The Concept of International Financial Control as Guarantees of Security and Its Peculiarities

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International financial control is a peculiar kind of financial control, which has certain features. Its proper and effective implementation affects the financial security. International financial control begins its formation with the emergence and development of international finances. It can be assumed that it also arises together with the formation of the relevant international organizations or agencies that carried out certain functions reflecting the purpose of their existence. Thus, the International Organization of Supreme Audit Institutions - INTOSAI was founded in 1953, which has its own budget and other financial resources that require their accounting and control over their formation and use. On the one hand, this organization was created with the specific purpose – promoting the exchange of views and experience between the Supreme Audit Institutions of Public Finances and, on the other hand, it has the appropriate financial resources belonging to the international, which also have to be controlled. In this case, both international finances and international financial control arise simultaneously.

Key words: International Financial Control.

Introduction

V.O. Shchehortsov and V.O. Taran in their textbook “World Economy. World financial system. International Financial Control” describe the experience of the operation and tasks of improving the systems of international and national financial control, the organization of financial control and the fight against money laundering abroad at the national level in Western Europe, Scandinavian countries, North American countries, but they do not provide precise definition of international financial control, its features. We can conclude from the content of the Chapter “International Financial Control” that the scholars associate the emergence of international financial control with the development of transnational organized crime, the emergence of so-called “dirty funds” and the need to form the relevant institutions in order to protect economic interests of the state, including in the financial sphere.

Results & Discussions

The expansion of such a phenomenon as money laundering has indeed led to the development of international financial control, the formation of peculiar agencies and, accordingly, the forms and methods of control, in order to ensure the financial security of the states. But this is not the main reason for its emergence as a specific type of financial control. Since financial monitoring, as a set of measures carried out in the area of preventing and countereacting the legalization (laundering) of proceeds from crime, is a type of international financial control, or rather its specific form, then it is appropriate to refer it to international financial monitoring.

Finances are the prerequisite for the existence of financial control. Consequently, the emergence of international financial control should be associated with the development of international finances, which are under active focus of Ukrainian scholars at the beginning of the XXI

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Century. Since international finances are the object of international financial control, then the clarification of their essence will facilitate its understanding. Representatives of financial and legal science do not pay attention to international finances, they are mainly considered by economists as an economic category. According to O.D. Vasylyk, the need for coordination of economic, political and humanitarian issues contributed to the creation of many international organizations (the United Nations, the European Union, the North Atlantic Treaty, etc.), for the operation of which we need financial resources. The scholar associates the emergence of international finances with the emergence of international financial institutions (the World Bank, the International Monetary Fund, the International Bank for Reconstruction and Development, etc.). For their proper functioning we needed funds, other financial resources, where appropriate states participated in their formation by transferring their own (national) finances to their budget, providing resources in the form of contributions, etc. That is, one of the peculiarities of international finances is the fact that the main source of their formation is national finances, financial resources of the states. At the same time, international financial institutions, by providing financial assistance to the states in the form of loans, receive certain percentages, which also make up their budget, and therefore relate to international finances. There are other sources of budget formation for these organizations. Thus, the authorized capital of the International Bank for Reconstruction and Development is created through the issue and sale of shares and bonds. That is another source for the formation of international finances is the activity of international financial institutions. V.M. Oparin believes that international finances reflect the activities of international organizations and financial institutions. Taking into account such views on international finances, it can be stated that international financial control arises from the creation of these institutions and it is its feature.

As noted above, INTOSAI, on the one hand, is international professional organization with specific functions and, on the other hand, has funds and other financial resources that should be considered international and carries out audit and financial control over them. Thus, having analyzed the norms of the Lima Declaration of Controlling Principles, it can be understood that the budget of INTOSAI is formed on the basis of: contributions from members made at the beginning of each calendar year, the size of which is calculated on the United Nations scale; subventions and charitable contributions from individuals, private, public or state organizations for the purpose of implementing the overall objectives of INTOSAI, or for specific purposes determined by the subject for subvention or charitable contribution; resources received from INTOSAI publications and its other activities; any other resources agreed upon by its Executive Committee. That is, the list of sources for the formation of international finances in this case is inexhaustible, since the Executive Committee of this organization can agree to attract, if necessary, other financial resources.

It is interesting to note that the main factors for the formation and development of international finances may include the emergence of world commodity markets, international division of labor, internationalization and globalization of economic relations, the strengthening of integration processes in the political and social spheres, and so on. There is also the thought that international finances began to emerge many millennia ago, when elementary forms of international trade appeared, and they are developed with the transition from natural production to commodity-money production. We believe that international finances may have arisen during this period, but in terms of financial control, its type as intrastate emergence.

O. D. Vasylyk defined international finances as funds of financial resources, the creation and use of which are carried out at the world or international levels to meet common needs of international importance. S.Ya. Borynets writes that international finances: funds of financial resources formed on the basis of the development of international economic (market) relations and used to ensure the continuity and profitability of social reproduction at the world level and to meet common needs of international importance; can be interpreted as a set of banks, currency and stock exchanges, international financial institutions, regional financial and credit institutions, international and regional economic organizations and associations through which the movement of global financial flows is realized. There is a definition of international finances as an economic category that reflects the exchange and redistributive relationship of national and supranational entities in the world economy with regard to the movement of value between countries and in the process of the formation and use of centralized money funds. One can agree the fact that supranational entities – international organizations and international financial institutions are distinguished in the sphere of international finances, in addition to national entities – states, enterprises and citizens, but it is advisable to clarify the cases when the national subjects are the entities of international finances. It is difficult to support the thesis that "the subjects of international finances are private legal entities involved in financial and credit operations:"
providing credit resources by banks, obtaining loans... 12, because, on the one hand, not all credit resources belong to international finances, on the other – there should be an international element in such relations.

It is known that the feature of the participation of finances in economic life is money, and a complex system of cash flow in the field of international finances is implemented through the money market as a mechanism of relations between legal entities that need funds for the development, on the one hand, and organizations and citizens who can provide such funds – on the other hand.13

Following the thesis that “dirty money” is a part of the system of international finances, we may distinguish two areas of control, which are carried out with a view to preventing their laundering – intrastate and international. This view leads to the conclusion that control over money laundering can be attributed to international financial control, if it is carried out by specially created intergovernmental organizations and agencies (for example, Financial Action task Force on Money Laundering (FATF)).

Finances belonging to a certain state turn into international finances not at the moment they come to another state directly from the first one, but only in case of their movement through specially created international financial institutions, international organizations. The very movement of national finances from one state to another does not mean their transformation into international finances. In this case, it is expedient to use the term foreign finances – funds or other financial resources coming from one state to another in order to provide financial support, assistance, exchange, etc. Although, if we consider this issue from the other side, then international finances can be understood in two ways: narrow and broad. So, in the narrow sense international finances are the funds, other financial resources transferred from one state to another, in the broad sense – they are funds or other financial resources that are formed internationally. Such an approach will also serve the development of international financial control, where its effectiveness depends on clear definition of objects. Proper interpretation of the concepts, their application in the relevant documents of the states and in international acts will promote the proper control, and correspondingly the financial security, that is, the protection of interests of both the states and international entities.

According to the above mentioned, while determining international finances, one uses the notions of “funds of financial resources”, “financial resources” and others. Summarizing the opinions of scholars, in order to understand international finances as an object of international financial control, which is carried out by a specific group of subjects, they can be defined as a set of funds forming the international money market (foreign exchange market), securities, which determine the functioning of the international market of securities, credit resources that create the international market of credit resources, as well as funds, other financial resources coming to international organizations, including their budgets, etc., which are formed to meet the public needs of international importance.14

The development of international finances has led to the need to create an appropriate control system both at the level of each individual state and at international level. Such a control combines the features of financial control and international control and will be called international financial control. International financial control is an integral part of international control, but has specific features, including the principles that make it stand out separately. As noted above, intrastate financial control has arisen much earlier than international financial control. This is due to the fact that the states initially tried to secure their own financial obligations, to form the control system over public finances, and then the relevant international control agencies, organizations, etc. were established to control international finances, and in some cases also state-owned ones.

Scholars refer international control to measures of ensuring the implementation of international obligations,15 or consider it as a mean of ensuring international and legal norms, the content of which is the actions of international law subjects to prevent violations of obligations and to verify their compliance,16 that is, consider it as one from the guarantees that exist in the law branch.

Thus, it can be assumed that international control, and therefore international financial control, perform a preventive function, that is, they assist to prevent state’s offenses, including in the financial sphere. We appeal to the definition of international control such as: acts of subjects of international law or agencies that they have created, carried out on the basis of international treaties and consist in verifying the compliance of the state with the obligations undertaken to ensure compliance with them;17 the activities of subjects of international law or agencies established by them based on generally recognized principles and norms of modern international law, which is to verify the compliance with international and legal obligations by the states and to take measures to implement them. Each state is sovereign, independent and it must be sure that the exercise of financial control by international financial organizations or agencies will ensure maximum respect for its sovereignty, financial security. The role of international financial control as a rather new financial and legal institution began to grow in connection with the development of international cooperation of the states in the financial sphere, the provision of financial assistance and the need to ensure the legality and efficiency of the use of funds and other financial resources of both the states and international finances. The purpose of international financial control is not limited to identifying violations of financial discipline in the

management of international finances. It includes, among other things, the application of corrective measures, various sanctions for offenders, prevention of violations in the financial sector in the future, etc.

The control exercised by the state itself, or rather its state agencies, in the field of public finances, the varieties of which are state finances, finances of local self-government agencies, finances of other public entities, for fulfilling their international obligations, are in most cases internal financial control and has a public character, therefore it is called public financial control. But the conclusion of agreements, treaties on cooperation in the field of control between the relevant authorities of different states suggests that, on the one hand, international financial control is an integral part of international financial law, or rather its institution, on the other – acts as a kind of system of norms of intrastate financial control. Depending on the entity that is entrusted with control powers, international financial control may be individual, if it is carried out by a separate state entrusted with such a function under the relevant international agreement and collective, when the subject is an international organization or an international agency, an institution that created by the respective states, etc. In the latter case, international financial control is carried out by one entity, for example, an international organization, but since its members or founders are several states, it will be considered collective, since the decision to carry out the appropriate control measures is taken on behalf of all its members. In the conditions of the development of international financial control, it is difficult to determine all its forms and methods for today, although they must be enshrined in the relevant normative and legal acts of international character. The forms of international financial control should include the exchange of information, the provision of consultations, and the methods – observation, verification, inspection, etc.

International financial control is exercised by certain state agencies operating in the territory of each individual state and endowed with appropriate powers under international treaties or international agencies created by them for this purpose and international organizations specially founded for its conduction. The Ukraine-European Union Action Plan¹⁹ pointed to the need to promote the development of effective administrative capacity to prevent and combat fraud and other violations against national and international foundations, including the establishment of effective cooperative structures involving all relevant national actors, as well as ensuring effective cooperation with relevant EU institutions and agencies in the field of on-site inspections and inspections related to management and control over the EU funds. This document, first of all, was about preventing violations of national funds, which include national (state, public) finances, and in regard to international funds, where international finances are accumulated. Second, it is clear from the text that national subjects, that is, the relevant agencies with control powers, also had to control international funds, to carry out on-the-spot checks and inspections related to the management and control over the EU funds, that is, to carry out international financial control. Besides, the document pointed to the need to ensure the proper functioning of the highest audit agency (Accounting Chamber), which, unfortunately, has not been recognized by the supreme agency of financial control of Ukraine, despite its special status.

The Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand²⁰ (paragraph 3 of the Art. 459, Section VI) states that Annex XLIII to this Agreement extends to any further agreement or financial document concluded between the Parties, as well as any other financial document of the EU with which Ukraine may be associated, without prejudice to any other supplementary provisions that cover audit, field inspections, inspections, control and counteraction measures to prevent fraud, and, in case of violations that are carried out by the European Anti-Fraud Office (OLAF) and the European Court of Auditors (ECA) are considered international financial control in order to provide financial security for the EU include the European Anti-Fraud Office (OLAF) and the European Court of Auditors (ECA).

Annex XLIII to Section VI “Financial Collaboration and Anti-Fraud Regulations” to this Agreement outlines the control methods applied by the relevant financial institutions in order to protect the EU’s financial interests against fraud and other violations on the territory of Ukraine, in particular, it concerns audits and inspections, on-the-spot checks. Thus, the Art. 6 “On-the-spot checks”²¹ defines the powers of the European Anti-Fraud Office (OLAF); it is about taking into account by the officials of the European Anti-Fraud Office within the framework of the necessity, the norms of the legislation of Ukraine, its close cooperation with the competent authorities of Ukraine in the field of counteracting fraud, the possibility of involving officials of the competent authorities of Ukraine in such inspections and on-the-spot checks, joint inspections and field inspections by the European Anti-Fraud Office (OLAF) with the designated authorities of Ukraine, in case the latter express an interest in this, etc. Therefore, the relevant state agencies of Ukraine that carry out public financial control may also be involved in conducting international financial control, that is, they are its subjects. And liable to check subjects are the recipients of EU funds in this case.

Besides mentioned subjects, international financial control is also carried out by the specialized agency – the European Court of Auditors, which includes auditors from each of the Member States of the EU. The powers of the European Court of Auditors and the European Anti-Fraud Office are set out in the Art. 5 “Audits” of Annex XLIII to the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand: “1.

The Office and the European Court of Auditors verify whether all expenses associated with the use of the EU funds were lawfully and on a regular basis and whether financial management was appropriate. The audits are carried out on the basis of both the commitments undertaken and the payments made. They relate to documents and, if necessary, are carried out locally in the premises of any individual or legal entity that manages or participates in the use of the EU funds. Audits may be carried out before the closure of the accounts for the fiscal year, which is verified, and for a period of five years from the date of payment of the balance. Inspectors of the Office or other persons authorized by the Office or the European Court of Auditors may carry out documentary or field inspections and audit in the premises of any individual or legal entity that manages or participates in the use of the EU funds and its subcontractors in Ukraine.

Inspectors of the Office or other persons authorized by the Office or the European Court of Auditors have the appropriate access to facilities and documents and to all necessary information for the purpose of carrying out such an audit, including in electronic form. This right of access must be communicated to all government agencies and clearly indicated in the contracts concluded for the purpose of implementation of the instruments referred to in the Association Agreement. 3. The above checks and audits may be applied to all contractors and their subcontractors who directly or indirectly received the EU funds. The European Court of Auditors and the Ukrainian auditing agencies in the process of fulfilling their tasks, cooperate in a spirit of trust while maintaining their independence from each other. It is clear from the above that: the audit is mostly documentary, but in certain cases it may be cameral; controlled entities are both individuals and legal entities that manage or participate in the use of the EU funds and their subcontractors in Ukraine as well as all contractors and their subcontractors who directly or indirectly receive the EU funds.

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Audit Institutions cooperate ... while maintaining their independence from each other. The agreements on international cooperation in the field of control, which are concluded between controlling entities of Ukraine and other states, define the principles of cooperation, which are general principles of international law and reflect the peculiarities of the implementation of international financial control. Since such documents refer to joint and parallel control measures and taking into account the legal status of the entities that conclude these agreements, these principles can also be considered as principles of international financial control. Thus, the Agreement on cooperation between the Accounting Chamber of Ukraine and the Accounting Committee for monitoring the implementation of the Republican budget of the Republic of Kazakhstan has stated that the Accounting Chamber of Ukraine and the Accounting Committee for monitoring the implementation of the Republican budget of the Republic of Kazakhstan, based on the principles of mutual respect, trust, equality and mutually beneficial cooperation, have agreed by mutual consent on the implementation of joint and parallel control measures in accordance with their agreed program. Thus, the principles of international financial control are the principles of mutual respect, trust, equality and mutually beneficial cooperation. These principles are also mentioned in other agreements, in particular in the Agreement on Cooperation between the Accounting Chamber of Ukraine and the Office of the Auditor General of Norway, in the Agreement on Cooperation between the Accounting Chamber of Ukraine and the State Audit Office of Vietnam, in the Agreement on Cooperation between the Accounting Chamber of Ukraine and the Accounting Court of the Republic of Germany, etc.

These principles have slightly different names in the Agreement on Cooperation between the Accounting Chamber of Ukraine and the High Audit Office of the Slovak Republic, which states that the Parties will cooperate in accordance with the principles approved by INTOSAI and EUROSAL, based on the principles of partnership, equality and mutual benefit and will cooperate, in particular, in conducting concerted parallel control (audit) measures, in accordance with the respective powers of the Parties in the framework of provided by each of them by the legislation of Ukraine and the Slovak Republic. These principles are differently called, but have identical content. Thus, the term "equal rights" contained in the Agreement on cooperation between the Accounting Chamber of Ukraine and the Accounting Committee for monitoring the implementation of the Republican budget of the Republic of Kazakhstan, has stated that the Accounting Chamber of Ukraine and the High Audit Office of the Slovak Republic are synonymous, since the content of both concepts is reduced to the legal equality of the states, which are the Parties to such Agreements, their independence from each other, which follows from the existence of sovereignty and is manifested in the fact that subjects have equal rights and responsibilities while implementing control measures. The concepts of "mutually beneficial cooperation" and "mutual benefit" have the identical content. Providing their interpretation as the principles of international financial control, it should be noted that the conduction of such a control assists to the protection of financial interests of both the states themselves, that is state (public) finances and international finances, therefore it is advantageous both for the Member States, that is, the Parties to such Agreements and for other states, international organizations that provide, for example, funds or other financial resources under lending conditions, since their interests are also ensured. Cooperation in the field of international financial control should be mutually beneficial, then it will help to reduce violations in the financial sphere of each state, return of the finances to the states, in prescribed cases, will ensure timely detection of violations in the management of international finances, will prevent the laundering of "dirty funds", etc. Besides, the implementation of joint control measures contribute to reducing the expenses for this process, the exchange of experience among professionals, improving their professional level, exchange of information, materials related to control in the financial sector, etc.

The principle of mutual respect is of great importance, which means that the States can not violate the rights of each other, national legislation in the implementation of control measures. This principle directly concerns the financial security of the states. The principle of mutual respect is expressed, for example, in the fact that, as foreseen in the Agreement on cooperation between the Accounting Chamber of Ukraine and the Accounting Committee for monitoring the implementation of the Republican budget of the Republic of Kazakhstan, each Party, that is, the Accounting Chamber of Ukraine and the Accounting Committee for monitoring the implementation of the Republican budget of the Republic of Kazakhstan, shall ensure the confidentiality of the received information in case, if the Party providing the information considers it undesirable for its dissemination, protection of state and other secrets protected by law, etc.

The principle of trust, albeit indirectly, is referred to in paragraph 3 of the Art. 5 of Annex XLIII to Section VI "Financial Collaboration and Anti-Fraud Regulation": “The European Court of..."
Auditors and the Ukrainian Audit Office cooperate in a spirit of trust...28. This points to its important role as the principle of international financial control, which provides that during the control measures, controlling entities, using the collected information, materials, referring to each other results, understand, confident that they are true, real, proper, grounded. Unfortunately, the principle of trust is not mentioned in the Agreement on Cooperation between the Accounting Chamber of Ukraine and the High Audit Office of the Slovak Republic.

Conclusions

Taking into account the above international financial control can be defined as activities of the state regulated by legal norms, represented by the relevant agencies with special powers, international agencies and international organizations, carried out on the basis of certain principles, aimed at ensuring the legality, efficiency, appropriateness of management of funds constituting the international market of money (currency market), securities, which determine the functioning of the international securities market by credit resources and creating international market of credit resources and by funds and other financial resources received by international organizations, including their budgets, etc., which are formed to meet the public needs of international importance.

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