "ability to increase budget revenues through the development of the military-industrial sector" will reduce the "permanent deficit of the Pension Fund" and "Enhancement of cooperation with the EU" will help Ukraine to protect itself from such threats as the "territorial integrity of the state" and "Energy dependence on the Russian Federation".

For Kazakhstan, improving the quality of "Realization of the program of institutional reforms", as well as the experience with the introduction of "Transparency of oil revenues (through the NFRK) " will eliminate "The lack of clear and practical criteria for selecting programs financed from the state budget, as well as requirements for net benefits in the early stages" and "Non-transparent funding for civil servants' bonuses (not reflected in the budget and no marginal amounts)". At the same time, "Increase in non-oil revenues by expanding the tax base and eliminating inefficient tax benefits" should reduce the "Dependence of state budgets on oil prices". "Increasing non-oil revenues by expanding the tax base and eliminating inefficient tax benefits" will help secure the financial system of the state against sharp fluctuations and threat "Kazakhstan's tax structure is highly reliant on the Corporate Income Tax (CIT), which is very vulnerable to cyclical fluctuations in the economy".

Thus, in general, budgetary systems are characterized by both special and common features. In addition to the above, identified weaknesses and threats to both countries are following: macroeconomic vulnerability, low productivity (lack of skilled labor) lack of skilled labor, lack of interregional financial and economic cooperation, and others. We should also highlight the lack of standardization in the execution of the budgets of all levels. Without regulation-approved standardization in the budget process, it is impossible to have full control and to assess the effectiveness of budget execution. Therefore, it is expedient to consider this element of the SWOT-analysis, in the short, medium and long term perspective, in more detail.

## Discussion

Discussing the improvement of financial management mechanisms and their application here it is considered the ways of improving the budgets executions in terms of management, control and standardization processes, as well as their efficiency and applicability for the given countries.

Hay and Cordery's (Hay et al., 2018) research shows that there is a number of complementary explanations that can be used in public financial control, including "agency, signaling, insurance, management control, management, and confirmation explanations".

The value of standardization in business culture and management cannot be overestimated, considering that its advantages are not only in the simplification of processes and procedures but also in their strengthening by virtue of reliability

based on uniformity, and high quality based on a common approach to the issues of liability and sanctions for possible violations.

In the article «*Comparative Analysis of the EU Public Sector Internal Audit Methodology and Requirements*» (Faitusa et al., 2016), the authors point out the need to use internal standardization procedures in the public sector of the EU. This will improve the quality of internal control and provide an information base for further comparative studies.

According to the position of Manuel Núñez Pérez, the former Secretary General of EUROSAI (European Organization of Supreme Audit Institutions), the most important consequence of standards implementation is the improvement of the quality of processes of standardized activity, which follows from the previous systematization and rationalization (Perez, 2011).

“Among the many objectives that standardization tries to meet, the most immediate is to ensure an appropriate quality level in the standardized activity, subjecting it to a systematization and rationalization process that standards application involves. It allows not only that the result meets the desired parameters “objective to be achieved whatever the nature of the organization could be”, but also that the procedures are accommodated to the established rules. This takes special relevance in the context of the public activity, in which respect to the rules is an absolute requirement.

On the other hand, standardization promotes the use of a common language and shared criteria in interpreting the same facts. This has significant importance in the presentation and interpretation of accounting, both on the inner side of any organization, as in its external scope to those users who might be interested in such information. In the case of public activity, it reaches all citizens. Consequently, standardization promotes transparency in the management and the channeling of information. Standardization in communication criteria is essential in the so-called, information society, in which the multiplicity of messages has to be contrasted with codes of reliability and soundness and with an appropriate communication policy which satisfies the demand” (Perez, 2011).

In addition, the standards help to improve the transparency of management and ensure the availability of information.

Recently, on the international scale, the issue of control standardization has received much attention from the International Organization of Supreme Audit Institutions (INTOSAI, 2017) and the European Organization of Supreme Audit Institutions (EUROSAI, 2017), which is proved by the presence of specified goals related to the implementation and application of the international standards of ISSAI and INTOSAI GOV in the strategic work-plans of these organizations.

The implementation of these standards is mainly conditioned upon the adoption and signing of the South African Declaration on International Standards of Supreme Audit Institutions at the XX INTOSAI Congress in 2010, which provides the obligation of all signatories under it to:

- strengthening the work in terms of raising awareness of the ISSAI and INTOSAI GOV at the global, national, and regional levels,
- the use of ISSAI in accordance with the authority of financial control bodies, national legislation, and other current national standards,
- use of ISSAI in analyzing the results of current activities and preparing instructions for inspectors,
- exchange of experience, best practice, and methodology of implementing ISSAI and INTOSAI GOV with individuals and organizations responsible for developing and reviewing the clauses of these standards (Moser, 2011).

Thus, during the progress of standards development, INTOSAI followed the rule to use existing international audit standards, if possible, and to develop special public sector auditing standards in cases where the general audit standards are inapplicable.

International standards ISSAI and INTOSAI GOV are used by the European Court of Auditors, Accounting Chamber of Ukraine, Supreme Audit Office of the Slovak Republic, the National Audit Office of Lithuania and a number of other senior officials of the state audit.

International experience in standardizing financial control in the public sector is the best practice, which makes it expedient to use it in the determination of main elements of state financial control (SFC) standardization, including the SFC for budgets execution at all levels.

At the regional level, the question of control standardization over the execution of the budget is currently being resolved by the control and accounting bodies and executive bodies independently of each other.

That is why, it is expedient to investigate the qualitative characteristics of the standards, their purpose, definition, and content, and to systematize and classify the control standards for the entire groups.

According to Vasilyeva, “standards are a normative document that establishes the basic principles and unified requirements for the implementation of financial control in the financial and budgetary sphere in accordance with budget legislation” (Vasilyeva, 2008). At the same time, the author includes general, working and internal standards to the standards system.

General standards establish uniform requirements for financial control bodies and their employees. The working standards set uniform requirements for the control activities of the financial control bodies and the activities of their employees. Internal standards are documents detailing and regulating the common general and procedural SFC standards in accordance with the specifics of each particular control body.

The structure of standards includes two main types: general and working standards of financial control. In this case, common standards regulate uniform requirements for financial control bodies and employees of financial control bodies, and working standards determine unified requirements for the organization of control activities

of financial control bodies and the activities of employees of financial control bodies.

After a more detailed study of common standards, it can be noticed the peculiarity of the logical interrelation of the above standards with the principles of SFC, defined by international documents and by internal regulatory legal acts.

In the structure of standards, the definition and the content of the object of each of them are indicated, and the corresponding goals are already set. At the same time, there are no fundamental differences in the approach to standardization in terms of management and control activity. Difference between the standards of internal and external SFC bodies both at the state and regional levels is in the absence of standards for expert and analytical activities for the first one.

### **Solutions and Recommendations**

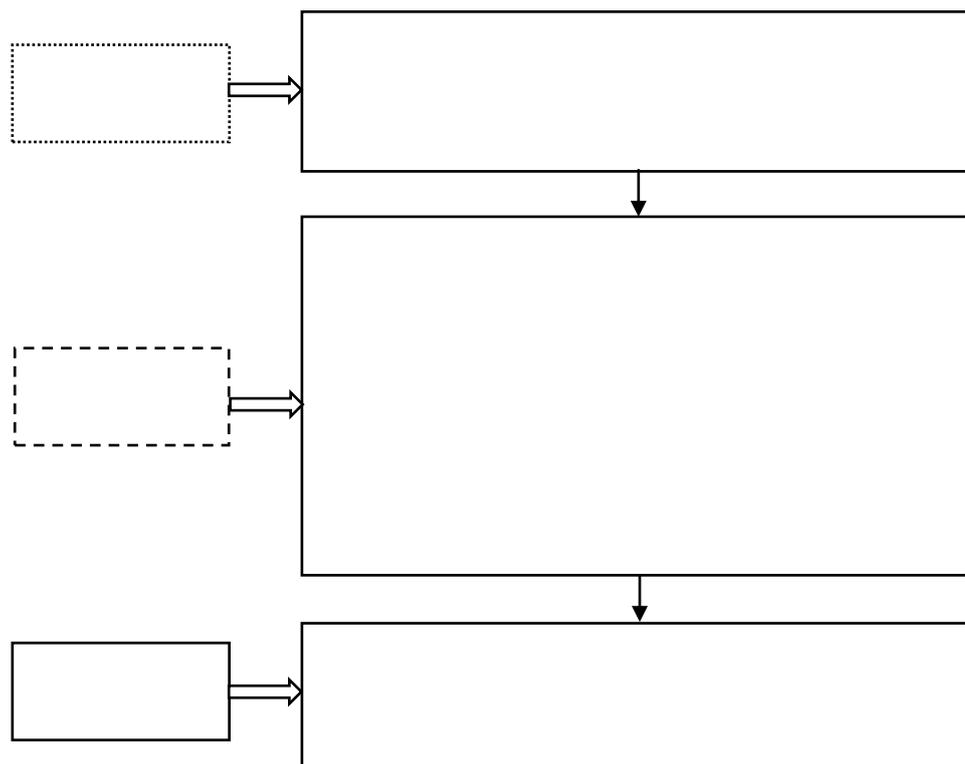
In our opinion, based on the study of the essence of the existing standards, it is necessary to make the following conclusions:

- As before, the international standards for the control (by INTOSAI, EUROSAI, and EURORAI), as well as the best experience of individual states, are neglected by the developed standards.
- The content and logical construction of the standards does not foresee the use of expert-analytical tools.
- In most cases, the standards are not an exhaustive list of specific indications for actions in each particular situation while examining a particular issue, but merely a description of the content of the control issue, which in turn does not allow them to be used as a «user guide».

Besides, the development of control standardization at the regional level is being complicated by the influence of the approaches used at the state level (for example, the establishment of informal framework constraints). Thus, the development of the issue of control standardization is one of the most relevant in terms of improving the managerial support for monitoring the execution of budgets.

The justification for the proposed assumption is the fact that practically any control measure carried out by regional government bodies is connected with the verification of the use of budget funds. Therefore, the proposal of the main directions of development and identification of key factors for standardizing control will have a beneficial effect on the development of the issue of managerial support and, accordingly, improving the effectiveness and quality of monitoring the execution of budgets.

Thus, it is suggested the managerial scenario improving state budget execution in terms of SFC and standardization within the short-, medium- and long-term perspectives, that is presented in Figure 2.



**Figure 2. The managerial scenario improving state budget execution in terms of SFC and standardization within the short-, medium- and long-term perspectives**

The implementation of the proposed scenario to improve the state budget executions in Ukraine and Kazakhstan depends on certain factors, including the following:

- the need to take into account international experience in the field of applied approaches to the standardization of controls (especially with regard to the implementing of fundamentally new monitoring instruments),
- determination of the general structure of standards and the logical content of each specific standard included in the overall structure,
- public discussion of draft standards,
- determination of the place and value of standards in the methodical support system,
- prevention of formalism in the use of standards.

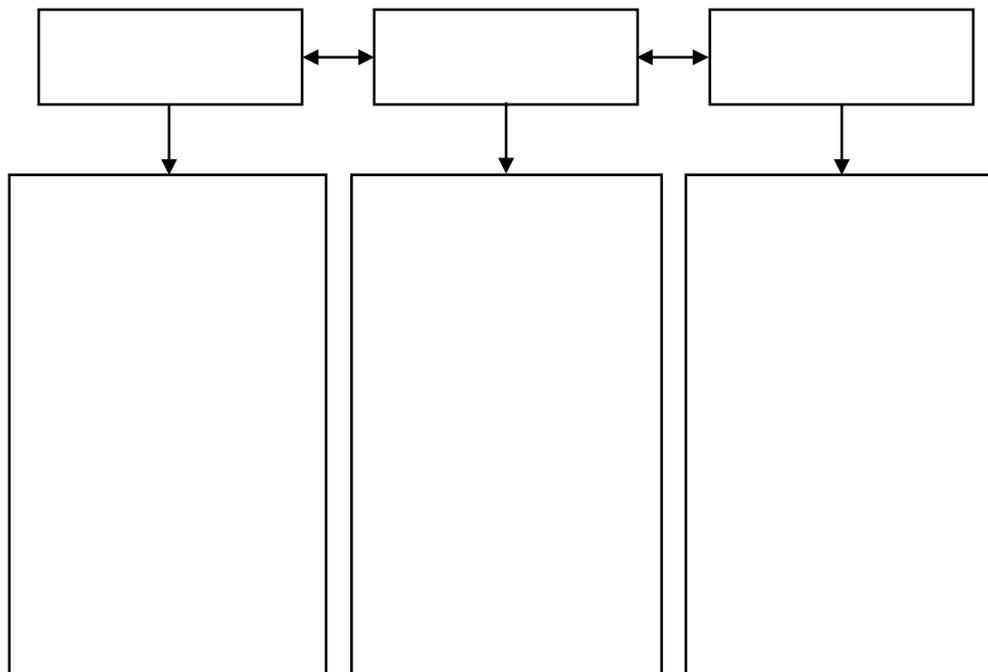
Determination of the general structure of standards and their relevant content requires special attention. The construction of a common structure of standards is connected with the need to provide the necessary standards for the auditors, but there should not be too many standards, which can negatively affect the quality

of control since instead of facilitating the work of the auditors, they will only complicate it with unnecessary restrictions.

Establishment of general structure control standards depends on their classification criterion. In our opinion, there are three main options in standards of structure building. The first option is related to the settlement by each specific standard a separately taken issue of control or the procedure (or carrying out each specific control measure), depending on its content and scope of the audited budget funds. Using this option will lead to an unlimited number of standards, which in most cases will duplicate the content of individual issues due to the similarity of the methods used and the actions taken as a result of their verification. This option is acceptable for the SFC body, which previously did not use the standards of control in its activities.

The second option of standardizing control can be the choice of a classification criterion for a common framework of standards depending on the nature and focus of the activities.

In particular, it is proposed to use the organizational, functional and special standards (Figure 3).



**Figure 3. The essence of organizational, functional and special standards as key components of improving the process of state budget execution**

The application of the proposed structure will allow regulating the procedure for conducting monitoring, expert-analytical, and other activities on the basis of establishing both general and special requirements.

The proposed construction of a general structure of the standards is reasonable since it allows eliminating duplication of common issues for each specific type of activity in standards, as well as provides a comprehensive tool for making decisions on the implementation of specific control actions during the implementation of a particular stage.

In addition, the use of this structure will favorably affect the promptness of making managerial decisions, and will also serve to promote the uniform standardization of both external and internal state financial control. Moreover, the construction of such a structure of standards is possible at almost any of the proposed time steps (short, medium and long-term) of the development of standardization of control.

The addition to the considered problem is to analyze the prospects for the development and use of other instruments of managerial support of budget monitoring, which include guidelines (managerial recommendations), directives and instructions.

The current state of this issue in Ukraine, Kazakhstan and many other countries is characterized by fragmentation and chaotic use of guidelines, which cover not all control issues. Moreover, there is a tendency to use methodological and managerial recommendations instead of control standards. Analysis of the issue of these recommendations as an alternative to standards has shown that this approach is incorrect because they cannot regulate the obligatory requirements to all audit bodies since by their nature of the recommendations can only be recommendatory, which is unacceptable in the case of standards.

In this relation, it is necessary to determine the direction of the effective implementation of managerial recommendations in terms of development and use of standards.

The unification of the clauses stipulated in the standards requires the exclusion of the establishment of requirements for specific particular cases arising from each general situation in the verification of control issue. This is justified by the fact that general standards are determined only by basic conceptual aspects of monitoring. The further use of managerial recommendations is to specify actions in particular cases of control and expert-analytical activities.

Due to that, it is advisable to analyze the key areas of application of managerial recommendations and other tools of managerial support.

Since the standards will only establish the starting points, four possible options for using managerial recommendations can be identified. In particular, the development of managerial recommendations depending on the industry-specific areas of control, depending on the nature and type of control and expert-analytical measures, depending on the objects of control and also depending on the subject of control.

Depending on the industry-specific areas of control, the development of managerial recommendations involves providing all the most important public spheres. Managerial recommendations should cover such areas as the functioning of the state governments and the costs of its maintenance, national economy, communal services, social sphere, and others. At the same time, the managerial recommendations should ensure a clear representation of the objects of financial support in the relevant sphere. In addition, managerial recommendations should provide the auditor with information about individual areas that require higher attention or characterized by an increased risk of possible violations.

Using a sectoral basis in the development of managerial recommendations is also important because each sector has its own characteristics in terms of the organization of financial and economic activities of business entities, as well as frequently used forms and methods of financial support from the budgets.

It is also important to note that the specificity of certain activities requires the development of full-fledged managerial recommendations, which cover almost all the issues of the event, due to their novelty or improvement of monitoring technologies. Among such activities, for example, an activity of strategic audit conduction may be included. In most cases, due to the transition to the implementation of standards advisability of such managerial recommendations is highly questionable, but in some cases it is necessary.

An additional argument in favor of the development of such managerial recommendations is the need for clarification of certain issues, as well as for filling out individual forms of documents reflecting the results of the activity.

Another option for improving financial management processes for budgets execution monitoring is the proposal to develop managerial recommendations depending on the objects of control. Allocation of such a classification criterion is due to the content and specificity of the activities of the objects of control, which is very important in the context of improving the legal regulation in the sphere of state and municipal control of the subjects of the public and real sectors of the economy.

Another interesting option is the development of managerial recommendations depending on the objects of control, which will allow us to identify and more deeply explore the content of the specifics of the examined issue. At the same time, issues of control, which is given special attention, include questions about analysis budget execution, the reliability of reporting on budget execution and other issues of using budgetary funds. The development and construction of managerial recommendations in this way corresponds to the indicated direction of development of the overall managerial support for monitoring of budgets execution. That is why, the transition to the proposed version of the use of standards and managerial recommendations will have a positive impact on the organization of work of the internal and external public financial control bodies, and will affect improvement the quality and effectiveness of monitoring the execution of budgets.

## Conclusion

Thus, the changes in the sphere of state and municipal financial management and control presuppose the need to review and analyze the instruments used, including budget monitoring. The research of the current state of financial management processes over budgets execution has made it possible to identify a large number of managerial problems caused by the lack of necessary independence of management and control, the use of obsolete managerial technologies at various stages of ongoing activities, the imperfection of managerial support, and also the unsettled nature of management effectiveness assessment. A comprehensive research of the theoretical, managerial and organizational, and legal framework for managing the execution of budgets, its practical aspects were conducted, and the main directions for increasing the effectiveness of this control were identified and justified.

In the research, it is carried out the current analysis of financial management issues in state budgets of Ukraine and Kazakhstan from 2013 to 2017. It is determined that the main directions for the development and improvement of financial management over the budgets executions in terms of management, control, and standardization processes. Moreover, on the base of analysis conducted and problems detected, it is provided the authors' recommendations for further implementation. It is proposed the classification of financial management standards into organizational, functional and special ones, where the solutions and recommendations are designed taking into consideration the short, medium and long-term perspectives.

From the future research perspective, the comprehensive study of the problems of the budget management and monitoring led to the necessity to develop further the effective managerial approaches to the evaluation of its performance together with the use of unique criteria and indicators.

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## ZARZĄDZANIE WYKONYWANIEM BUDŻETÓW PAŃSTWOWYCH: PRZYPADEK UKRAINY I KAZACHSTANU

**Streszczenie:** Artykuł poświęcony jest aktualnym problemom zarządzania państwowymi budżetami finansowymi, w szczególności poprawie procesów zarządzania finansami w ramach wykonania budżetu państwa. Skuteczne wykonanie budżetów jest bardzo ważne dla każdego państwa, zwłaszcza dla krajów rozwijających się. Aby to zapewnić, rządy muszą zapewnić różne rodzaje zarządzania, sposoby i techniki kontroli zarządzania finansowego. Metodologia badawcza tego artykułu opiera się na przeprowadzeniu analizy porównawczej istniejących wzorców rozwoju makroekonomicznego, kwestii politycznych i społecznych w kontekście procesów zarządzania finansami w ramach wykonania budżetu państwa. Zastosowana jest również analiza SWOT, systematyczna wizja, analiza przyczyn i konsekwencji oraz ocena ekspercka. W badaniach przeprowadzana została analiza bieżących zagadnień zarządzanych z finansami w budżetach państwowych Ukrainy i Kazachstanu w latach 2013–2017. Określa się główne kierunki rozwoju i poprawy zarządzania finansami w zakresie wykonywania budżetów w zakresie zarządzania, procesy kontroli i standaryzacji. Proponuje się klasyfikację standardów zarządzania finansowego na organizacyjne, funkcjonalne i specjalne, w których rozwiązania i zalecenia są projektowane z uwzględnieniem perspektyw krótko-, średnio- i długoterminowych.

**Słowa kluczowe:** zarządzanie finansowe, budżety państwowe, wykonanie, poprawa, standaryzacja, państwowa kontrola finansowa (SFC), Ukraina, Kazachstan

### 国家预算执行的管理问题：乌克兰和哈萨克斯坦的案例

**摘要：**本文致力于当前国家预算管理。有效的预算对每个州都非常重要，特别是对发展中国家而言。为确保这一点，政府需要提供不同的管理类型，方法和财务管理控制技术。研究管理系统在经济财务管理的背景下。它还实施了SWOT，系统愿景，原因和后果分析以及专家评估。在研究中，它将在未来进行；控制和标准化过程。它专为短期，中期和长期观点而设计。

**关键词：**财务管理，国家预算，执行，改进，标准化，国家财务控制（SFC），乌克兰，哈萨克斯坦。