

## ORIGINAL PAPER



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# Improvement of Methods of Quality Assessment of Financial Management of Chief Administrators of Budgetary Funds

A.N. Atrokhova

Financial University, Moscow, Russia

## ABSTRACT

The quality of financial management is one of the key factors in achieving the goals and objectives of both commercial organizations and public sector organizations. The **subject** of this study is the relationship between the budget process participants, arising as a result of organizing and conducting an assessment of the quality of financial management in accordance with the budget legislation of the Russian Federation. The degree of scientific development of the topic is assessed as low since at the moment there is no consistent approach to assessing the quality of financial management from the point of view of financial management, and therefore this issue is **relevant**. The **aim** of the study is to substantiate the need to improve the methodology for assessing the quality of financial management of the chief administrators of budgetary funds. The issue of assessing the quality of financial management in the public administration sector is controversial and fairly new in the theory of public and municipal finance. The author used the following **methods** in the paper: an abstract-logical method, analysis and synthesis, induction and deduction. As a **result** of the study, a number of problems have been identified related to the reliability of the assessment of the quality of financial management of the chief administrators of budgetary funds, its significance, comparability, and objectivity, and the quality of legal and methodological support for the assessment. It is **concluded** that it is necessary to clarify the current budget legislation and eliminate legal conflicts, separate the results of assessing the quality of financial management of federal ministries, services, and agencies, adjust the formulas for calculating the values of indicators in the direction of "budget expenditures management", and also introduce disciplinary responsibility of the head of the chief administrator of budgetary funds. The **novelty** of the study lies in the proposal of specific measures to improve the assessment of the quality of financial management of the chief administrators of budgetary funds in the framework of developing measures to improve the efficiency of the budget process.

**Keywords:** quality of financial management; public sector finance; effective management concept; budget process; budgetary powers; public sector organizations; chief administrator of budgetary funds

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## INTRODUCTION

Management of public and municipal finances is designed to achieve established socio-economic goals through the efficient use of limited financial resources. The quality of financial management carried out by the chief administrators of budgetary funds largely determines the effectiveness of the ongoing budget policy in the country.

The issue of assessing the quality of financial management in the field of public administration is debatable and fairly new in the theory of public and municipal finance. There are a number of publications of domestic researchers: theoretical and practical aspects are considered in the studies by A.M. Lavrov [1], A.G. Siluanov [2, 3], S.S. Bychkov [4, 5], L.I. Pronina [6], A.G. Zhukova [7–9], N.S. Shmigol' [10], etc. This topic is largely based on the current federal regulatory legal acts, including the legal acts of the Government of the Russian Federation and the Ministry of Finance of the Russian Federation.

The objectives of this study:

1. Determine the content of the assessment of the quality of financial management of the chief administrators of budgetary funds.
2. Analyze the legal framework for assessing the quality of financial management of the chief administrators of budgetary funds.
3. Study foreign experience in assessing the quality of financial management of the chief administrators of budgetary funds.
4. Develop recommendations for improving the methodology for assessing the quality of financial management of the chief administrators of budgetary funds.

The object of the study is the theoretical, methodological, and legal aspects of the methodology for assessing the quality of financial management of the chief administrators of budgetary funds as a tool for improving the efficiency of public finance management. The subject of the paper is the activities of authorized bodies for assessing the quality of financial management in accordance with the budget legislation of the Russian Federation.

## CONTENT OF THE METHODOLOGY FOR ASSESSING THE QUALITY OF THE FINANCIAL MANAGEMENT OF THE CHIEF ADMINISTRATORS OF BUDGETARY FUNDS

Since the beginning of the budget reform in the 2000s in Russia in the field of public (municipal) finances, the term “financial management” began to be used. Some authors define financial management in state bodies as “the process of implementation by the participants of the budget process of budget procedures in the exercise of their budgetary powers, which are established by the budget legislation of the Russian Federation, and taking measures to improve the quality of their execution” [1]. Financial management should ensure the prevention and mitigation of negative consequences affecting the execution of budgetary powers.

According to the generally accepted concept of effective management, the main focus in public financial management is not on the process, but on the results of management. The transition to the principles of effective management was set as the main goal of the budget reform launched in 2004. The Budget Message of the President of the Russian Federation to the Federal Assembly “On Budget Policy in 2004” set the task for 2004 and the medium term to introduce modern methods of budget planning, focused on the final result and stimulate the most efficient use of budget funds. The quality of management as a whole reflects the level of perfection of management processes [11].

Taking into account the positive experience of approbation of the program-targeted budgeting mechanism in 2004–2006 the financial authorities have been tasked with implementing a quality control system for financial management.<sup>1</sup> Monitoring of the quality of financial management began to be introduced into the budget process of the

<sup>1</sup> Section 29 p / 2 of the Budget Message to the Federal Assembly “On Budget Policy in 2008–2010”.

Russian Federation in 2007–2008 as part of the implementation of the concept of performance-based budgeting.

Despite the extensive experience in introducing effective management tools into the budget process, at present, the meaning of the term “financial management” is not established by the Budget Code of the Russian Federation. In order to fulfill paragraph 6 of Art. 160.2–1 of the Budget Code of the Russian Federation by Order of the Ministry of Finance of the Russian Federation dated November 14, 2019 No. 1031 “On approval of the methodological guidelines for controlling the quality of financial management” (hereinafter referred to as the Guidelines approved by Order No. 1031), financial management is defined as “an organization and execution by the chief administrator (administrator) of budgetary funds, the recipient of budgetary funds, the financial body (management body of the state non-budgetary fund) of budgetary procedures in order to exercise budgetary powers.”<sup>2</sup>

The concept of “the chief administrator of budgetary funds” is applied to the subjects of budgetary legal relations, is of a general nature, and refers to the chief managers of budgetary funds, the chief administrators of budget revenues, and the chief administrator of sources of financing the budget deficit.<sup>3</sup> The definitions of these terms are enshrined in Art. 6 of the Budget Code of the Russian Federation.

According to paragraph 6 of Art. 160.2–1 of the Budget Code of the Russian Federation, the quality control of financial management is carried out, including quality control of the execution of budgetary powers, as well as the quality of asset management, procurement of goods, works, and services to meet state (municipal) needs. Monitoring the quality of financial management of the chief

administrators of budgetary funds is a form of control aimed at assessing the achievement of the established target values of indicators of the quality of execution of budgetary powers assigned to the chief administrators of budgetary funds in accordance with the legislation of the Russian Federation [12]. Methodological recommendations approved by Order No. 1031 define monitoring of the quality of financial management as the analysis and assessment of the implementation of budgetary powers by the object of monitoring, including the results of the implementation of budgetary procedures carried out by the subject of monitoring.

Monitoring the quality of financial management is characterized by dynamism, as it is an assessment of the quality of financial management, carried out on an ongoing basis for years. It should be noted that the process of its implementation is usually decentralized [13].

The results of monitoring the quality of financial management of public administration organizations are used to improve the quality of implementation of budgetary procedures, timely assessment and mitigation of budgetary risks, and improve the quality of financial discipline [14]. In addition, it is advisable for the state financial control authorities to use them to apply the risk-based method when planning control measures [15, 16].

Thus, the assessment of the quality of financial management of the chief administrators of budgetary funds can be defined as a set of analytical procedures implemented by a specially authorized organization in the public sector in the form of quarterly and annual monitoring, the result of which is to identify the degree of achievement of established indicators and the fulfillment by the chief administrators of budgetary funds of the budget powers entrusted to them in accordance with the budget legislation of the Russian Federation.

At the moment, the assessment of the quality of financial management of the chief administrators of budgetary funds is carried

<sup>2</sup> Clause 4 of the Guidelines approved by Order of the Ministry of Finance of Russia dated 14.11.2019 No. 1031.

<sup>3</sup> Paragraph 1 of the letter of the Ministry of Finance of Russia dated 15.10.2015 No. 02–01–10 / 59024 [On the clarification of the concept of “chief administrator of budgetary funds” and on the exercise of the powers and functions of the chief administrator of budgetary funds].

out on the basis of quarterly and annual monitoring in the following areas: “budget expenditure management” (0.5), “budget revenue management” (0.2), “accounting and budget reporting” (0.1), “organization and conduct of internal financial audit” (0.1) and “asset management” (0.1).

When calculating the assessment of the quality of financial management of the chief administrators of budgetary funds, two types of indicators are used:

1) indicators assessed according to a certain criterion (non-compliance with the procurement planning rules, violation of the deadlines for bringing budget allocations, the availability of an approved methodology for forecasting budget receipts, etc.);

2) indicators evaluated according to formulas that determine the value of the assessment depending on the deviation of the indicator value from its optimal interval (as a rule, the optimal interval is not some range of acceptable values, but the only value — the target one).

Each indicator is evaluated in points. Based on them, the characteristic of the indicator is carried out. The higher the score, the better the quality of the chief budget administrator’s financial management. Low scores indicate “weaknesses”.

### **REGULATORY SUPPORT FOR ASSESSING THE QUALITY OF FINANCIAL MANAGEMENT OF CHIEF ADMINISTRATORS OF BUDGETARY FUNDS**

In general, a retrospective of the regulatory legal acts of the Russian Federation governing the organization and conduct of an assessment of the quality of financial management of the chief administrators of federal budgetary funds is as follows:

- Order of the Ministry of Finance of the Russian Federation dated December 10, 2007, No. 123n “On the organization of control over the quality of financial management carried out by the chief administrators of federal budgetary funds”;

- Order of the Ministry of Finance of the Russian Federation dated April 13, 2009, No. 34n “On the organization of quality control of financial management carried out by the chief administrators of federal budgetary funds”;

- Order of the Ministry of Finance of the Russian Federation dated December 29, 2017, No. 264n “On the preparation of a report of the Ministry of Finance of the Russian Federation on the results of quality control of financial management carried out by the chief administrators of federal budgetary funds (chief administrators of federal budgetary funds, chief administrators of federal budgetary revenues, chief administrators of sources of financing the federal budget deficit)” (hereinafter referred to as the Regulation approved by Order No. 264n);

- Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No. 112n “On Approval of the Procedure for Quality Control of Financial Management by the Ministry of Finance of the Russian Federation” (hereinafter referred to as the Procedure approved by Order No. 112n).

According to paragraph 6 of Art. 160.2–1 of the Budget Code of the Russian Federation, control over the quality of financial management is carried out by:

- financial body (the governing body of the state non-budgetary fund) in relation to the chief administrators of budgetary funds;
- the chief administrators of budgetary funds in relation to the managers of budgetary funds subordinate to him.

A retrospective of the regulatory framework indicates that initially, all areas of assessment at the federal level had an equal share in the calculation of the final assessment, however, in 2010, differentiation of specific weights was introduced depending on the significance of each component.<sup>4</sup>

A new stage in the development of the methodology for assessing the quality of

<sup>4</sup> Appendix 1 of Order No. 192n of the Ministry of Finance of Russia dated December 29, 2010 “On Amendments to Order No. 34n of the Ministry of Finance of the Russian Federation dated April 13, 2009”.



financial management, characterized by linking the systems of internal financial control, internal financial audit, and the system for monitoring the quality of financial management, the redistribution of the specific weights of areas, the introduction of target values, the maximum allowable deviation of 25% from target values and a letter rating (from AAA to CC), began with the entry into force of the order of the Ministry of Finance of Russia dated December 29, 2017, 264n.

At the moment, the Procedure approved by order of the Ministry of Finance of Russia dated September 18, 2020, No. 112n is in force, in accordance with which indicators for assessing the quality of internal financial control are no longer calculated due to the exclusion of internal financial management from the budgetary powers of the chief administrators of budgetary funds.

Raising the issue of compliance with the deadlines for the submission of budget reports by the chief administrators, the author revealed the following. During the annual control, the chief administrators of budgetary funds must submit to the Ministry of Finance of Russia information on violations identified by the state financial control authorities in the reporting period before September 1 of the current financial year.<sup>5</sup> Annual monitoring is carried out until June 1 of the year following the reporting year, respectively, information about identified violations should be received by officials of the Ministry of Finance of Russia as soon as possible before June 1, and not earlier than September 1, in connection with which the author determined the need to revise the deadlines.

The need for such information to be provided by the chief administrators indicates that there is no automated data transfer to calculate the financial management performance score. This entails a slowdown in the process of calculating the assessment and the human factor, therefore,

in the future, it seems appropriate to perform the task of automating the organization of the assessment. An example of best practice is the introduction of the automated organization and calculation of estimates in Moscow: financial management quality control is carried out through the Automated City Finance Management System of the City of Moscow (ASU GF).<sup>6</sup>

### INTERNATIONAL EXPERIENCE IN ASSESSING THE QUALITY OF FINANCIAL MANAGEMENT BY THE CHIEF ADMINISTRATORS OF BUDGETARY FUNDS

In foreign countries, as a rule, the system of public administration, including the financial management of public sector organizations, is arranged in such a way that the mechanisms for assessing its quality are built into the system of executive power.

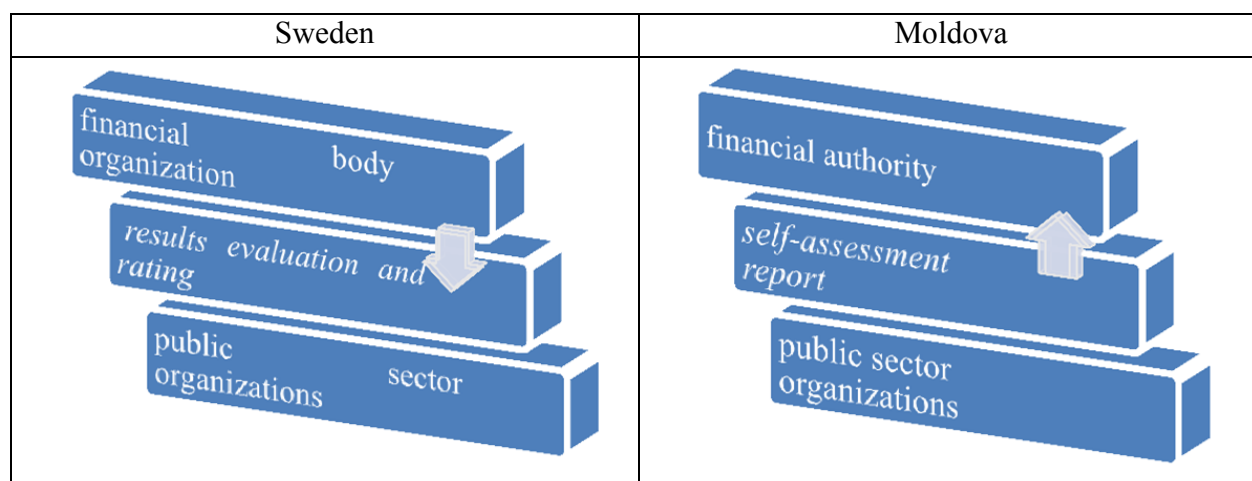
The experience of Sweden is interesting, where “ministries and departments are annually ranked in four groups depending on the volume of budgetary powers within the budget process” [1]. Just like in Russia, in Sweden the introduction of such a rating is due to the implementation of the principles of effective management within the framework of the PB concept — performance-based budgeting, which, among other things, involves the decision-making by the authorities on the disposal of budget funds independently.

In Sweden, the quality of financial management is assessed by the Office of Economic Regulation, which is under the jurisdiction of the Ministry of Finance and is an expert body that provides expert assistance to public sector organizations in improving the quality of their financial performance.

The economic regulatory body has established that the assessment of the quality

<sup>5</sup> Clause 10.2 of the Procedure approved by order of the Ministry of Finance of Russia dated 18.06.2020 No. 112n.

<sup>6</sup> Clause 1.6 of the Procedure for monitoring the quality of financial management in relation to the chief administrators of budgetary funds of Moscow, approved by Order of the Department of Finance of Moscow dated December 31, 2020 No. 346.



**Fig. 1. Approaches to assessing the quality of financial management in Sweden and Moldova**

Source: compiled by the author on the basis of the order of the Ministry of Finance of the Republic of Moldova dated April 26, 2012, No. 49 "On Approval of the Regulations for the Assessment, Reporting of the Financial Management and Control System and the Issuance of a Declaration of Good Governance".

of financial management may not be carried out if the body exists for a short time or if it is planned to be liquidated. In addition, if the potential object of assessing the quality of financial management has a large number of industry specifics, then the traditional assessment (in the form in which it is usually carried out) may also not be carried out due to its inappropriateness and the possibility of obtaining unreliable data. In this case, the assessment of the quality of financial management is aimed at identifying the ability to reliably and effectively manage financial resources.

The results of assessing the quality of financial management are recorded in the rating (on a scale from AA to CC) [17]. If the body or government agency complies with all financial and administrative regulations, then the assessment of the object is given a high score. Conversely, if the body acts unsatisfactorily in the framework of budgetary management, then in this case it receives a recommendation from the decisions on the need to carry out its financial activities. This approach has been implemented in the Russian Federation since 2018.

Assessing the quality of financial management in Sweden goes beyond aspects

of the financial activities of public authorities. Thus, in addition to public sector indicators, population registration systems are considered. Taking into account the population quality register system for assessing financial management in Sweden makes it possible to assess the economic activity of the population and them as users of public services, which, in turn, are provided on a budgetary basis.<sup>7</sup>

A different approach to the methodology for assessing the quality of financial management in Moldova. The main aspects of the financial management system are established by the Law of the Republic of Moldova of September 23, 2010, No. 229 "On State Financial Control". In pursuance of this law, by order of the Ministry of Finance, the Regulation on the evaluation of financial management was put into effect.<sup>8</sup> Monitoring and evaluation of the phenomenon based on preliminary observation, self-assessment, and internal audit.

<sup>7</sup> Student abstracts. Population register. URL: [https://studref.com/422209/ekonomika/registr\\_naseleniya](https://studref.com/422209/ekonomika/registr_naseleniya) (accessed on 07.12.2021).

<sup>8</sup> Order of the Ministry of Finance of the Republic of Moldova dated April 26, 2012 No. 49 "On approval of the Regulations for the assessment, reporting of the financial management and control system and issuance of a declaration on good governance".

This Regulation establishes the procedure for conducting a self-assessment of the quality of financial management by the authorized body or the head of the institution on the basis of an approved list of issues on financial activities. The head of the state entity is responsible for the process of self-assessment of the financial management system. The result of an individual self-assessment is the signing of a declaration of good governance, according to which the head of the body/institution takes responsibility for the quality of financial management. The self-assessment form is built on the principles of the COSO model. It is simple because it consists of yes or no questions (for example, the existence of an internal control system, compliance with regulations, budget reporting, etc.). When interpreting the results of filling out the form, there are also no difficulties: if the share of “yes” answers is greater than or equal to 51%, then the quality of financial management is recognized as reliable. Further, based on the percentage of “yes” and “no” answers, a grade is given: from A (highest) to D (worst). The report on the results of the self-assessment of the quality of financial management is sent to the Ministry of Finance of the Republic of Moldova.

Let us consider the systematized information on the procedure for organizing the assessment of the quality of financial management in Sweden and the Republic of Moldova (*Fig. 1*). A vertical system is being introduced in Russia and Sweden, and a horizontal one is in the Republic of Moldova. A common point in the implementation of the results of assessing the quality of financial management is that the objects of assessment independently solve the problem of improving the quality of financial management, regardless of whether the assessment is carried out by a financial authority or in the form of self-assessment.

International experience can be useful in improving the methodology for assessing the quality of financial management in the Russian Federation based on an analysis of best practices in this area.

## RECOMMENDATIONS FOR IMPROVING THE METHODOLOGY FOR ASSESSING THE QUALITY OF THE FINANCIAL MANAGEMENT OF THE CHIEF

### ADMINISTRATORS OF BUDGETARY FUNDS

At this stage, the methodology for assessing the quality of financial management of the chief administrators of budgetary funds does not allow to fully solve the tasks facing it. To date, the assessment reflects only the state of financial management but does not reveal factors affecting its quality [18]. The author identifies three groups of areas for improving the methodology for assessing the quality of financial management:

- improvement of the legal framework and the current methodology;
- improvement of organizational aspects (at present, there are no stimulating factors and responsibility for violating the deadlines for providing information to the Ministry of Finance of Russia on the objects of assessment, in addition, the methodology for assessing the quality of financial management by the Ministry of Finance of Russia has been approved, but is also an object of assessment, in connection with which it can be assumed that possible adjustment of the methodology for themselves);
- automation of the process (an automated program with built-in effective valuation formulas used by employees of the Russian Ministry of Finance to calculate the valuation is imperfect since in practice there have been cases of discrepancies between the valuation results calculated by the automated program and the valuation results obtained by recalculating it by the chief administrator).

Regulatory legal acts establish the methodology and procedure for assessing the quality of financial management of the chief administrator of budgetary funds but do not directly define this term. The author proposes to legislate this concept as a set of analytical procedures within the framework of quarterly and annual monitoring, the result of which is to identify the degree of achievement of established indicators and the implementation

Table 1

**Planned values of the average indicator of the quality of financial management according to the Program**

Indicator	2018	2019	2020	2021	2022	2023	2024
Average indicator of the quality of financial management	50	55	60	70	71	73	75

Source: compiled by the author on the basis of the Decree of the Government of the Russian Federation dated April 15, 2014, No. 320 "On Approval of the State Program of the Russian Federation "Public Financial Management and Regulation of Financial Markets".

of budgetary powers by the chief administrator of budgetary funds are assigned to them in accordance with the budgetary legislation of the Russian Federation.

In addition to the gap in the definition, the existing methodology for assessing the quality of financial management is characterized by inaccuracies that need to be corrected in order to eliminate the conflicts they cause. Decree of the Government of the Russian Federation dated April 15, 2014, No. 320 approved the state program "Public financial management and regulation of financial markets" (hereinafter referred to as the Program). According to the Program, the improvement of the quality of public financial management is planned to be achieved through the implementation of tasks to improve the efficiency of public financial management, and the active introduction of digital technologies as part of the process of digitalization of the economy and other spheres of society.

Indicator 2.5. of the Program is designated as the "Average indicator of the quality of financial management of the chief administrators of federal budgetary funds". One of the directions of state policy within the framework of the Program implementation is the creation and provision of conditions for improving the quality of financial management of the chief administrators of budgetary funds and state (municipal) institutions.

The planned values of the average indicator of the quality of financial management of the chief administrators of federal budgetary funds are approved by the Program passport (Table 1).

According to the Procedure for Quality Control of Financial Management, the target value for each area (A) is calculated by the formula:

$$A = \frac{100 + AVG_{sp}}{2},$$

where  $AVG_{sp}$  — average financial management quality index for the corresponding year, established by the Program.<sup>9</sup>

However, this index has not been included in the state program "Public Financial Management and Regulation of Financial Markets" since 2019. It turns out that the Procedure approved by Order No. 112n referred to a non-existent indicator. There is a terminological inaccuracy: when calculating the target value, not an average index is used (outdated indicator 6 "Average indicator of the quality of financial management of the chief administrators of federal budgetary funds"<sup>10</sup>), as established by the Procedure, but indicator 2.5 "Average indicator of the quality of financial management of the chief administrators of federal budgetary funds". This shortcoming remains in the Procedure approved by Order No. 112n. It is necessary to eliminate this terminological inaccuracy by correcting the commentary to the formula for calculating the target value for each direction in Appendix No. 1 to the Procedure approved by Order

<sup>9</sup> Appendix No. 1 to the Procedure approved by Order of the Ministry of Finance of Russia No. 112n dated September 18, 2020.

<sup>10</sup> Decree of the Government of the Russian Federation No. 320 dated April 15, 2014 "On Approval of the State Program of the Russian Federation "Public Financial Management and Regulation of Financial Markets".



Table 2

## Indicator “Timeliness of making budgetary commitments”

Calculation of the value of the financial management quality indicator	
When monitoring for the I quarter of the current financial year	$E(P) = \begin{cases} 1, & \text{if } P \leq 0.8 \\ 0 & \text{otherwise} \end{cases}$
When monitoring for the II quarter of the current financial year	$E(P) = \begin{cases} 1, & \text{if } P \leq 0.6 \\ 0 & \text{otherwise} \end{cases}$
When monitoring for the III quarter of the current financial year	$E(P) = \begin{cases} 1, & \text{if } P \leq 0.3 \\ 0 & \text{otherwise} \end{cases}$
During the annual monitoring	$E(P) = \begin{cases} 1, & \text{if } P \leq 0.1 \\ 0 & \text{otherwise} \end{cases}$

Source: compiled by the author on the basis of the Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No. 112n “On Approval of the Procedure for Monitoring the Quality of Financial Management by the Ministry of Finance of the Russian Federation”.

No. 112n: “average index of the quality of financial management” should be replaced with “average indicator of the quality of financial management”.

Often, the leaders in the financial management quality rating are mainly federal services. This may be due to the fact that “expenditure management in federal services is relatively simple, since the largest amount of expenses falls on ensuring the organization of their activities” [1]. In this regard, for greater comparability of the results obtained and a correct comparison of the results between the objects of monitoring the quality of financial management, it seems appropriate to single out the results of federal ministries, services and departments under the jurisdiction of executive authorities. At the same time, the state program “Management of public finances and regulation of financial markets” should provide for several

planned values of the average indicator of the quality of financial management of federal ministries, services and departments.

Despite the fact that the regulatory framework for organizing and assessing the quality of financial management of the chief administrators of budgetary funds is gradually being improved, inaccuracies in the formulas still remain in the current methodology, causing difficulties in calculations [19]. To confirm this opinion, let us consider the calculation of the values of financial management quality indicators in the direction of budget expenditure management, which has the largest share in the final assessment.

First, the calculation of the value of the timeliness of making budgetary commitments indicator is incorrect (Table 2). According to the General Provisions of the Procedure, approved by Order No. 112n, the quality

Table 3

**Indicator “Quality of execution of orders of the Accounts Chamber of the Russian Federation and the Federal Treasury”**

**Calculation of the value of the financial management quality indicator**

$$E(P) = P = \frac{|Q_p + 0.5 * Q_c|}{Q_n},$$

where  $Q_p$  – the number of orders executed by the chief administrator, units;  
 $Q_c$  – the number of orders partially executed by the chief administrator, units;  
 $Q_n$  – the number of orders sent to the chief administrator, units.

Source: compiled by the author on the basis of the Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No 112n “On approval of the procedure for monitoring the quality of financial management by the Ministry of Finance of the Russian Federation”.

Table 4

**The formula proposed by the author for calculating the value of the indicator “Quality of execution of the orders of the Accounts Chamber of the Russian Federation and the Federal Treasury of the Russian Federation”**

**Calculation of the value of the financial management quality indicator**

$$E(P) = P = \frac{Q_p}{Q_n},$$

where  $Q_p$  – the number of orders executed by the chief administrator on time, units;  
 $Q_n$  – the number of orders sent to the chief administrator, units.

Source: compiled by the author on the basis of the Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No. 112n “On Approval of the procedure for monitoring the quality of financial management by the Ministry of Finance of the Russian Federation”.

control of the financial management of the chief administrators of budgetary funds for the I and II quarters is not carried out separately. It is necessary to update the information reflected in Appendix No. 2 to this Procedure: to combine the formulas for calculating the values of indicators for the I and II quarters.

Second, the author considers it appropriate to change the calculation of the value of the indicator of the quality of execution of the orders of the Accounts Chamber of the Russian Federation and the Federal Treasury of the Russian Federation. The current formula uses data on the

number of orders sent and executed (Table 3). The quantity cannot be negative, so there is no need to use the module, which is why it is proposed to omit it. In addition, this formula has a drawback, which manifests itself in the fact that the orders are equally taken into account, executed both, for example, by 5% and by 95%, i.e. all partially fulfilled orders, according to the formula, are equalized for 50% fulfilled ones. On the one hand, this was done in order to simplify the calculation of the indicator, on the other hand, such a calculation incorrectly reflects the quality of financial discipline.

Table 5

**Indicator “Presence of judicial acts of the Russian Federation and amicable agreements on compensation for harm caused as a result of illegal actions of the chief administrators or their officials”**

Calculation of the value of the financial management quality indicator
$E(P) = \begin{cases} \left(1 - \frac{P}{2}\right), & \text{if } P < 0.5 \\ 0, & \text{if } P \geq 0.5. \end{cases}$

Source: compiled by the author on the basis of the Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No. 112n “On Approval of the Procedure for Monitoring the Quality of Financial Management by the Ministry of Finance of the Russian Federation”.

Table 6

**Dependence of the value of the indicator  $E(P)$  on the variable  $P$ : current and proposed by the author of the formula**

$P$	$E(P) = 1 - \frac{P}{2}$	$E(P) = 1 - \frac{P}{0.5}$
0	1	1
0.1	0.95	0.8
0.2	0.9	0.6
0.3	0.85	0.4
0.4	0.8	0.2
0.5	0.75	0
0.6	0	0
0.7	0	0
0.8	0	0
0.9	0	0
1	0	0

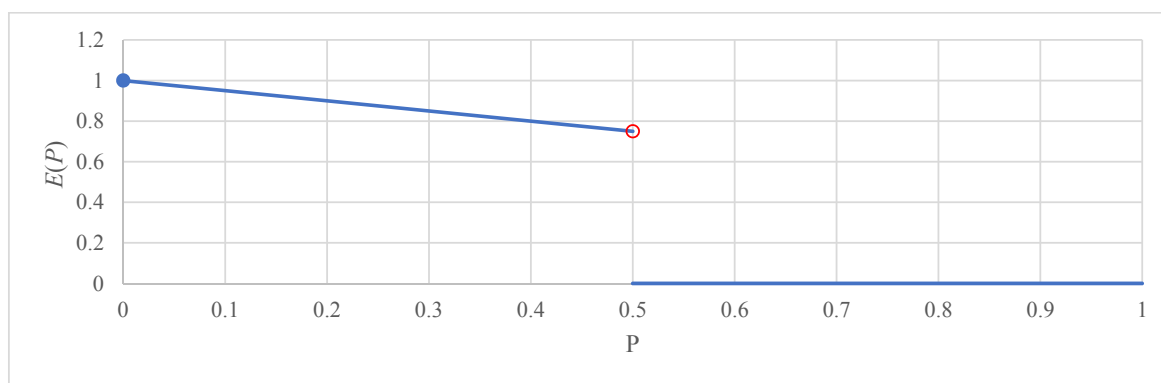
Source: compiled by the author.

When calculating the value of this indicator, the author also proposes to take into account only the orders fully executed by the chief administrator, since one of the most important characteristics of financial discipline is compliance with the established deadlines (Table 4). The current formula also does not make it possible to take into account the absence of orders sent to the chief administrators of budgetary funds in the calculation. The author proposes to introduce the condition  $E(P) = 1$  for  $Q_n = 0$ .

Thirdly, the current formula for calculating the indicator of the presence of judicial acts of the Russian Federation and amicable agreements on compensation for harm unevenly distributes points (Table 5).

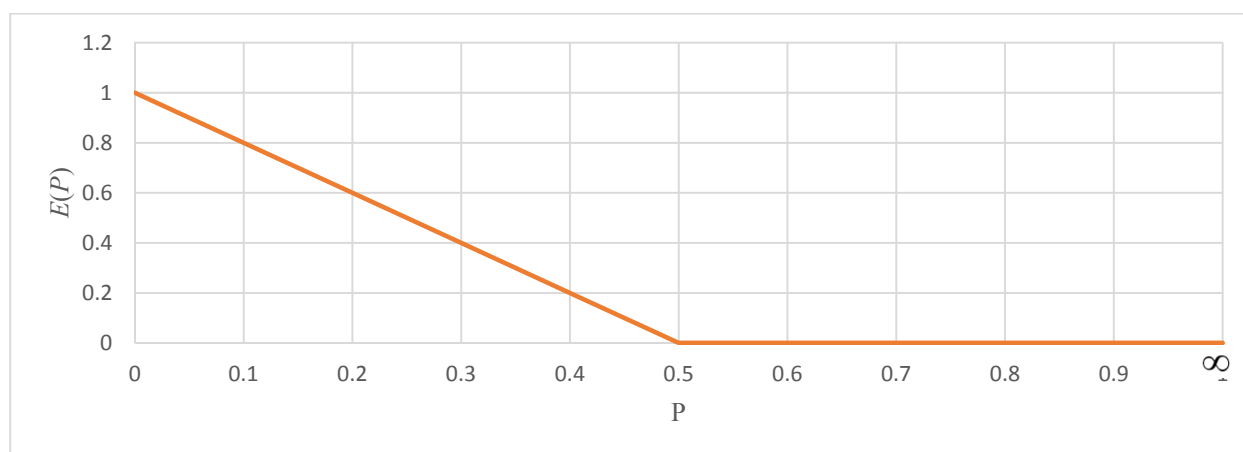
According to this indicator, a score that takes a value in the interval  $(0; 0.75)$ , cannot be set, which indicates irregularity (Table 6). The author suggests using the formula  $P < 0.5$

under the condition of  $\left(1 - \frac{P}{0.5}\right)$ .



**Fig. 2. The variability of the calculated value for the indicator “Presence of judicial acts of the Russian Federation and amicable agreements on compensation for harm caused as a result of illegal actions of the chief administrators or their officials”. Current assessment methodology**

Source: compiled by the author on the basis of the Order of the Ministry of Finance of the Russian Federation dated June 18, 2020, No. 112n “On approval of the procedure for monitoring the quality of financial management by the Ministry of Finance of the Russian Federation”.



**Fig. 3. Methodology for assessing the indicator “Presence of judicial acts of the Russian Federation and amicable agreements on compensation for harm caused as a result of illegal actions of the chief administrators or their officials”, proposed by the author**

Source: compiled by the author.

The current methodology for calculating the indicator “Presence of judicial acts of the Russian Federation and amicable agreements on compensation for harm caused as a result of illegal actions of the chief administrator or their officials” does not allow for a rhythmic distribution of points (Fig. 2).

The use of the formula  $\left(1 - \frac{P}{0.5}\right)$  proposed by the author makes it possible to evenly distribute the values of the indicator  $E(P)$  (Fig. 3).

The disadvantage of the current methodology is also manifested in insufficient completeness

and complexity. Sources of financing the budget deficit are not included in the assessment of the quality of financial management, and therefore indicators for such budget classification codes are not calculated. This is a drawback from the point of view of the methodology for assessing the quality of financial management of the chief administrators of sources of financing the budget deficit, which, in turn, affects the unreliability of the result obtained during the assessment. The author proposes to consider the development of a new direction: “Management of sources of financing the budget deficit”.



The second group of issues is related to the peculiarities of the organization of assessing the quality of financial management of the chief administrators of budgetary funds. Turning to the explanatory note to the reports on the results of monitoring, one can note the duplication of the same abstract conclusions from year to year. On the one hand, this is justified by the fact that employees of the Ministry of Finance of Russia, based on the results of assessing the quality of financial management, cite general factors that contribute to obtaining one or another final average rating, and are not able to identify the reasons for a possible negative result for each chief administrator; on the other hand, the lack of detail on each object of assessment creates difficulties for the chief administrators in determining measures to improve the quality of financial management based on the results of the assessment. The author proposes to increase the efficiency of interaction between employees of the Ministry of Finance of Russia and chief administrators in terms of interpreting the final assessment obtained in order to better understand the objects of assessment of their “weaknesses”. Such bilateral cooperation will improve the quality of budget management.

When analyzing the methodology for assessing the quality of financial management, the author noted a discrepancy between the timing of the submission by the chief administrators of information about the violations identified by the state financial control bodies and the timing of the annual control, which requires this information. The author proposes to revise the deadlines for sending information about detected violations: to designate the maximum period until June 5, as provided for in the Regulations approved by Order No. 264n. At the same time, it is proposed to conduct annual monitoring until July 1 of the year following the reporting one, respectively, employees of the Ministry of Finance will have a sufficient time range to include information received from the chief administrators in the

calculation of the financial assessment of the quality of management. Along with such changes, the author proposes to consider the issue of empowering the transfer of this information not to the chief administrators, but to the state financial control authorities, since they are the primary sources of information about detected violations. This innovation will eliminate the conflict of interest, since in order to obtain a higher score, the chief administrator may deliberately distort the data in the form to transmit such information.

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*The author proposes to revise the deadlines for sending information about detected violations: to designate the maximum period until June 5, as provided for in the Regulations approved by Order No. 264n.*

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At the moment, the methodology for assessing the quality of financial management by the chief administrators of budgetary funds is characterized by the absence of a system of incentives and sanctions. Thus, failure to comply with the deadlines for providing the necessary information to the Ministry of Finance of Russia or steadily deteriorating assessment dynamics are not factors for conferring disciplinary or other responsibility on the head of the chief administrator of budgetary funds. The author proposes to put on the agenda the question of the system of incentives and sanctions in the field of assessing the quality of financial management.

In terms of assessing the quality of financial management of the chief administrators of budgetary funds, the third block of problems associated with automation is due to the lack of a developed information space [20]. The use of an automated mode in organizing the assessment and obtaining operational information for further actions would speed

up the assessment process, reduce additional labor costs and minimize errors caused by the human factor. It is necessary to organize access to such a unified system that would integrate the assessment of the quality of financial management with calculations carried out by employees of the Ministry of Finance of the Russian Federation.

### CONCLUSION

The essence of the quality of financial management is manifested in the achievement of planned performance results through continuous improvement of current processes. The results of assessing the quality of financial management by the chief administrators of federal budgetary funds make it possible to identify their “weaknesses” and budgetary risks arising in the course of budgetary procedures.

To date, the methodology for assessing the quality of financial management of the chief administrators of budgetary funds is imperfect, which is confirmed by the results of the analysis carried out in the article. The author suggests the following ways to improve the methodology for assessing the quality of financial management of the chief administrators of budgetary funds:

- legislative consolidation of the concept of “assessment of the quality of financial management of the chief administrators of budgetary funds”;
- elimination of a legal conflict, expressed in a discrepancy between the Procedure approved by Order No. 112n of the Ministry of Finance of Russia dated June 18, 2020, and the passport of the state program, approved by Decree of the Government of the Russian Federation No. 320 of the Russian Federation dated May 15, 2014;
- separating the results of assessing the quality of financial management of federal ministries, services, and agencies administered

by executive authorities and adding planned values of the average quality indicator of financial management of federal ministries, services, and agencies;

- development of the direction “management of sources of financing the budget deficit”;

- adjustment of the formulas for calculating the values of indicators in the direction of “management of budget expenditures”;

- revision of the deadlines for reporting on detected violations (until June 5), annual monitoring (until July 1 of the year following the reporting one);

- increasing the efficiency of interaction between employees of the Ministry of Finance of Russia and the chief administrators of budgetary funds in terms of interpreting the final assessment of the latter;

- introduction of disciplinary responsibility of the head of the chief administrator of budgetary funds for the refusal of annual final assessments of the quality of financial management;

- transferring the financial management quality assessment organization to an automated mode in order to minimize errors caused by the human factor, as well as reduce labor costs and increase the efficiency of this process through the development of a single budget system portal.

The practical significance of the paper is due to the possibility of implementing proposals to improve the methodology for assessing the quality of financial management of the chief administrators of budgetary funds as part of the development of measures to improve the efficiency of the budgeting process. Improving the quality of financial management, possible by increasing the importance of evaluation, will contribute to the timely identification of “weaknesses” and budgetary risks arising in the course of budgetary procedures.

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### ABOUT THE AUTHOR



**Anastasiya N. Atrokhova** — Master's student of the Faculty of Economics and Business, Financial University, Moscow, Russia  
<https://orcid.org/0000-0002-5902-2218>  
sserenityy@mail.ru

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