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The concept and principles of the budget process

Abstract: One of the key management tools is the budget, allowing you to allocate resources and control their use. The budget process effectiveness directly affects the standard of living of the population and its quality, which are the main conditions for realising human potential and, as a result, a factor in developing the territory. The study object was social relations arising in financial law. The study subject was the concept and principles of the budget process. The study aims to analyse the concept and principles of the budget process comprehensively. The study's methodological basis comprised historical, comparative-legal, formal-logical and systemic-structural methods. The author concludes that at the federal level, the requirements for the publication of budget documents are solved by publishing them in the media and on the Internet on the Unified Portal of the Russian Federation's budget system. To ensure transparency of the Russian Federation's budget system, the Ministry of Finance of the Russian Federation has developed Methodological Recommendations to inform citizens about the Russian Federation's subjects and local budgets. These recommendations are a significant tool for implementing initiative projects and forming relevant budget information by the financial authorities of the Russian Federation's constituent entities. The situation is different at the regional level.

Keywords: budget process, Ministry of Finance, Russian Federation, methodological recommendations.



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Понятие и принципы бюджетного процесса

Аннотация: Одним из ключевых инструментов управления является бюджет, который позволяет распределять ресурсы и контролировать их использование. Эффективность бюджетного процесса напрямую влияет на уровень жизни населения и ее качество, которые являются основными условиями реализации человеческого потенциала и, как следствие, фактором развития территории. Объектом исследования являются общественные отношения, возникающие в сфере финансового права. Предмет исследования – понятие и принципы

бюджетного процесса. Целью исследования выступает комплексный анализ понятия и принципов бюджетного процесса. Методологическую базу исследования составили исторический, сравнительно-правовой, формально-логический и системно-структурный методы. Автор делает заключение, что на федеральном уровне требования о публикации бюджетных документов решается путем опубликования в средствах массовой информации и в сети Интернет на Едином портале бюджетной системы Российской Федерации. В целях обеспечения прозрачности бюджетной системы Российской Федерации Минфином РФ были разработаны Методические рекомендации, которые направлены на информирование граждан о бюджетах субъектов Российской Федерации и местных бюджетах. Эти рекомендации представляют собой важный инструмент для реализации инициативных проектов и формирования финансовыми органами субъектов Российской Федерации соответствующей информации о бюджетах. На региональном уровне ситуация другая.

Ключевые слова: бюджетный процесс, министерство финансов, Российская Федерация, методические рекомендации.



Abbreviations:

AC – Arbitration Court;

Ach – Accounting Chamber

APC – Arbitration Procedure Code;

BC – Budget Code;

CAC – Control and the Accounting Chamber;

CCB – Capital Construction Bureau of Oryol City (enterprise);

MC – municipal contract;

MUE – municipal unitary enterprise;

PFE – peasant (farm) economy.

Introduction

One of the key management tools is the budget, allowing you to allocate resources and control their use. The budget process effectiveness directly affects the standard of living of the population and its quality, which are the main conditions for realising human potential and, as a result, a factor in developing the territory.

The study object is social relations arising in financial law.

The study subject is the concept and principles of the budget process.

The purpose of the study is a comprehensive analysis of the budget process concept and principles.

The achievement of the purpose necessitated the formulation and solution of the following tasks:

- consider the concept and content of the budget process;
- investigate the state management of the budget process;
- study the types of principles of the budget process
- investigate judicial practice on the implementation of the principles of the budget process.

The methodological basis of the research was made up of historical, comparative-legal, formal-logical and systemic-structural methods.

In the science of budget law, in addition to the Russian Federation's budget system principles, there are special principles characterising the budget process, which have not found legislative consolidation as the Russian Federation's budget process principles. So, O.N. Gorbunova and S.V. Zapolsky, in addition to the principles enshrined in Article 28 of the Budget Code of the Russian Federation, refer to the principles governing the budget process directly, such principles as the sequence of entry into the budgetary activities of executive and representative authorities, the annual budget, publicity and publicity, specialisation of budget indicators (*Gorbunova, 2017, p. 224; Zapolskiy, 2018, p. 219*).

The results of the study

The budget process concept and content

The budget process is a multifaceted, simultaneously political, legal and economic phenomenon, expressed in a set of consistent actions aimed at finding and ensuring a compromise of interests.

In a narrow sense, the budget process is the definition of the directions of spending budget funds, in a broad sense, traditionally legal, a consistent, step-by-step deployment of budgetary and legal procedures that ensure the planned, lawful and effective formation and expenditure of budget funds.

The budget process is a system of planning, execution and control of state and municipal finances. The budget review and approval stage is a significant link in this system since it determines financial resources, allocation of funds and state or municipal policy priorities for a certain time (*Povetkina & Kudryashova, 2020; Kopina, 2021*).

In the modern world, the budget process's role lies in the fact that it is the basis for forming and implementing economic and social policy of the state.

Thanks to the budget process, the authorities can monitor budget execution, determine spending priorities and ensure the effective use of budget funds (*Gorokhov, 2017, p. 32*).

The budget process is a significant element of the state economic system, and its study has attracted the attention of many authors.

In its study, M.P. Afanasyev's author group analyses foreign experience in improving the efficiency of budget spending, like the possibilities of its application in Russia (*Afanasyev et al., 2024*).

R.V. Konovalov in his article proposes a methodology for evaluating the budgetary funds use effectiveness at the municipal level (*Konovalov, 2023*).

The degree of citizen participation in government can vary, where the extreme conditions are democratic and authoritarian regimes.

Direct democracy forms are commonly understood as referendums, elections, popular initiatives, and recall of elected officials or members of elected bodies, while, in general, democracy refers to the participation of citizens in government in any form: both directly and indirectly.

The democratic state system in a society with a market economy is based on the legal and

political culture of society, including financial culture, which is a complex component of the population's political, economic and social conditions, characterised by a sufficient level of tax discipline, broad participation of citizens in the budgetary process, the development of non-governmental financial institutions and the resistance of the population to fraud in the financial services sector.

E.V. Suslov proposes some measures to improve the efficiency of municipal finance management (*Suslov, 2019*).

The budget in its elementary form has been a part of almost all states in history.

There are written documents relating to the existence of the State Treasury, accountants and auditors hired by the monarchs to protect the royal treasury.

The basic budget policy goal is to ensure the balance and sustainability of the budget system based on maximum revenue mobilisation; the fulfilment of federal and regional powers, expenditure and debt obligations; effective financial support for development tasks and stimulation of sustainable growth.

In legal studies, the issues of implementing direct democracy forms in the budget process are mainly reduced to identifying the advantages and disadvantages of some citizens' direct participation forms in the budget process, i.e., forms mediating their direct involvement in the budget allocation mechanism. Such studies are based on a budget process legal understanding, connecting with which budgetary and legal procedures with the citizens' participation are analyzed (*Bizjin & Bizjina, 2018*).

The budgeting process performs significant functions in the country's economy. They act as a means to achieve several goals of a public organisation. In some countries, the executive branch of the government also plays a significant role concerning government revenues and expenditures, and legislative power is limited only to the approving and verifying body, e.g., in the UK, where the budget process is mainly dominated by the executive branch (House of Commons).

A more balanced approach to the distribution of powers is practised in the United States, where the legislature can review and amend the budget submitted by the President, and the President finally approves it after completing satisfactory checks and balances.

The dominance of the executive or legislative branch in the budgeting process is a matter of debate, as many consider legislative power to be an obstacle in a rapidly developing globalised economy, where foreign direct investment and monetary financing from organisations such as the IMF and the World Bank are crucial for several democracies (*Kiyashova, 2019*).

To speed up the decision-making process, several measures are proposed: from determining the term of office of legislative bodies, the introduction of citizens' colleges, the empowerment of financing at the local level to the introduction of a two-year budget cycle and special legislation on cost management.

Government expenditures are financed from the general fund of taxpayers' funds, and the policy formed with this money is further used to finance projects.

The budgeting process largely depends on the country's available resources. Repetitive budgeting is common in poor countries, where budgeting occurs several times a year due to changing scenarios, limited funds and inappropriate strategies.

Countries where some conditions exist choose phased budgeting, and in case of

uncertainties, an additional budget alternates with a recurring budget. In different countries, the difference in the budgeting process is also due to their respective tax system, like how and on which programmes they spend money.

Thus, while Japan has an electoral party, the Liberal Democratic Party, which plays an important role in the budget process, France has a mixed representative-parliamentary system, the United States has independent legislative and executive branches, and the cabinet in the United Kingdom is responsible for significant decisions regarding income, taxes and expenses.

Government budgets differ from other budget forms in many ways; here, voters delegate the authority to spend their money to politicians or elected representatives. Budgets in a parliamentary system similar to that in a country like India become an instrument of political negotiation, where the authority to draw up a budget is delegated to the Minister of Finance of the country (*Instructions...*, 2022).

However, in a one-party government, the entire party shares the same views on resource spending; disagreements arise when individual members may disagree on the cost of allocation policies and would like public funds to be directed to their respective constituencies.

In a coalition government, different opinions are dealt with through compromise and a contractual approach, where the coalition parties control the budget process, ensuring that it is within the agreed contract.

In different management systems, the budget process has its peculiarities, but its main task is to achieve the relevant economic and social goals of a given country (*Komyagin, 2017, p. 590*).

In the context of growing globalisation and the interdependence of economies, many external factors are also considered when developing budgets.

State management of the budget process

In the modern world, characterised by financial and legal organisation's high degree, the budget is presented not just in the form of a monetary fund, but a fund whose functioning is entirely subordinated to legal regulation.

To optimise the power implementation, the state is divided into territorial entities, thanks to which a structurally developed budget system has been formed.

Of particular significance for budget stability is strict adherence to the reliability principle. In turn, for the reliability of most budget indicators, it is necessary to ensure budget planning high efficiency and quality.

The essence of risks in the financial and budgetary sphere lies in the occurrence of adverse events that affect the achievement of financial and budgetary goals, they are related both to the external environment (economic crisis, changes in legislation, etc.) and to the organisation itself (ineffective financial management, insufficient control over budget expenditures, etc.).

The financial and public sector classifies risks according to various parameters and factors, which leads to a clear categorisation. The classification is based on the following criteria: the nature of the risk, its involvement in the budget process, where it occurs, its structure, duration, how it manifests itself, how often it occurs, the significance of its result and potential consequences, its level in the budget system, its sources, the probability of its manifestation, the direction of its impact, connection with human activity, predictability, the locality of its consequences, the nature of its occurrence, its expected damage strategic orientation and the

magnitude.

The risk classification in the financial and budgetary sphere makes it possible to assess and manage various types of risks, considering their characteristics and consequences.

It is advisable to consider some of the most common types of financial risks:

- market risk is associated with changes in the value of financial instruments or assets due to fluctuations in the markets;
- credit risk is the probability that the borrower will not be able to repay his debt according to the terms of the loan agreement;
- operational risk is associated with errors, fraud, or disruptions in the company's operations, which can lead to financial losses;
- interest rate risk is associated with fluctuations in interest rates, which can affect the value of debt obligations or investments;
- risk of inflation is associated with the depreciation of money due to high inflation, which can lead to a decrease in the real value of assets and income.

Financial risk management is the process of taking measures to minimise or limit potential losses associated with financial transactions, investments or projects.

Risk management includes developing and implementing strategies and measures to reduce the likelihood of risks and minimise their consequences.

The organisation and conduct of financial control over the budgets of municipalities in modern Russian practice contributes to the timeliness of the formation and execution of the local budget, compliance with regulatory requirements for implementing the budget process, the targeted use of local budget funds, countering the budget process violations (*Kiselev, 2018, p. 87*).

This is due to the influence of the following factors, namely. First, the number of necessary inspections and monitoring operations has increased, due to a sharp change in the size of the budget estimates of state organisations caused by forced circumstances. Second, processes related to the automation of internal financial control have slowed down, since foreign technologies were used to build information systems for this purpose Third, the system of financial motivation of state and municipal civil servants, who are specialists responsible for the functional provision of internal financial control, has deteriorated.

A list of the most relevant risks that occur in the practice of organising financial control over the effectiveness of budgets of Russian municipalities:

1. Low efficiency of external communications between control bodies (the reason is the lack of communication skills and lack of information support).
2. Disagreements related to the differentiation of powers and funds assigned to certain control and accounting bodies of municipalities (the reason is uncertainty in coordination between public authorities responsible for external financial control).
3. The absence of key aspects of regulatory regulation (the reason is the outdated regulatory framework, and the emphasis on the mechanism of external control during improvement).
4. The lack of unity in the internal control methodology (the reason is the developed approaches of various authors and experts and the application of internal standards in budgetary institutions).

5. The lack of a clear distinction between internal and external control and duplication of functions (the reason is the lack of a unified regulation of internal municipal financial control).
6. Limited resources and opportunities for internal financial control in municipalities (the reason is the municipal budget deficit in Russia, where there are insufficient funds to finance the article “municipal management”) (*Kirillova, 2018*).

At the regional level, the effective and dynamic fiscal system creation is fraught with unique difficulties and represents a special set of tasks compared to the national situation. Understanding these features opens the way to forming and implementing regional financial policy. Regional financial policy is focused on a more targeted demographic and economic environment. Such a detailed perspective makes it possible to adapt budget decisions to specific regional needs and priorities, e.g., a resource-rich region may prioritise the infrastructure development for efficient resource extraction while a region dependent on tourism may focus on expanding cultural and entertainment offerings. This flexibility allows regional decision-makers to address unique challenges and leverage local strengths.

Limited resources, big dreams: overcoming financial constraints, although regional policy requires individual decisions, it often faces limited financial resources. Revenue generation at the regional level is often limited because it is heavily dependent on central government transfers and limited tax autonomy. This requires careful prioritisation and efficient allocation of resources. Balancing basic local needs with the economic goals set by the central Government requires a complex balancing act.

Bridging the gap: Joint governance and public participation. The regional financial policy success depends on joint governance and public participation. Effective communication and coordination between regional and central authorities ensures compliance with national objectives and provides important financial support.

In addition, the active involvement of citizens in the policy-making process contributes to transparency, confidence-building and increased community interest in the measures being implemented. Dynamic Dance is adapting to economic fluctuations. A regional economy is often more prone to fluctuations compared to a national economy, which is strongly influenced by factors such as agricultural yields, industry trends, or even local tourist seasons.

This dynamism requires flexible and adaptable financial policies. Using a combination of short-term and long-term fiscal instruments allows you to quickly respond to economic shifts and implement countercyclical measures to mitigate negative consequences. Technology as an influence factor is the digital tools used (*Balakin, 2021*).

The digital revolution offers innovative tools for improving regional financial policy. Optimising budget processes through data analysis and digital platforms promotes transparency and efficiency. The use of online tax filing systems improves revenue collection and reduces administrative burden. In addition, the blockchain technology introduction can improve financial tracking and accountability, reducing the risks of corruption and financial mismanagement.

Developing an effective regional financial policy requires a detailed approach. Recognition of local needs, resource constraints and economic dynamics is crucial. The use of collaborative governance, public participation and technological advances provides an opportunity for

regional stakeholders to navigate the financial maze and realise ambitions for the economic prosperity of their communities.

While remaining adaptive to the ever-changing economic landscape, regional financial policy can serve as a powerful tool to stimulate local growth and promote the overall economic well-being of the country.

Types of principles of the budget process

Types of budget process principles are

- (1) cash register unity;
- (2) budgetary funds targeting and targeting;
- (3) budget transparency (openness): mandatory publication in the media of approved budgets and reports on their execution, completeness of presentation of information on the progress of budget execution;
- (4) budgetary funds use effectiveness;
- (5) budget balance;
- (6) budget independence;
- (7) budget reliability;
- (8) Russian Federation's budget system unity.

Federal Law No. 384-FZ dated November 29, 2021 (*On Amendments to the Budget Code..., 2021*), a new principle of the budget system has been introduced into the Budget Code of the Russian Federation (*The Budget Code..., 1998*) – the principle of citizen participation in the budget process, which not only and not so much serves as a guarantee of implementing direct democracy forms in determining the directions of budget spending, how much serves the purpose of further development of the budgetary relations' legal regulation, since the spending budget funds effectiveness may be directly dependent on the citizens' participation degree in the budget process.

At the same time, a necessary attribute of citizens' participation in the budget process is their understanding of the financial mechanisms in the budget process, including the relationship between the budget filling and public goods financed by taxes (*Boltinova, 2023*).

A tax conflict, usually interpreted in tax law doctrine as an antagonism between private and public property, arises not so much because the taxpayer strives to preserve his property, but because the taxpayer does not have a proper understanding of public goods, the financial provision of which is performed at the expense of taxes, and benefits (material or moral), which he acquires.

The public good, for which the tax payments accumulation is performed, does not consist in the possibility of personalising the good directly consumed by the taxpayer, but in achieving public goals of general welfare.

Improving the financial literacy of the population by clarifying and clarifying the interrelationships between taxes paid and socio-economic effects makes it possible to reduce conflicts in the tax sphere, including those manifested in tax opportunism, tax evasion and avoidance.

Thus, when explaining the financial foundations of public education functioning, it is necessary to address not only the budgetary and legal components but also taxation issues.

Even if a particular taxpayer does not resort to the public good in the public comprehensive school form, he still becomes a consumer of the public good through positive externalities generated by public education, since he is a participant in the public environment formed through public education, possible through taxation.

Understanding the direct relationship between taxation and the budget funds allocation by expenditure items should be the population's financial education key element in terms of the financial and public component and an appropriate prerequisite for developing citizen participation forms in the budget process, i.e., in the process of determining the goals of spending budget funds (*Gahynis, 2022*).

The manifestation of direct or participatory democracy is more typical for the budget process at the local government level. In a study by N.V. Vasilyeva and Yu.V. Pyatkovskaya on the issue of direct democracy forms in the local budget process, the authors conclude that "it is at the municipal budget process level in the Russian Federation that there are minimal guarantees of public participation in budgetary relations. It is ensured through mandatory public hearings on local budget drafts and a report on its implementation" (*Vasilyeva & Pyatkovskaya, 2020*).

Meanwhile, at present, the most popular form of direct democracy in the local budget process has become proactive, or participatory, budgeting and public discussion, the practice of which is widespread in the regions (*Rybakova, 2022*).

According to the Strategy for Improving Financial Literacy and Forming a Financial Culture by 2030, 77 regions are implementing proactive budgeting practices and (or) other practices of involving citizens in management processes based on Internet solutions, thanks to which citizens are involved in the process of forming, discussing, making and implementing decisions, including in the budgetary sphere.

Examining the legal procedures within which the practices of direct democracy in the budget process unfold, the political factor of such forms of direct democracy as elections and recall of elected officials to the budget process, which, by its nature, is more of a political rather than a legal nature, since it serves as a means of achieving public interest, is often overlooked expressed in the structure of the national and territorial budgets. Prioritisation of goals requiring the use of budgetary funds is performed precisely within the framework of the budget process, which is a legal process in form, but a political one. The law does not define and does not contain specific directions for spending budgetary funds, outlining only in the norms of the Basic Law and then in the constitutional and current legislation the standards of social, legal, political, economic, cultural, informational, environmental and other types of human activities as members of a legal society subordinate to the law.

As the bearer of financial sovereignty, the state is free to choose goals and methods of achieving them within the society's constitutional structure boundaries.

In this regard, the definition of public interest, i.e., its articulation and qualification as "public", to further direct budget funds to its implementation, is in the zone of discretionary discretion of the government in a broad sense, considering the principle of separation of powers and checks and balances between all three branches of government in the budgetary process (*Dobrynin, 2020*).

Thus, the restraining mechanism in the government's freedom to allocate budget funds is based on two key instruments: the constitutional structure, including those filled with legal

content through decisions of the Constitutional Court of the Russian Federation, and public opinion of the population, its willingness to “accept” the goals chosen by the government. Legal norms formalise the procedures within which direct democracy unfolds in the budget process, which contributes to the formation of the financial culture of the population as its element.

Thus, the law forms direct top-down links between forms of direct democracy in the budget process (public hearings, public discussions, proactive budgeting, etc.) and the financial culture and literacy of the population. In turn, the financial culture of the population (electorate) serves as a deterrent mechanism in the government’s fiscal policy, since the allocation of budget allocations, among other things, is based on public opinion, a “request” for certain financial measures and their potential relevance in society. Political norms mediating forms of direct democracy (elections, recall of a member of an elected body, an elected official), not represented in the budget process form feedbacks ascending through the political factor of population’s financial culture and financial literacy as a budget process restrictive component. As a result, legal forms of direct participation of citizens in the budget process, mainly represented at the local level, not only have an impact on the spending of local budgets, but also through the financial culture of the population, and then through indirect forms of democracy, they can influence the budget process at the federal and regional levels.

Judicial practice on implementing the budget process principles

Some budgetary legal relations aspects are controversial. These are participants’ qualification issues in budgetary legal relations, issues of implementing the budget system principles, and participants’ judicial protection in the budget process.

So, according to the Resolution of the Central District’s AC dated November 16, 2022 (*The Resolution...*, 2022) the municipal state institution “Oryol CCB”, appealed to the Oryol region’s AC with an application to the “Oryol CAC” on invalidation of paragraphs 1, 2 and 4 of the operative part of the submission No. 04 dated January 29, 2021.

During the audit by the accounting chamber, it was established that the balance holder of the Druzhba Bridge is the MUE “Oryol CCB”, in whose staff the position of a leading specialist overseeing the maintenance of bridges and hydraulic structures was occupied by an employee with a specialised education in the specialisation of bridge builder. However, the administration, by resolution No. 3626 dated August 27, 2019, without substantiating the reasons, transferred the functions of the customer for the object “Overhaul of the Druzhba Bridge across the Oka River within the City of Orel” to the Oryol CCB, whose staff did not have an appropriate specialist, leading to an increase in the staff of the enterprise and allocations for labour in the amount of 2896.5 thousand rubles (episode No. 1). The Oryol CAC established that in pursuance of the departmental target program of the City of Oryol “Municipal Targeted Programme”, approved by the decree of the Oryol administration dated April 17, 2017, No 1538, the Oryol CCB signed a municipal contract No. 64/19 dated October 21, 2019, with the only participant in the electronic auction No. 0154300014619000670 – Remspetsmost LLC for completing work on the object “Overhaul of the Druzhba Bridge across the Oka River within the City of Oryol” in the amount of 273,240.2 thousand rubles (MC No. 64/19), like a municipal contract dated October 29, 2019, with DorMostProekt LLC for the supervision of the production of works in the amount of 331.5 thousand rubles. As of December 15, 2020, the work on the Druzhba

Bridge overhaul was completed in full, the cost of the work performed amounted to 271,236.0 thousand rubles. The ACh found that the total amount of actual expenses for the overhaul of the bridge, considering the work performed by the MUE “Oryol CCB” under the previously concluded municipal contract No. 88 dated August 07, 2018, (terminated by the customer by decision No. 3854 dated August 14, 2019) and works under the municipal contract No. 64/19 dated October 21, 2019, amounted to 304,437.8 thousand rubles, which is 11,292 thousand rubles more than originally some amount of capital repair costs.

According to this episode (episode No. 3), the administration was charged with the lack of proper control, and unjustified transfer of the customer’s authority from the MUE “Oryol CCB” (balance holder) to the MUE “Oryol CAC”, which caused damage to the Oryol budget for 11,292 thousand rubles. Episode No. 4: the ACh found that during the overhaul of the Druzhba Bridge, materials (reinforced concrete beams of the superstructure) purchased from the previous contractor – Regional Gas Distribution Networks LLC (contractor under the municipal contract dated No. 88 dated August 07, 2018, (MC No. 88) were used. The ACh concluded that in the process of performing the Druzhba Bridge overhaul, reinforced concrete beams requiring repair were installed in gross violation of the deadlines recommended by the manufacturer; at the same time, defects in the beams of the superstructures were not repaired. According to episode No. 4, the ACh imputed to the administration, in violation of Article 34 of the Budget Code, inefficient spending of budgetary funds for 6,6569.6 thousand rubles (payment for the cost of span beams and installation).

The contested submission imputed to the institution many violations of budget legislation committed, according to the ACh, during the execution of municipal contract No. 64/19 during the overhaul of the Druzhba Bridge across the Oka River in the city of Oryol.

The appeal court found that the violation imputed to the institution, expressed in monetary terms in an increase in the price of contract No. 64/19 compared to MC No. 88 dated August 07, 2018, by 11292 thousand rubles, is a consequence of the termination by the customer (MUE “Oryol CCB”) MC No. 88 in connection with the contractor’s failure to fulfil obligations under the contract and the conclusion of the Oryol CCB a new contract required to complete the bridge overhaul.

The appeal court correctly established that the imputed budget violation and the illegality of the actions of the Oryol CAC were not proved by the accounting chamber.

The Oryol CAC is a body authorised to perform external municipal financial control in the field of budgetary legal relations and monitors the execution of the budget of the municipality, including the legality, effectiveness (efficiency and economy) of the use of budget funds, is part of the structure of local governments.

According to the Decision of the Eleventh AC of Appeal dated December 22, 2022 (*The Decision...*, 2022), Russia’s Federal Tax Service (the tax authority) for the Ulyanovsk region appealed to the Ulyanovsk region’s AC with an application to the Finance Department of the municipality “Karsunsky District” of the Ulyanovsk region, in which it asked to recognise the illegal inaction of the Department of Finance of the “Karsunsky District” municipality of the Ulyanovsk region, expressed in the non-suspension of operations on the debtor’s accounts – CCB “Management of Affairs” of the Administration of the municipality “Karsunsky District” of the Ulyanovsk region.

Before the consideration by the first instance court of this case on the merits, the Finance Department of the municipality “Karsunsky District” of the Ulyanovsk region, according to the requirements of Article 131 of the Russian Federation’s APC, did not provide a written reasoned response to applying Russia’s Federal Tax Service for the Ulyanovsk region and any documents (evidence) to substantiate its position, allowing the first instance court, including to be guided by the provisions of Part 3.1 of Article 70 of the Russian Federation’s APC. By the decision No. A72-8264/2022 of the Ulyanovsk region’s AC dated January 09, 2022, the requirements stated by the Federal Tax Service for the Ulyanovsk region were satisfied.

Having checked the legality and validity of the judicial act adopted in the case according to Chapter 34 of the APC of the Russian Federation, having examined the arguments of the CCB “Management of Affairs” of the municipality “Karsunsky District” administration, set out in a brief appeal, counter-arguments of the Federal Tax Service for the Ulyanovsk region, set out in written objections, having studied and evaluated the evidence available in the case, including submitted by the Federal Tax Service for the Ulyanovsk region to the materials of the case, the Debt Journal of the CCB “Management of Affairs” of the municipality “Karsunsky District” administration of the Ulyanovsk region according to the Decisions No. 1546 dated December 09, 2021, and No. 1707 dated December 17, 2021, the appeal court does not see grounds for satisfying the appeal.

The debtor is a municipal state institution, the above-mentioned decisions of the tax authority submitted for execution were not returned to the tax authority, i.e., they were accepted by the Management for execution, while the latter did not fulfil its obligations in full within the prescribed period, did not suspend the execution of operations on spending funds on the personal account of the debtor Institution, then violated the procedure established by the Russia’s BC. Proper evidence of the Office’s compliance with the above requirements of the Russian Federation’s current budget legislation was not provided to the court of first instance before considering the present case on the merits in violation of the requirements of Part 1 of Article 65 of the Russia’s APC, according to the Resolution of the Far Eastern District’s AC dated February 27, 2024 (*The Resolution..., 2024b*).

The Ministry of Agriculture and Trade of the Sakhalin region (Sakhminselkhozorg) appealed to the Sakhalin region’s AC with a statement of claim to the head of the PFE Alexander Vitalievich Perebojev (the defendant) for the recovery of 1,485,000 rubles. grant funds.

According to the applicant of the complaint, the courts had no legal grounds for collecting grant funds from the defendant, since there is sufficient evidence in the case file confirming the need to purchase equipment for milk analysis and processing to comply with the quality of products. Insists that the change in the expenditure plan was performed with the Ministry's consent.

Considers that not all the arguments given by the defendant have been evaluated by the courts and in violation of the norms of procedural law, a material information carrier – a flash card – has not been attached to the case materials, which confirmed the plaintiff’s consent to the acquisition of agricultural property by A.V. Perebojev. Considers the conclusion of the courts about the inappropriate use of subsidy funds by the defendant to be incorrect and believes that the courts had every reason to reduce the amount of the recovered amount by the number of products not delivered (a crossbow worth 500,000 rubles).

When considering this case, the courts found that on October 31, 2019, the ministry and A.V. Pereboev concluded an agreement No. 12-KFH/2019 on the provision of a grant to support novice farmers from October 31, 2019, the subject of which is the provision of a grant from the regional budget of the Sakhalin Region in 2019 in the form of a subsidy for financial support of part of the individual entrepreneurs' costs, heads of the PFEs for creating and developing the economy.

The agreement was concluded according to the Procedure for granting grants to support novice farmers, approved by Decree of the Government of the Sakhalin Region No. 60 dated February 16, 2017. According to the terms of the agreement, A.V. Pereboev must spend the grant funds in the following areas: construction of premises for the maintenance of five farm animals (goats) – 1,460,000 rubles; purchase of agricultural machinery (attachments – mower) – 210,000 rubles. In pursuance of the agreement, the Ministry transferred funds for 1,485,000 rubles (payment order No. 41 dated November 13, 2019) to the farm head. By order of the Ministry of Agriculture No. 3.37-459-r dated August 17, 2022, a scheduled on-site inspection was scheduled for compliance by the farm head, interruptions with the conditions, goals and procedure for using the grant received in 2019 to support novice farmers.

During the control event, it was established that the grant agreement No. 12-KFH/2019 dated October 31, 2019, was not fulfilled by the defendant, since the documents for the completed construction of the facility and its commissioning, like for the purchase of a mower, were not submitted. During the inspection of the construction site, the presence of a dilapidated building with concrete floors, pillars and a concrete path overgrown with vegetation was established in the forest area.

There were no facilities for keeping farm animals and a mower.

According to the audit results, the ministry concluded that the defendant did not fulfil the cost plan of the project for the creation and development of the economy and did not fulfil obligations under the agreement. In addition, the grant recipient has not achieved the performance indicator for the use of budget funds “Number of Jobs Created in 2019 – 1”: from the information provided on insured persons in the form of CV-M, it follows that an employee who was hired for a newly created workplace in 2019 was dismissed in 2019, an employment contract with an employee accepted in his place, not represented. 05.10.2022 the ministry sent a request to defendant No. 3.37-5073/22 to return the grant funds to the regional budget voluntarily within ten working days, starting from the date of receipt of the ministry's request, which the defendant did not fulfil, which served as the basis for the Sahminselkhozorg's appeal to the AC with a corresponding claim.

Referring to the illegality of the actions of the Ministry to conduct an inspection, the PFE head applied for recognition of illegal order No. 3.37-459-r dated August 17, 2022, “On conducting a planned on-site inspection of the farm A.V. Pereboev (conducting a planned inspection of the farm A.V. Pereboev from August 23, 2022, to September 19, 2022; recognition of Ministry's illegal actions in terms of conducting scheduled inspections that are not included in the annual plan of scheduled inspections approved by the Prosecutor General's Office of the Russian Federation; recognition of illegal actions expressed in violation of the deadline for conducting an audit, the deadline for audit notification; recognition of illegal actions to claim from the farm head, A.V. Pereboev, the grant amount for 1,485,000 rubles.”

Satisfying the claims of the ministry, the court of first instance pointed to the evidence of the fact of misuse by the defendant of the funds of the regional budget provided by the ministry in the form of a grant. The grant recipient's obligation to ensure compliance with the conditions for granting the grant established by the agreement and Procedure No. 60, including to direct grant funds to finance the expenses specified in Appendix No. 1 to the agreement, is fixed in paragraph 4.3.1 of the agreement. The basis for the grant recipient's exemption from the liability measures application is the documented occurrence of force majeure circumstances that prevent the fulfilment of relevant obligations.

The case materials confirm that the Appendix to the agreement No. 12-KFH/2019 dated October 31, 2019, provides for a project Expenditure Plan for creating, expanding, modernising the production base, according to which A.V. Perebojev had to spend the grant funds in the following areas: construction of premises for keeping farm animals – 1,460,000 rubles (1,300,000 rubles of budget funds); agricultural machinery purchase (attachments) – 210,000 rubles (185,000 rubles of budget funds).

When investigating the circumstances of the present case, the courts found that the expense plan submitted by the defendant was not executed, the premises for keeping farm animals (goats) were not erected, and agricultural machinery (attachments – mower) was not purchased. The costs of the defendant's purchase of equipment for the analysis and processing of milk, to comply with the quality of products, referred to in the cassation complaint by the head of the farm Perebojev A.V., do not relate to the cost plan under the agreement N 12-KFH/2019 dated October 31, 2019, and considering that the parties to the agreement have not made changes to the cost plan. They cannot be regarded as confirmation of the targeted use of regional budget funds.

Having assessed the evidence available in the case file, the courts found that there were no documents on the impossibility of fulfilling the grant's expenditure plan. Force majeure circumstances preventing the fulfilment of obligations in terms of achieving the value of the grant result indicator (the number of jobs created in 2019 is 1) and the grant funds' targeted use are also not given.

Rejecting the applicant's argument about the unfair behaviour of a supplier of construction material worth 500,000 rubles, the district court notes that the defendant is free to choose a counterparty and therefore had to show such a care and prudence degree that would allow him to count on the proper fulfilment of obligations in the field of civil law relations.

The recipient of the grant is responsible for the misuse of the grant and one-time assistance, for non-fulfilment or improper fulfilment of obligations.

According to the Decision of the Moscow District AC No. A40-27083/23 dated February 22, 2024 (*The Resolution..., 2024a*), the Limited Liability Company (LLC) "Corporation of Robots" appealed to the Moscow AC with a claim against the Autonomous Non-profit Organization (ANO) "Moscow Project Development Office of Tourism and Hospitality" on debt collection in 6,812,599.5 rubles.

As established by the courts and follows from the case file, August 02, 2022, an agreement No. GR-06-ANO/22 was concluded on providing financial support in the grant form between the defendant (authorised organisation) and the plaintiff (recipient).

The agreement was concluded to support activities aimed at the business and youth tourism

development in Moscow, according to the Decree of the Government of Moscow No. 627-PP dated April 22, 2022(*On Financial Support..., 2022*), according to which, in particular, the Procedure for providing financial support to legal entities and individual entrepreneurs for implementing activities aimed at developing business and youth tourism in Moscow has been approved (hereinafter referred to as the Procedure).

According to paragraph 1.3 of the Agreement, the maximum amount of financial support determined according to the Procedure and Order of the ANO “Moscow Project Office for the Development of Tourism and Hospitality” No. 105/22 dated May 16, 02022, like the Minutes of the meeting of the Expert Commission No. 0111-11/2022 dated July 15, 2022, is 6,812,599.5 rubles. In support of the claim, the plaintiff referred to the fact that after the event, Robot Corporation LLC applied to an authorised organisation with accounting documentation according to the terms of the concluded agreement, but, on August 30, 2022, the defendant’s expert commission issued protocol No. 01-1146/2022, according to which it decided to refuse to provide financial support in the grant form in connection with non-compliance of the accounting documentation with the requirements, like non-confirmation by the recipient of the incurred and documented costs. As the plaintiff stated, at the end of the event, a package of documents was sent to the defendant, but, in the plaintiff’s opinion, the defendant was unlawfully denied financial support with the following justification: copies of contracts No. SUB04/2022 and No. 34 provided by the recipient do not allow us to draw an unambiguous conclusion about occurring rental costs for premises used for holding activities directly from these agreements because these agreements meet the criteria of transactions performed in the ordinary business activities’ course; premises acceptance, transfer and return acts confirming the provision of premises for the event are not attached to contracts No. SUB04/2022 and No. 34; it is not possible to draw an unambiguous conclusion about the reliability of the cost structure from the submitted contracts and copies of payment documents; the submitted lists of participants of the event are certified by the signature and seal of the recipient only on the first pages, and it is not possible to establish the accuracy of the information indicated on the following pages of the lists; copies of the documents provided as part of the accounting documentation do not meet the requirements established by Order of the Authorised Organisation No. 105/22, like Appendix No. 1 to the agreement, do not confirm the incurred and documented costs of the event. In refusing to satisfy the claims, the court of first instance, with the conclusions of which the Appeal Court agreed, was guided by the provisions of Articles 8, 12, 15, 309, and 310 of the Civil Code, Articles 28 and 38 of the Budget Code and reasonably proceeded from the following: the defendant, by virtue of the direct indication of paragraph 1.2 of Resolution No. 627-PP, is empowered on implementing publicly significant functions, in particular, on selecting applicants’ applications, their examination and decision-making based on the results of the examination; the contents of the commission’s protocol, like the documents attached to it, collectively indicate that the plaintiff’s documents do not comply with the regulations governing the grounds for providing financial support in the grant form; financial support is provided to compensate for part of the recipient’s expenses for organising and conducting events related to the rental of premises and technical equipment, and not in the course of his usual activities, whereas the documents submitted by the plaintiff in support of expenses do not allow us to draw an unambiguous conclusion about the costs of renting

premises used for the event, due to the fact that that these agreements meet the criteria of transactions performed in the ordinary business activities' course; the corrections of the comments referred to by the plaintiff were lawfully not accepted by the defendant, since neither the contract, nor the regulations, nor the Order and Procedure provide for the reconsideration of documents, despite the fact that the disputed Agreement was concluded on the basis of a competitive platform (selection), i.e., the procedure for submitting documents is strictly regulated, which excludes reconsideration documents. The plaintiff's arguments that the defendant could have calculated the costs of the plaintiff from the documents submitted by him specifically for holding the event were lawfully rejected by the Appeal Court concerning the fact that the disposal of budgetary funds imposes on the defendant an increased standard of prudence, the principle of targeting and the targeted nature of budgetary funds (articles 28 and 38 of the Budget Code).

Conclusion

At the federal level, the requirements for the publication of budget documents are solved by publishing them in the mass media and on the Internet on the Unified Portal of Russia's Budget System.

To ensure transparency in the Russian budget system, the Ministry of Finance of the Russian Federation has developed Methodological Recommendations to inform citizens about the budgets of the Russian Federation's subjects and local budgets.

These recommendations are an important tool for implementing initiative projects and forming relevant budget information by the financial authorities of the Russian Federation's constituent entities. The situation is different at the regional level.

Almost all subjects of the federation publish their open budgets, they can be seen on the websites of the Moscow, Rostov, Voronezh, and Amur regions, etc., except for the newly annexed territories, which do not publish their budgets. Regarding the budget for citizens. The Ministry of Finance of the Russian Federation has announced an all-Russian competition for projects to provide a budget for citizens.

The budget for citizens in some regions of the federation has already been developed and published: the Republics of Karelia and Crimea, Sverdlovsk, Rostov, Voronezh, Kursk regions, etc.

The newly annexed Territories do not participate in this process.



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