

# The System of Parameters Efficiency of Financial Supervision

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## Abstract

The solution for the problem of monitoring the effectiveness of the process depends on how timely and adequate state control bodies will react to changes in the external environment and the needs of society. The modern system of government performance management control is another step for Russia on its way to enter the European and world space. The presented results of the study can be applied to the government's management and control. Parameters of the effectiveness of controls offered in this article have been used by state bodies of the Republic of Mari El, Russia, while working on the program of innovative development of the region. It is planned to implement the results of future research in the Russian practice of governance based on a long-term program of cooperation Volga State University of Technology and government bodies of the Republic of Mari El, Russia. The article suggests methods for assessing the efficiency of management aimed at public economic supervision, both in a municipality and in a region as a whole. Based on the data obtained from the method, a mechanism has been developed to improve the management efficiency.

**Keywords** Governmental control; Economic institutions; Legal regulation; Effectiveness of institutions.

## 1 Introduction

Governmental control is performed by officials representing the authorized bodies, within their competences, by collecting explanations, checking the accounting and reporting information, inspecting the premises and territories used to gain income (profit), and by using other instruments provided by the law. One of the most significant areas of governmental control is financial control. Financial control is traditionally considered as a part of the governmental control system which covers the sphere of formation, distribution and use of the monetary funds. Financial control is control of the legality and appropriateness of the activities performed in the sphere of formation, distribution and use of the monetary funds of the state and municipalities, which is aimed at efficient social and economic development of the country and its regions. Representing a constituent part of the economic management, financial control ensures the interconnection between companies and the governmental bodies that have the corresponding rights and authorities.

Calculation of the payments additionally charged as resulting from the controlling activity: components represented in the standardized manner.

Based on the calculation results, we build a trend line to find the expected amount of the payments in the future.

As a result of this work, we have carried out a comprehensive study of the theoretical bases of the governmental control. Formation of a certain type of market structures, may, on the whole, be regarded as a response to excessive transaction costs. At this point, integration processes in Russia are characterized by aggregation and consolidation of enterprises. This implicitly proves the desire for diversification and economic control of enterprise risks associated with imperfect institutional environment and excessive transaction costs. It should be noted that control over efficiency of costs or any other category may be an extremely complicated and expensive procedure. An example would be the control which the government exercises over taxpayers since it has to maintain the costly tax-collection apparatus.

## 2 Research methodology

The calculation method is suitable for the remaining efficiency types, as it allows calculating the total efficiency indicator for the structural components, which are multidirectional indicators expressed in different measures, so the total indicator allows bringing all of them to a unified scale and making their convolution. However, the normalization procedure requires either a data array for several municipalities or information available for a specific period. Some issues related to the improvement of the governmental control efficiency were also examined in the works by Shemyakina [1]. However, we find it possible to continue studying the subject. Certain theses were already mentioned in some of the works by the authors of this article [2–4]. We are going to proceed with the analysis here.

The suggested system contains three major blocks of criteria: 1) general efficiency assessment of the controlling activity; 2) assessment of the parameters related to organization and implementation of field audits; 3) assessment of the parameters related to organization and implementation of office audits. To make the analysis and develop appropriate efficiency assessment methods for the work done by governmental bodies, we used the information provided by the governmental bodies of the Mari El Republic, and by the taxation authorities in particular. The efficiency was analyzed by the major parameters of their activities. Here are the most popular coefficients and criteria, which can be divided into three group of parameters: a) general assessment of the controlling activity performed by a taxation authority; b) assessment of the organization and implementation of office tax audits; c) assessment of the organization and implementation of field tax audits. This system of parameters includes:

A. Dynamics of the payments additionally charged as resulting from the controlling activity:

$$\Delta A = A_t + 1 - A_t,$$

where A stands for the amount of the payments additionally charged as resulting from the controlling activity, and t is one year.

This value represents the comparison of the amounts of the payments additionally charged for several reported periods, and any positive dynamics would mean improvement of the controlling activity efficiency.

B. Specific share of the payments additionally charged as resulting from the controlling activity in the total amount of the incoming payments:

$$S_{add} = \frac{A}{P} \times 100,$$

where A stands for the amount of the payments additionally charged as resulting from the controlling activity, and

P is the total amount of the incoming payments.

This value is calculated as the ratio of the amount of the additionally charged payments to the total amount of the payments charged.

C. Specific share of the payments recovered as resulting from the controlling activity in the total amount of the additionally charged payments:

$$S_{rec} = \frac{R}{A} \times 100,$$

Where A stands for the amount of the payments additionally charged as resulting from the controlling activity, and

R is the total amount of the payments recovered to the budget system of Russia as resulting from the tax audit.

This value is calculated as the ratio of the amount of the payments recovered as resulting from the controlling activity to the amount of the payments additionally charged as resulting from the tax audits. It shows what share of the payments additionally charged came to the budget system.

D. General effectiveness coefficient:

$$C_{eff} = \frac{R}{C} \times 100,$$

where R stands for the amount of the payments recovered to the budget system of Russia as resulting from the tax audit, and

C is the costs of the activities performed by the taxation authority.

This value is calculated as the ratio of the amount recovered from the payments additionally charged as resulting from the tax audit to the amount of the costs

of the activities performed by the taxation authority. It shows the effectiveness of the costs required for the recovery.

E. Legality coefficient of the extra charges resulting from tax audits:

$$C_{legal} = \frac{A - D}{A} \times 100,$$

where D stands for the deduction amount of the payments additionally charged as resulting from the decisions of judicial and superior bodies, and

A is the amount of the payments additionally charged as resulting from the controlling activity.

This value represents the judicial acknowledgement of the legality of the fines and penalties imposed. The ideal value is 100%.

### 3 Findings and discussion

In scientific and journalistic literature, governmental control is defined in the broad sense as a special method of ensuring legality. Its key tasks are ensuring that all the taxes and duties stipulated by the law are duly paid to the budgets of various levels and preventing tax evasion. The study of the institutional environment of a territory as an evolving endogenous factor was initiated by the representatives of the school of economics of Washington University in the 1970s Coase [5]. Douglass North uses the institutional environment term to define the institutional limits which exist at the macrolevel and determine the possible conditions of contractual agreements between individuals North [6]. The aggregate social and economic effect produced through implementation of governmental programs, which is achieved by applying structural modifications to the economy, can be used as the efficiency indicator Feldman [7]. The multi-subject composition of the parties of the contract relations within a cluster can be classified according to the subject composition of the triple spiral model, i.e. it appears possible to single out the state (state and self-government bodies), business and universities Enright [8]. Oliver Williamson defines the institutional environment as an established system of the informal rules of the game which build the socio-cultural context of economic activity Williamson [9].

When analyzing the efficiency for the control purposes, it is required to consider the main principles that the financing of the state expenses is based on (including those when allotting the funds intended implementation of the target programs). In this case, the methods used to assess the educational clusters can be applied to control the efficiency of the use of the state resources Dritsaki and Adamopoulos [10]. In the modern conditions, the competitiveness of the subfederal cluster territory is interpreted as a concentrated expression of the production, scientific and technical, and organizational institutional advantages implemented in high technology goods and services Porter [11].

In the context of this research, the institutional environment is interpreted as the aggregate of the institutions and institutional connections which surround and fill the subfederal economic system and produce their effect on it. The institutional environment creates favorable conditions for the formation of an interaction network between the agents and governmental bodies E.A. Murzina [2], T.V. Yalyalieva [3]. At the same time, while changing in the course of time, the institutional aspects of the governmental control mechanisms form the limits of the economic behavior of innovation companies, thus establishing the sociocultural norms taking effect on the behavior of the agents of economy Napolskikh [12]. In other words, governmental control means checking on how the laws are observed and elimination of errors and violations [13]. For instance, Nikolaos, Petros, Eleni, Evangelos and Dimitrios, in their article, looks at governmental control from the position of the necessity to observe the financial discipline as a precondition for individuals and legal entities to properly fulfill their obligations to the state and considers fiscal supervision to be the major function of the taxation control system [14]. Larionova, Yalyalieva, Napolskikh, Shebashev [15] representatives of another school of economists and financiers introduce their grounds as follows: "Governmental control is a system of measures aimed at supervising the legality, appropriateness and effectiveness of the activities related to the formation of the monetary funds of the state at all the levels of management" [15]. Some issues related to the improvement of the governmental control efficiency were also examined in the works by Shemyakina [1]. However, we find it possible to continue studying the subject. Certain theses were already mentioned in some of the works by the authors of this article [2–4]. We are going to proceed with the analysis here.

Integration trends in the Russian economy are mainly associated with transition processes and enterprises' adaptation to the imperfect market conditions. The natural reaction of a rational economic agent to excessive transaction costs would be trying to independently reduce them. But as a result, the reproduction system may fall into an institutional trap. Since it is impossible to rely on natural tendencies of transaction costs to decrease, the need arises for the government active interference in the process of their 'natural' reduction.

As a subject of government control, dual nature of transaction costs, especially transformation processes with a high share of informal sector, as well as significant difference in conditions of functioning of various types of markets require a differentiated approach to transaction costs reduction in the national economy.

Comprehensive mechanism for efficiency control of transaction costs which is used in economy to reduce them involves development of ideology, specification and protection of property rights, standardization of measurements, accounting and reporting, maintenance of monetary system, improvement of law enforce-

ment effectiveness and efficiency, as well as implementation of measures aimed at eliminating unnecessary administrative burdens and infrastructure markets of various transactions.

#### 4 Concluding remarks

An indisputable advantage of the suggested system of the parameters for the purposes of governmental control of the efficiency is its versatility, as it is adapted to any kind of system and is valid in the conditions of establishing an uninterrupted regional and national system resources.

Hence, we suggest assessment methods for efficiency of governmental control of regional economy aimed at economic supervision over the regional activities. Based on these methods, we develop a mechanism to improve the resources management efficiency and find the essential ways to improve it.

This mechanism is expected to represent a complex of measures aimed at changing the factors producing the biggest effect on the efficiency of governmental control of regional economy. For every factor and efficiency type, we have to suggest ways for efficiency improvement, and those ways have to consist in specific measures.

As seen from the data we obtained, the recovery level of the payments resulting from the controlling activity is extremely low; it did not exceed 43% in the period of the analysis. In 2012 it was even less than 30%. It means that only one third of the amount additionally charged reached the budget system of the country. At the regional level, this value is several points lower in the reported period than the average value for the country. However, within the period we can observe a growing trend for this value, which represents a positive result of the work done by the taxation authorities. The recovery value, as estimated per governmental body official, grew by 35% within the period. Totally for the entire country, it amounted to 978,000 rubles in 2012, 952,000 rubles in 2013, and 1,106,000 rubles in 2014.

The main reasons for the decrease of the value of the payments additionally charged as resulting from the field audits, if compared to the same value of the previous year, are reduction of the number of the audits performed, which, in turn, resulted from the reduction of the number of the officials who actually performed the field audits, and selection of the subjects to be included in the audit plan, basing on the recovery possibility factor applied to the payments additionally charged as resulting from the audits.

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