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BUDGETARY CONTROL AT THE LOCAL LEVEL UNDER FINANCIAL DECENTRALIZATION IN UKRAINE: PROBLEMS AND THEIR SOLUTIONS

Abstract. In the context of deepening administrative and financial decentralization in Ukraine, issues of the effective functioning of the system of budgetary control at the local level are of particular importance. It is shown that local self-government bodies, having received new powers and additional resources, are not always able to manage them rationally, sometimes allowing misuse or even illegal use of them, are not engaged in finding reserves for increasing the local budgets. The institutional (organizational and legal) problems of functioning of the budgetary control system at the local level are found out. Among the main ones there are: excessive number of institutions with control powers; the lack of a unified legal framework for the functioning of budgetary control bodies at the level of local self-government; disorderly rights and responsibilities of entities authorized to control the compliance with budget legislation at the level of local self-government; weak public control over decisions of local self-government bodies regarding the use of community funds. The violations that take place in local government bodies at all stages of the budget process are systematized and their quantitative parameters are analyzed. The objective and subjective factors that give rise to such problems are revealed. The range of practical recommendations on improving the domestic system of budgetary control at the local level is given, in particular creation of a single budgetary control authority at the level of local self-government with the legitimate delegation of control functions to it and ensuring the independence from the government and local self-government bodies; strengthening and legislating the level of control and responsibility of the heads of the amalgamated territorial communities; implementation of follow-up monitoring of decisions taken by ATCs for their compliance with the current legislation of Ukraine; carrying out a complete inventory of ATCs land and its valuation, etc.

Keywords: decentralization, budgetary control, local self-government, budget process, violations of legislation.

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БЮДЖЕТНИЙ КОНТРОЛЬ НА МІСЦЕВОМУ РІВНІ В УМОВАХ ФІНАНСОВОЇ ЦЕНТРАЛІЗАЦІЇ В УКРАЇНІ: ПРОБЛЕМИ ТА СПОСОБИ ЇХ ВИРІШЕННЯ

Анотація. В умовах поглиблення адміністративної та фінансової децентралізації в Україні особливого значення набувають питання ефективного функціонування системи бюджетного контролю на місцевому рівні. Показано, що органи місцевого самоврядування, отримуючи нові повноваження та додаткові ресурси, не завжди вміють раціонально розпорядитися ними, іноді допускаючи нецільове або навіть незаконне їх використання, не займаються пошуком резервів збільшення обсягів місцевих бюджетів. З'ясовано інституційні (організаційні та правові) проблеми функціонування системи бюджетного контролю за коштами місцевих бюджетів. Серед основних визначено: надмірну кількість інститутів, наділених контрольними повноваженнями; відсутність уніфікованої законодавчої бази функціонування органів бюджетного контролю на рівні місцевого самоврядування; невпорядкованість прав і відповідальності органів, уповноважених здійснювати контроль за дотриманням бюджетного законодавства на рівні місцевого самоврядування; низький рівень громадського контролю за рішеннями органів місцевого самоврядування щодо використання коштів громад. Систематизовано порушення, що мають місце в органах місцевого самоврядування на всіх стадіях бюджетного процесу та проаналізовано їхні кількісні параметри. Виявлено об'єктивні та суб'єктивні фактори, що породжують такі проблеми. Надано рекомендації щодо вдосконалення вітчизняної системи бюджетного контролю на місцевому рівні в частині: створення єдиного органу бюджетного контролю на рівні місцевого самоврядування із законним делегуванням йому контрольних функцій та забезпеченням незалежного статусу від державної влади та ОМС; посилення та законодавчого закріплення контролю та відповідальності голів об'єднаних територіальних громад; запровадження наскрізного моніторингу ухвалених рішень ОТГ на предмет їхньої відповідності чинним законам України; проведення повної інвентаризації земель ОТГ та їхньої нормативної грошової оцінки тощо.

Ключові слова: децентралізація, бюджетний контроль, місцеве самоврядування, бюджетний процес, порушення законодавства.

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БЮДЖЕТНЫЙ КОНТРОЛЬ НА МЕСТНОМ УРОВНЕ В УСЛОВИЯХ ФИНАНСОВОЙ ЦЕНТРАЛИЗАЦИИ В УКРАИНЕ: ПРОБЛЕМЫ И СПОСОБЫ ИХ РЕШЕНИЯ

Аннотация. В условиях углубления административной и финансовой децентрализации в Украине особое значение приобретает эффективное функционирование системы бюджетного контроля на местном уровне. Органы местного самоуправления, получая новые полномочия и дополнительные ресурсы, не всегда умеют правильно распорядиться ими, иногда допуская нецелевое или даже незаконное их использование, не занимаются поиском резервов увеличения объемов местных бюджетов. Выявлено институциональные (организационные и правовые) проблемы функционирования системы бюджетного контроля средств местных бюджетов. Среди основных определены: избыточное количество институтов, наделенных контрольными полномочиями; отсутствие унифицированной законодательной базы функционирования органов бюджетного контроля на уровне местного самоуправления; неустроенность прав и ответственности органов, уполномоченных осуществлять контроль за соблюдением бюджетного законодательства на уровне местного самоуправления; низкий уровень общественного контроля за решениями органов местного самоуправления по использованию средств общин. Систематизированы нарушения, имеющие место в органах местного самоуправления на всех стадиях бюджетного процесса, и проанализированы их количественные параметры. Выявлены объективные и субъективные факторы, порождающие такие проблемы. Даны рекомендации по совершенствованию отечественной системы бюджетного контроля на местном уровне, а именно: создание единого органа бюджетного контроля на уровне местного самоуправления с законным делегированием ему контрольных функций и обеспечением независимого статуса представителя власти и ОМС; усиление и законодательного закрепления контроля и ответственности председателей объединенных территориальных общин; введение сквозного мониторинга принятых решений ОТГ на предмет их соответствия действующим законам Украины; проведение полной инвентаризации земель ОТГ и их нормативной денежной оценки и пр.

Ключевые слова: децентрализация, бюджетный контроль, местное самоуправление, бюджетный процесс, нарушения законодательства, бюджетные средства.

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Introduction. In the context of deepening the reform of administrative and financial decentralization in Ukraine, issues of control over the formation, rational and efficient spending of local budgets' funds become particularly relevant. The identification of additional resources for filling local budgets for further targeting them to meet the needs of the population is no less important. Budgetary control at the level of local self-government is not only a comprehensive assessment of the budget process, but also a key element of local financial management. On its basis, it is possible to judge the work of the local bodies and their ability to mobilize the financial resources and, therefore, to guarantee high-quality public services in full.

Research analysis and problem statement. The analysis of the publications devoted to the above-mentioned problems has proven that the issues of functioning and improvement of the budgetary control system are the subject of scientific research by a number of Ukrainian and foreign

scholars. In particular, O. Shevchuk made a significant contribution to the study of the problems of public financial control [1]. The need to strengthen control over the use of financial resources of the territorial communities is justified in the works [2—4]. The practical aspects of improving budget control mechanisms at the local level in Ukraine are reflected in the publications [5; 6]. Foreign researchers are also investigating various theoretical and practical aspects of the budgetary control. J. Nickson and S. Mears [7] examined the relationship between budgetary control and performance of state ministries in Boston, Massachusetts. T. Johansson and S. Siverbo [8] proved the appropriateness of tight budgetary control by example of municipalities in Sweden. M. Di Francesco and J. Alford considered the relationship between control and flexibility in public budgeting [9]. Special attention is paid to the issue of budgetary control at the local level by the scientists in the developing countries [10—12], where, as in our country, financial decentralization takes place. At the same time, the first results of the financial decentralization reform in Ukraine indicate the emergence of a number of risks of weakening budgetary control at the local level.

The purpose of the article is to reveal the organizational foundations of budgetary control at the local level in the context of deepening the process of financial decentralization in Ukraine, to identify problems of weakening control and to outline their solutions.

Research results. It should be emphasized that by transferring financial resources and powers to the local authorities, the state has not established an adequate system of control over local budgets' revenues and their efficient management, the decisions of local governments and their compliance with the current legislation under the new conditions. In the Ukrainian financial system, a paradoxical situation has emerged, in which, at the level of local self-government, a significant number of state and public institutions have certain control powers, in contrast to the national level, where the control powers are clearly delineated between the authorities. The right to monitor all stages of the budget process (both revenues and expenditures) at the state level, as well as the formation, servicing and repayment of the public debt, is granted (in accordance with Article 110 of the Budget Code of Ukraine and Article 98 of the Constitution of Ukraine) to the Accounting Chamber of Ukraine, while local budgets are audited by controlling institutions of various levels (Fig. 1). In addition, there is no unified legal framework for the functioning of budgetary control bodies at the local level in Ukraine (more than 100 legal acts regulate the control activities over the local self-governments) [1, p. 47].

The latest changes to the Budget Code of Ukraine have empowered the Accounting Chamber to carry out financial control measures regarding: the legality, completeness of accrual, timeliness of payment of national taxes and fees or their shares owned by the local budgets; the correctness of the calculation and distribution, timeliness and completeness of intergovernmental transfers, the legality and efficiency of the use of such transfers by managers and recipients of budget funds; the legality and efficiency of local budgets' expenditures that are determined by the functions of the state and are transferred to the local self-government [13].

First of all, these changes once again confirm the existence of a legal conflict: on the one hand, the Ukrainian Constitution clearly states that control over the revenues and expenditures of the state budget only is the powers of the Accounting Chamber; on the other hand, the Budget Code of Ukraine allows this body to control local budgets. This situation causes problems in the work of control bodies and the entities under control, and at the same time creates opportunities for new budget violations. Secondly, if at the national level usually the activity of the executive branch of government is the object of fiscal control, then both the executive and the representative branches are the subject to control at the local level. It is clear that this situation requires the ordering of the rights and responsibilities of the bodies authorized to control the compliance with the budget legislation at the level of local self-government. Thirdly, the reform of administrative and financial decentralization has made it possible to increase significantly revenues of local budgets. However, as practice shows, not all communities are able to manage the financial resources properly (irrational decisions, tenders are not conducted, incorrect programming documents, etc.). In other words, the problem of human resource potential of communities is an essential barrier for their further development.

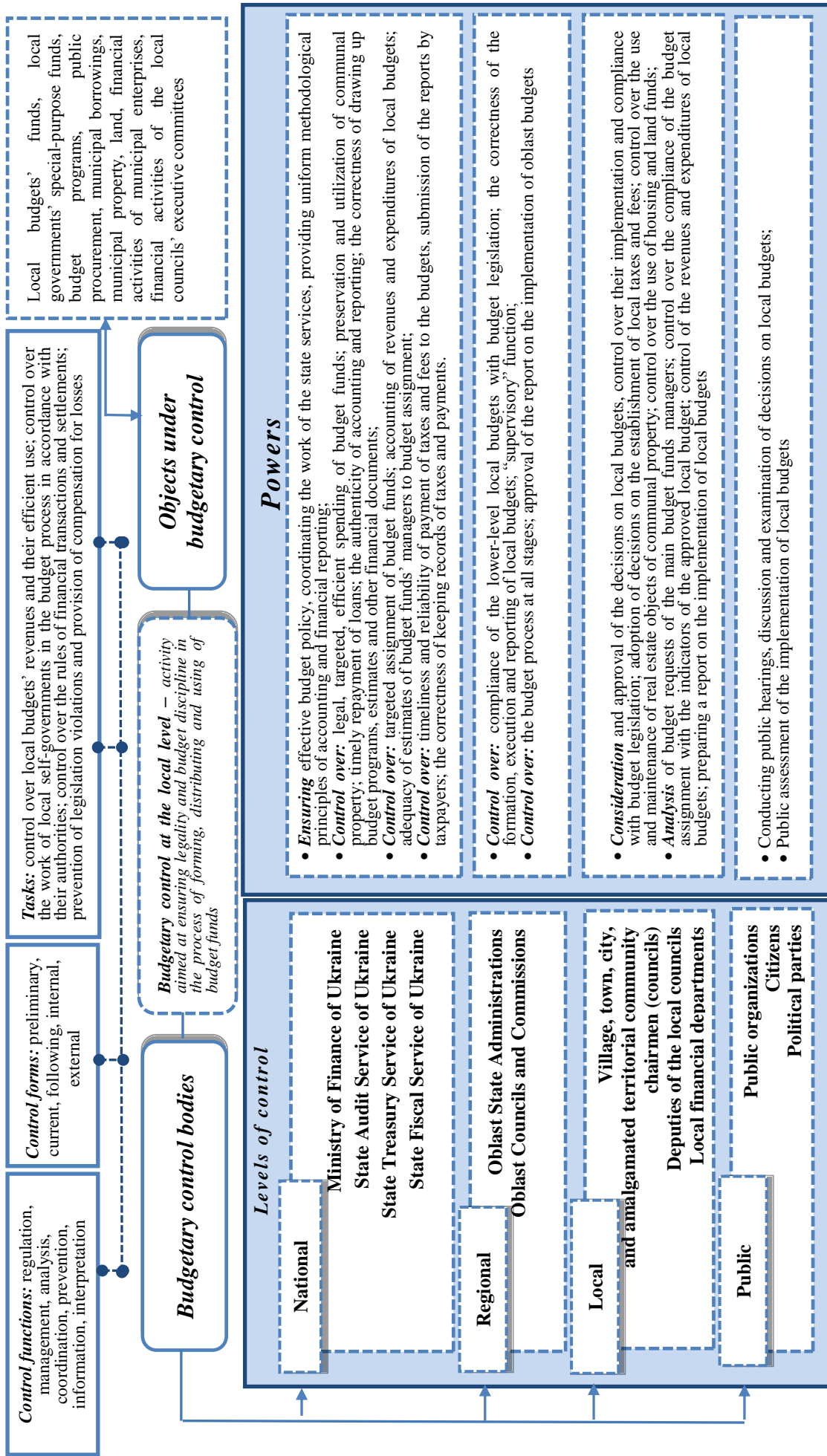


Fig. 1. The system of budget control at the local level

Source: developed by authors

Based on the information of control authorities (State Audit Service of Ukraine (SASU) [14], State Treasury Service of Ukraine (STSU) [15] and State Fiscal Service of Ukraine (SFSU) [16]), the violations and problems accompanying local self-governments at all stages of budget process can be systematized as follows (Fig. 2).

Stages of budget process	Violations	Level of administrative and territorial system			
		oblast (region)	city	raion (district)	ATC*, village, small town
Drawing up draft local budgets	providing of unconfirmed data by budget process participants				
	low transparency level in drafting of local budgets				
	approval of target-oriented programs not fully provided with financial resources				
	low level of planning of local taxes and fees				
	lack of action plan for drawing up draft budget				
Consideration and decision making on local budgets	low level of analysis of budget requests of the main budget funds managers				
	violation of the deadlines for promulgation of decisions on local budgets				
	violation of the deadlines for approving budget programs' passports				
Execution of local budgets	misuse of budget funds				
	inefficient use of budget funds (including subventions from the state budget)				
	irrational use of funds received from the state budget				
	dissipation of budget funds due to the excessive number of local programs				
	non-fulfillment of the implementation plan for oblast development strategy (formal approach to the planning of development programs and projects)				
	diversion of budget funds to long-term receivable				
	excessive spending of budget funds through payment of overestimated amounts and cost of works and services				
	illegal transfer of the communal property to the entities of non-state ownership (for free use)				
	inefficient management decisions due to the outdated land lease agreements (low rents rates)				
	violation of tender procurement rules				
	violation of legislation in placement of funds in bank institutions				
	violation of the requirements for accounting and reporting				
	unlawful payments to individuals (subsidies, benefits, allowances)				
	overdue write-off of material assets that are not available				
	illegal remunerations				
Preparation and review of reports on local budgets' execution, decision-making	low level of monitoring of budget programs execution (there are no clear indicators of effectiveness and efficiency)				

* ATC —amalgamated territorial community.

Fig. 2. Systematization of financial violations by stages of the budget process at the local level
Source: drawn up on the basis of the reports of the controlling bodies.

At the first stage (drawing up of draft local budgets), the key role of budgetary control is to assess local budgets' execution in the previous period in order to create the basis for drawing up of draft local budgets for the next period. Close cooperation between financial bodies of local self-government and the Ministry of Finance in determining the limits of budget allocations for local councils, calculation of the amounts of intergovernmental transfers and other budget indicators contributes to the calculation of prognosis parameters of revenues/expenditures of local budgets. The forecast calculations of socio-economic development of communities and the analysis of the dynamics of taxes and fees revenues are also taken into account.

Over the past three years, there has been a significant over-fulfillment of planned indicators (by income), although there are still many local budgets, where negative gaps between planned and actual indicators are recorded (especially by expenditures). For example, the execution of local budgets' expenditures in all oblasts of Carpathian region during the reform of decentralization has never crossed the marks of 100% to the planned indicators approved by the annual assignment for the relevant year (Table 1). The situation is typical for many local budgets and shows weak budgetary control at the stage of expenditures planning. Among the factors stipulating the wrong planning of expenditures we can outline: lack of single base for collection of information on local budgets' revenues; providing of unconfirmed data on local budgets' expenditures by the budget process participants; low transparency in drafting of local budgets; the lack of a single mechanism for calculating the planned and forecast indicators of local budgets.

Table 1

Dynamics of local budgets' funds in Carpathian region and Ukraine in 2015—2017

Region	Budget component	2015			2016			2017		
		approved, UAH million	executed, UAH million	execution, %	approved, UAH million	executed, UAH million	execution, %	approved, UAH million	executed, UAH million	execution, %
Lviv oblast	revenues	17684.7	18454	104.4	22815	23347.6	102.3	31822.9	32088.4	100.6
	expenditures	18508.4	18049.8	97.5	23906.7	22821.5	95.5	32966.6	31212.6	94.7
Ivano-Frankivsk oblast	revenues	9515.3	9785.3	102.8	11931.5	12314.6	103.2	16795.9	16992.7	101.2
	expenditures	9888.8	9721.6	98.3	12395.4	12161.9	98.1	16977.32	16620.8	97.9
Chernivtsi oblast	revenues	5757.8	6098.9	105.9	7238.1	7625.6	105.4	10047.9	10228.3	101.8
	expenditures	6123.5	5883.9	96.1	7821.2	7355.6	94.0	10816.5	10208.2	94.4
Zakarpattia oblast	revenues	8154.4	12702.6	155.8	9779.8	10122.1	103.5	13737.5	14011.4	102.0
	expenditures	8820.4	8487.7	96.2	10385.2	10044.5	96.7	13963.46	13530.6	96.9
Ukraine	revenues	275124	294441.6	107.0	342603.9	366143.1	106.9	486883.1	502093.9	103.1
	expenditures	287671.2	280069.2	97.4	367309.4	350515.2	95.4	498836.6	496086.8	99.4

Source: authors' calculations based on reports on local budgets' execution in the indicated year [15].

The role of budgetary control at the second stage (consideration and decision making on local budgets) is to verify compliance with the current legislation and budget discipline. According to the Budget Code of Ukraine (part two of Article 77) local budgets should be approved by the decision of the relevant local council by December 25 of the current year, in case that the Law on the State Budget of Ukraine is adopted by December 1. At this stage, it is essential to bring the amounts of intergovernmental transfers in correspondence with this Law in two weeks. Local councils are obliged to exercise budgetary control over the correctness of the calculation of intergovernmental transfers. At the same time, the data of SASU displays not a few facts of local self-governments' overstatement of these needs. In 2017 several facts of violations were revealed, one third of which related to non-observance of the requirements of legislation in allocating budget

funds: exaggerated needs for budget allocations or the absence of the needs at all. Lviv oblast became the «record holder» among the Carpathian region oblasts for this type of violations, both concerning the funds of state and local budgets (Table 2). In general, in 2017, due to the overstating calculations, UAH 49.1 million was unduly allocated to local budgets, including violations with the state budget funds amounted to UAH 35.9 million and with the funds of local budgets —to UAH 13.2 million [14].

Table 2

Amounts and number of violations in the allocation of budget funds by oblasts of the Carpathian region in 2017

	Amount of violations with state budget funds, UAH thousand	Amount of violations with local budgets funds, UAH thousand	Number of entities where violations were detected
Lviv oblast	18129.07	1123.9	10
Zakarpattia oblast	564.41	0	1
Chernivtsi oblast	19.2	22.09	2
Ivano-Frankivsk oblast	0	41.23	1
Total	18712.68	1187.22	14

Source: developed on the base of SASU reports [14].

Execution of local budgets is the third and the most important stage of the budget process that defines the general organization and management of local budgets' funds, starting with the approval of the local budgets, accumulating revenues, carrying out expenditures, as well as changes in the decisions on local budgets. Significant number of control authorities: SASU, SFSU, STSU, local self-government bodies, local financial departments and recently — the Accounting Chamber of Ukraine as well, is the characteristic of budgetary control at the local level at this stage of the budget process.

Based on the data of the above mentioned Services, it should be noted that financial violations that cause the loss of resources are the most large-scale and practically occurring at all levels of the budget system, in particular: unlawful expenditures, resources spent not on the intended purpose, missed benefits and lack of funds and material assets. The budgetary control during 2014—2017 concerning the use of local budgets in Ukraine showed that unlawful spending and misuse of funds formed approximately 60% of the total amount of detected violations (Table 3). The typical violations of the budget process in the oblasts of the Carpathian region correspond the national tendencies.

Table 3

Dynamics of violations in the use of local budgets' funds in Ukraine in 2014—2017

Type of violation	2014		2015		2016		2017	
	Amount, UAH million	Share, %	Amount, UAH million	Share, %	Amount, UAH million	Share, %	Amount, UAH million	Share, %
Unlawful expenditures	315.17	55.5	277.02	37.9	274.46	53.5	278.37	54.5
Misuse of funds	62.11	10.9	47.66	6.5	46.42	9.1	39.06	7.6
Short received resources	190.16	33.5	404.80	55.4	190.50	37.2	192.75	37.7
Shortages and theft	0.04	0.1	1.32	0.2	1.28	0.2	0.48	0.0
Sum total	567.48	100	730.80	100	512.66	100	510.66	100

Source: developed on the base of SASU reports [14].

Among the most essential factors that determine this type of violations there are: weak internal control of managers and recipients of local budget funds; excessive spending of budget funds through payment of overestimated amounts and costs of works and services; weak budgetary discipline of managers and recipients of budget funds; illegal transfer of communal property to the private entities; carrying out of procurement procedures in violation with

the current legislation; low qualification of chief accountants of budget-funded organizations registering financial obligations, etc. Non-compliance with payroll legislation is the most widespread violation that took place in the execution of local budgets of all levels. This includes the unjustified indexation of employees' salaries, which resulted in extra spending of budget funds (Lviv Antituberculous Dispensary, 2017, UAH 329.7 thousand); overpayment of single social contribution, overstated allowances to the salaries (Vorokhta Oblast Bone Tuberculosis Sanatorium «Smerichka», 2014—2017, UAH 848.1 thousand); unjustifiably overpriced salaries (Department of Education of Horodenka Raion State Administration (RSA), 2017, UAH 737.2 thousand) [14].

Typical violations occurring at the raion level relate to the unjustified payment of various kinds of compensations and benefits to the population, especially to the widespread not justified appointment of housing subsidies. For example, in Chernivtsi Oblast: Zastavna RSA, 2016—2017, UAH 353.5 thousand; Sokyriany RSA, 2016—2017, UAH 2224.4 thousand; Lviv Oblast: Mykolaiv RSA, 2017, UAH 1.2 million, Zhovkva RSA, 2017, UAH 477.8 thousand; Yavoriv RSA, 2017, UAH 350.6 thousand [14]. The overpriced scopes of work or of costs incurred in the ongoing and capital repairs are another violations of this group, which indicate the misuse and inefficient spending of local budget funds (especially in cities and ATCs). For instance, Trostianets Village Council (Lviv oblast) in 2017 spent UAH 708.9 thousand on street lighting, which is not accounted for on its balance sheet. There were also cases when, at the expense of the infrastructure subvention, the local self-government bodies managed to purchase a building for a family-type orphanage that has not been yet opened, or a luxury official car [15]. Performance of functions that do not belong to their authority is also a typical violation for ATCs which is reflected in creation of various divisions and departments, and therefore an increase in the number of employees. Such activity results in unlawful salary payments and therefore, in inefficient use of budget funds.

The dissipation of budget funds due to the excessive number of local programs provided by the regional socio-economic development strategies (which is typical for oblast budgets), as well as their partial financing, is the next example of an inefficient use of financial resources. This is promoted by a formal approach to the development of these programs and the absence of specific performance indicators, as well as the financing of activities that are not in line with the purpose of the program.

The short received revenues of the local budgets form a significant share in the structure of violations in the process of their execution. This component of typical violations is often associated with the lack of necessary and comprehensive management of community resources (land, real estate, natural resources, etc.), which results in the loss of opportunities to receive additional revenues to the local budgets and, therefore, to improve the quality of public services.

A land tax, a tax on immovable property other than a land plot, as well as proceeds from the share participation in the development of the settlement infrastructure are a significant source (after the personal income tax and the excise tax) of filling local budgets (of village, town, ATC). Therefore, the efficient management of resources that are in communal ownership is one of the mechanisms of increasing of local budget revenues and the improving development of the territorial communities. Proper coordination of actions of local self-government bodies and executive authorities that administer land use payments to the budgets, and the control over the carrying out of their own decisions can be a significant impetus for increasing the amounts of local budgets.

According to the Law «On Local Self-Government in Ukraine» [17], the charging of land fees is one of the own responsibilities of the executive bodies of the village, town and city councils, while the control over the observance of land legislation is a subject of their delegated responsibilities. In other words, local self-government bodies have the right to control not only the timeliness of land payments, but also the implementation of agreements concerning the correctness of rent amount calculations. However, the practice has shown that there are some violations both in the calculation and payment of rent by land users, which meant forgone financial benefits. They are: untimely revision of the land valuation, the absence of land lease agreements or additional agreements in the case of increasing of rental rates, etc. The SASU bodies fix a considerable amount of such violations in their reports: UAH 136.9 thousand (town Skhidnytsia, 2017 — Q1

2018); UAH 4417.4 thousand (Stryi city, 2015—2018), etc. [14]. In the overwhelming majority, these observations can be accepted, but it is fair to say that there is a legal conflict, especially in the sphere of land use of ATCs. From 2014 to the present, no territorial community has been included in the State Land Cadaster, and thus no boundaries of newly created communities have been identified. This means that the project documentation that the village and town councils previously worked on, can't be used in the work of the ATCs (at least because the ATCs may include communities from different raions). So, the question of the conciliation of the interests of territorial communities, both those who enter the ATCs and who are beyond them, is on the agenda, because it relates to resource management, and hence the potential increase or foregone of local budget revenues. Insufficient control over the use of communal property is also a disincentive factor in increasing the revenues of local self-government budgets.

It should also be noted that there are gaps in the system of control the joint administration of payments to ATC budgets, as well as village and town ones. It is about local tax and fees privileges, which cause the short receiving of funds in the communities' budgets. For example, due to this kind of violation, the budget of Skhidnytsia did not receive UAH 147.0 thousand in 2017 — Q1 2018.

The preparation and review of reports on the execution of local budgets and the adoption of decisions on them is the final stage of the budget process at the level of local self-government. As a result, the conclusion is drawn on the efficiency of the use of local budgets, after which local councils consider and make certain decisions.

Weak public control over the decisions of local governments on the use of community funds is another aspect of the problem, which has been particularly aggravated in the context of deepening administrative and financial decentralization. It is clear that as far as citizens are the payers of taxes, which are the source of budget revenues, the public control should be of special importance at all stages of the budget process and concerning all objects under control. Nowadays, we are witnessing a slightly different reality: according to the current legislation of Ukraine, the participation of citizens in decision-making at the local level depends exclusively on the goodwill of the local self-government bodies and their legal acts including the territorial community's statute, the adoption of which is not compulsory.

It should be acknowledged that starting from 2015, there is no particular breakthrough in this regard despite slight shifts (such as the implementation of the state project "E-Data", which aims to ensure transparency of public finance, the submitting of local electronic petitions, the conducting of public discussions on local budgets and the implementation of participatory budgeting in the cities [6; 18]). Such a situation results in voluntaristic decisions of local governments in terms of financing local budget expenditures (as discussed above). In our view, this key component of decentralization reform is the weakest one: the reform of administrative and financial decentralization has allowed increasing local budget revenues, but the system for controlling their efficient use has remained unchanged.

Conclusion. In our opinion, the improvement of budgetary control at the level of local self-government may be facilitated by a number of steps:

- considering a significant number of entities authorized to carry out control at the local level (often with duplicate powers), it is reasonable to create a single budgetary control authority at the level of local self-government with the legitimate delegation of control functions to it and the ensuring the independence from the government and local self-government bodies;

- since the reform of administrative and financial decentralization implies an increase in the powers of the local governments in terms of the formation and use of local budgets, it would be logical to strengthen and legislate the level of control and responsibility of the heads of the ATCs, as they are the managers of budgetary funds. Moreover, it is expedient to empower the head of the newly formed community to carry out internal control over budget discipline at all stages of the budget process;

- complete inventory of ATCs' lands and their valuation, regardless of their intended purpose, revision of existing and concluding new lease agreements (land, water resources,

municipal property), as well as strengthening control over the use of communal property will enable to find additional sources for filling local budgets;

- inventory of existing budget programs with a simultaneous decrease in their number, especially concerning those without concrete performance indicators and without dominant influence on the socio-economic development of the territories, will help to minimize opportunities for inefficient use of local budget funds;

- formation of a single database, which will record detected offenses related to the management of local budgets, and thus the legislative strengthening of liability for budget violations can also improve budget discipline at the local level;

- for strengthening public control, it is expedient to legislatively establish the mandatory conduct of public hearings at the stage of drafting local budgets. This will increase the transparency of management decisions, and thus contribute to the implementation of the main mission of the local budget - to meet the public needs of the territorial community.

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