

MUNICIPAL FINANCIAL CONTROL: TRENDS AND PROSPECTS

Elena Y. Kireeva

Russian Presidential Academy of National Economy and Public Administration, Moscow, Russia

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Subject. The article considers changes in the system of municipal financial control organization in the context of the ongoing reform of local government organization in the Russian Federation. The purpose of the study is to identify the main trends in the development of municipal financial control and their characteristics.

Methodology. The following methods of analysis were used in the work: statistical, data synthesis, formal legal, system-structural, comparative legal, as well as the general scientific dialectical method of cognition.

Main results. The trends of maintaining the ratio of the share of municipal audit and accounts chambers to the total number of municipalities, improving the forms and methods of municipal financial control, and automating it through the introduction of modern information technologies are identified, which increases the transparency of the budget process at all levels of public authority.

Conclusions. Summing up the trends analysis in the municipal financial control development, it should be noted such a quality of the organization system as sustainability. Although, in the context of the territorial foundations of local self-government reform, there has been a sharp decrease in the number of municipalities, the ratio of the share of control and accounting bodies of municipalities to the total number of municipalities remains at the level of 12%. The forms (preliminary) and methods of organizing municipal financial control are being improved, and the participation of individual subjects (citizens) in its implementation is being intensified. The introduction of modern information technologies, on the one hand, ensures transparency of the budget process, and, on the other, poses new challenges in the training and advanced training of specialists engaged in control activities.

1. Introduction. The adoption of Federal Law No. 33-FZ of March 20, 2025, "On the General Principles of Local Self-Government Organization in a Unified System of Public Authority"¹ has marked new directions for the implementation of municipal reform in the Russian Federation. The extent to which the reforms enshrined in this law have impacted the functioning of municipal financial control will be examined in this article.

One of the areas of reform was the change in the territorial basis of local self-government, the transition to a single-level system of its organization. The trend toward a reduction in the number of municipalities that has emerged over the past decade has not had a significant impact on the number of municipal control and accounting bodies. In our opinion, this is happening because among the existing types of municipalities, the number of rural and urban settlements in which control and accounting bodies (hereinafter referred to as CABs) do not function is decreasing.

The purpose of this study is to identify the main trends in the development of municipal financial control and their characteristics.

Methodology. Specific scientific methods are used, such as statistical methods, analysis, synthesis, formal-legal, system-structural, comparative-legal, and the general scientific dialectical method of cognition.

2. The system of organizing municipal financial control

According to monitoring conducted by the CABs of the constituent entities of the Russian Federation, as of January 1, 2024, there were 17,750 municipalities in the Russian Federation, in which 2,111 control and accounting bodies had been established, 1,992 of which had legal entity status. During the reporting period from January 1, 2023 to January 1, 2024, the number of municipalities decreased by 708 units due to the administrative-territorial reorganization of municipalities.

Over the past seven years, a process of consolidation of municipalities has been observed, which has led to a decrease in their number by 4,577

units or 20% (from 22,327 to 17,750)². By the beginning of 2025, this figure had decreased further to 17,397 municipalities³.

As the statistics above show, although the absolute number of CABs has decreased, their share of the total number of municipalities has remained unchanged at 11.9%.

The shift away from the municipal raions (where a two-tier system of local self-government exists) in favor of municipal districts (with a single-tier system) will not radically affect the number of CABs, provided that CABs are created in municipal districts to replace their raion predecessors.

One of the most capacious characteristics of current trends in the organization of financial control was highlighted by colleagues from the Financial University under the Government of the Russian Federation: "Currently, a systemic transition is underway from general financial control to control in specific areas of the financial activities of the state and municipalities. Much attention is currently being paid to financial control in the budgetary sphere, which... is aimed at improving the efficiency and effectiveness of financial discipline in the expenditure of budget funds" [1, p. 24].

And it is precisely the control and accounting bodies of municipalities that are called upon to carry out this activity.

3. Key Trends in the Development of Municipal Financial Control

The following key trends can be identified in the development of municipal financial control:

1. Increased transparency of the budget process.
2. Implementation of modern information technologies for automated control.
3. Integration of municipal CABs activities.
4. Focus on preventing financial violations (preventive control).

² On the results of monitoring the creation and development of municipal control and accounting bodies in the Russian Federation as of 01.01.2024 (analytical report). URL: portalkso.ru/mkso_union/documents/analytical/ Date of access 9.04.2025.

³ Information based on the analysis of data from the GIS portal "Electronic Budget of the Russian Federation". <https://budget.gov.ru/%D0%A0%D0%B5%D0%B3%D0%BA%D0%BE%D0%BD%D1%8B> Date of access 5.04.2025.

¹ Federal Law of March 20, 2025 No. 33-FZ "On the General Principles of Local Self-Government Organization in a Unified System of Public Authority". Collected Legislation of the Russian Federation. 2025. No. 12. Art. 1200.

5. Development of external public oversight.
6. Standardization and unification of control methods.
7. Focus on training and professional development.

Let's briefly outline each of these trends.

1) *Increased transparency of the budget process* is primarily associated with the introduction of the State Information System "Electronic Budget of the Russian Federation"⁴ which allows for real-time access to budget information at any level of the Russian budget system, including municipal budgets.

2) *Implementation of modern information technologies for automation of control.*

All existing information resources can be divided into several groups:

- a) Electronic document management systems — to simplify document processing and storage.
- b) Budget information systems — for budget planning and analysis.
- c) Financial management systems — for monitoring and controlling expenses and revenues.
- d) Analytical platforms — for processing large volumes of data and generating reports (e.g., 1C:Enterprise, Yandex.Cloud, CryptoPro, Metrika, etc.)
- e) Blockchain technologies — to increase transparency and trust in financial transactions.
- g) Automated audit systems — for conducting independent financial audits.
- f) CRM systems — for managing interactions with citizens and recording requests.

Here I would like to especially note the existence of such information resources as GIAS and the CABs⁵ portal, the Portal of State and Municipal

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<https://budget.gov.ru/%D0%A0%D0%B5%D0%B3%D0%8B%D0%BE%D0%BD%D1%8B> // GIS "Electronic Budget of the Russian Federation". Accessed on April 5, 2025.

5 "Regulations on the state information and analytical system of the control and accounting bodies of the Russian Federation" (approved by order of the Chairman of the Accounts Chamber of the Russian Federation dated 10.10.2011 No. 100); Order of the Accounts Chamber of the Russian Federation dated 26.12.2014 No. 157 "On approval of the Regulations for the functioning of the Portal of the Accounts Chamber of the Russian Federation and the control

Financial Audit.

By Order of the Accounts Chamber of the Russian Federation No. 128, the Ministry of Finance of Russia No. 214n dated 25.12.2015 (as amended on 24.08.2017) "On approval of the Regulation on the state information system "Official website of the Russian Federation in the information and telecommunications network "Internet" for posting information on the implementation of state (municipal) financial audit (control) in the sphere of budgetary legal relations"⁶ it is stipulated that the GIS ESGFK is intended to improve the efficiency of external and internal state (municipal) financial control carried out in accordance with the budget legislation of the Russian Federation and the Federal Law of February 7, 2011 No. 6-FZ⁷.

It should also be noted that the Decree of the President of the Russian Federation of October 10, 2019, No. 490 "On the Development of Artificial Intelligence in the Russian Federation" approved the National Strategy for the Development of Artificial Intelligence for the Period up to 2030⁸, which defines the goals and main objectives of the development of artificial intelligence in the Russian Federation, including an increase in the share of workers with skills in using artificial intelligence technologies in the total

and accounting bodies of the Russian Federation on the Internet". It was not officially published. PIS ConsultantPlus.

⁶ Order of the Accounts Chamber of the Russian Federation No. 128, the Ministry of Finance of Russia No. 214n dated December 25, 2015 (as amended on August 24, 2017) "On approval of the Regulation on the state information system "Official website of the Russian Federation on the information and telecommunications network "Internet". Bulletin of regulatory acts of federal executive bodies. No. 29. July 18, 2016.

⁷ Federal Law of 07.02.2011 No. 6-FZ (as amended on 08.08.2024) "On the General Principles of the Organization and Activities of Control and Accounting Bodies of the Subjects of the Russian Federation, Federal Territories and Municipalities". Collected Legislation of the Russian Federation. 2011. No. 7. Art. 903.

⁸ Decree of the President of the Russian Federation of 10.10.2019 No. 490 (as amended on 15.02.2024) "On the Development of Artificial Intelligence in the Russian Federation" (together with the "National Strategy for the Development of Artificial Intelligence for the Period up to 2030"). Collection of Legislation of the Russian Federation. 2019. No. 41. Art. 5700.

number of workers to at least 80 percent in 2030, compared to 5 percent in 2022.

The Strategy for the Development of the Information Society in the Russian Federation for 2017–2030⁹ provides for budgetary investments, including municipal budgets, in priority areas of support and development of information and communication technologies (clause 47), and sets the task of developing technologies for electronic interaction between citizens, organizations, government agencies, and local governments (subparagraph "d" of paragraph 40).

According to analysts, "digital transformation not only mediated the transformation of reality, but also acted as a 'technical' tool for increasing the efficiency of budgetary processes, giving the management of public finances the necessary 'flexibility'" [2, p. 30].

3). Integration of CABs activities of municipalities.

The creation of the Union of Municipal Control and Accounting Bodies (MCABs Union) played a key role in the unification of municipal control and accounting bodies. This was established by the First All-Russian Conference, which took place on May 13, 2002, in Svetlogorsk, Kaliningrad Oblast. At the time of its establishment, 23 municipalities participated. The conference adopted a Declaration on the Establishment of the MCABs Union. The Declaration proclaimed that the MCABs Union aims to unite the efforts of municipal control and accounting bodies in addressing the socioeconomic development of municipalities and improving the efficiency of financial and material resource management in municipalities.

4). Focus on the prevention of financial violations (preventive control).

Preliminary control is carried out to prevent and suppress budget violations during the execution of budgets within the budgetary system of the Russian Federation (Part 4 of Article 265 of the Budget Code of

⁹ Decree of the President of the Russian Federation of May 9, 2017 No. 203 "On the Strategy for the Development of the Information Society in the Russian Federation for 2017–2030". Collected Legislation of the Russian Federation. 2017. No. 20. Art. 2901.

the Russian Federation)¹⁰.

Federal Law No. 248-FZ of July 31, 2020 (as amended on December 28, 2024) "On State Control (Supervision) and Municipal Control in the Russian Federation"¹¹ sets out a separate Chapter 10 of a list of preventive measures, including the adoption of a program to prevent risks of harm (damage) to legally protected assets (Article 44), types of preventive measures (Article 45), encouraging the integrity of supervised entities in complying with mandatory requirements, informing the public, summarizing law enforcement practices, etc.

According to experts, "by 2021, thorough preparations had been made for the transition from post-control to pre-control." They justify this conclusion by the phased implementation of the Ministry of Finance's departmental project "Electronic SMART Control (Controlling) and Public Finance Accounting for Management Decisions"¹² which was approved on May 21, 2021 [3, p. 28].

5). Development of external control by the public.

According to Burdonova O.V., "the active development of public control in recent years indicates a readiness to integrate society into the system of managing economic and political processes in the state" [4, p. 14]. Professor Chebotarev G.N. notes that "public control can be considered one of the forms of public participation in the implementation of local self-government, as well as its most important principle" [5, p. 45].

In accordance with Federal Law No. 212-FZ of July 21, 2014 (as amended on December 25, 2023) "On

¹⁰ Budget Code of the Russian Federation of July 31, 1998 No. 145-FZ (as amended on February 28, 2025). Collected Legislation of the Russian Federation. 1998, No. 31. Art. 3823.

¹¹ Federal Law of July 31, 2020 No. 248-FZ (as amended on December 28, 2024) "On State Control (Supervision) and Municipal Control in the Russian Federation". Collected Legislation of the Russian Federation. 2020. No. 31 (Part I). Art. 5007.

¹² Departmental project "Electronic SMART control (controlling) and accounting of public finances for management decisions." Approved on May 21, 2021. Ministry of Finance of the Russian Federation https://minfin.gov.ru/ru/performace/projects/electronic_SMA RT_control/ (date of access: April 10, 2025).

the Fundamentals of Public Oversight in the Russian Federation¹³" and local government legislation, the main mechanisms of public financial oversight include:

a). Public monitoring of financial flows - tracking budget funds and their expenditure.

b). Public chambers, which can be created in municipalities, ensure citizen participation in the assessment of expenditures and the quality of financing. As noted by Burmistrov S.A., these bodies are formed for the purposes of developing civil society institutions, finding constructive avenues for dialogue between local governments and non-profit organizations, increasing the openness of local government activities, and developing a common position between residents and local governments on issues of municipal development and management [6, p. 8]. A detailed classification of the entities implementing public control is presented in the article by M.A. Kilessko [7, p. 240].

c). Civic control is the involvement of citizens through public inspections and public control groups in the process of assessing and monitoring budget expenditures. According to experts, "the most important function of public control entities in the area of financial activities of the state and municipalities is not only to expand the boundaries of freedom and, at the same time, the powers of the population, but also to involve them in the process of the political and socio-economic life of the state" [4, p. 10].

In November 2021, the principle of citizen participation in the budget process was incorporated into budget legislation (Federal Law No. 384-FZ) (Article 28 of the Budget Code of the Russian Federation).

N.A. Sattarova interprets this principle as "the continuous interaction of citizens with government bodies in decision-making, determining the directions and purposes of spending budget funds, as well as in the subsequent monitoring of their use" [8, p. 27].

S.M. Mironova proposes considering this principle in several contexts: according to the relationship between citizen participation and the consideration of citizen opinions, the subject

composition of participants, forms of participation, territorial criteria, regulatory frameworks, and the stages of the budget process in which citizens can participate [9, p. 22].

d). Public initiatives - projects and proposals from the population to improve budget management. Specialized financial and legal literature notes that "the principle of citizen participation in the budget process is implemented through the launch of participatory budgeting programs." This is especially noticeable at the regional and municipal levels" [10, p. 54].

Federal Law No. 236-FZ of July 20, 2020, "On Amendments to the Federal Law "On General Principles of Local Self-Government in the Russian Federation¹⁴" included Article 26.1 "Initiative Projects." According to the Russian Ministry of Finance, the practice of their implementation is as follows: in 2022, 298 municipal participatory budgeting practices were implemented in 35 constituent entities of the Russian Federation (24 more than in 2021). The largest number of implemented municipal practices was identified in Krasnodar Krai (60 practices), Samara Oblast (40 practices), Orenburg Oblast (32 practices), and Stavropol Krai (25 practices). The total cost of all implemented initiative projects within the framework of municipal-level practices in 2022 amounted to 3.3 billion rubles. The volume of budgetary allocations from municipal budgets for the implementation of participatory budgeting projects amounted to 2.82 billion rubles (85% of the cost of municipal projects)¹⁵.

According to the Russian Ministry of Finance, in 2023, participatory budgeting in the Russian Federation continued to demonstrate steady growth, with positive changes also occurring in the regulatory framework for citizen participation in the budget process. Currently, 82 constituent entities of the Russian Federation have approved 190 regulatory legal acts providing for measures to develop participatory budgeting mechanisms (as of April 30, 2024). The number of projects in which citizens participated in

¹⁴ Collection of Legislation of the Russian Federation. 2020. No. 30. Article 4762.

¹⁵ Report on best practices for developing participatory budgeting in the constituent entities of the Russian Federation and municipalities. URL: [https://minfin.gov.ru/common/upload/library/2023/09/main/0609_Doklad_2023_.pdf Date accessed 10.04.2025.

¹³ Collection of Legislation of the Russian Federation. 2014. No. 30 (Part I). Article 4213.

selecting and implementing them reached 33,640, exceeding the 2022 figures by 14.6%. Thus, one in eleven project proposals submitted by citizens was implemented in 2023¹⁶.

f). Implementation of the budget transparency principle – access to information on budget spending and planning for citizens. As noted earlier, the GIS "Electronic Budget of the Russian Federation" is designed to ensure this access. In general, this principle is interpreted very broadly in the specialized literature. According to a number of authors, "the principle of transparency (openness) in the budgetary process in Russia is a complex principle that includes several components, among which should be noted publicity, accountability of state executive bodies, as well as local government bodies to legislative (representative) bodies of the corresponding level, openness of the budget process to the public, clarity and unambiguity of the provisions of the law (decision) on the budget, as well as the use of various information systems with the right of access to information for all participants in the budgetary process" [11, p. 29].

In characterizing the instruments that ensure the implementation of this principle, analysts of the Legal Information System ConsultantPlus note public hearings that "are held on issues of state and municipal governance in the areas of environmental protection, procurement of goods, works, services to meet state and municipal needs and in other areas stipulated by law" [7]. And here one cannot fail to note paragraph 2 of part 2 of article 47 of Federal Law No. 33-FZ, according to which the draft local budget and a report on its implementation must be submitted to public hearings, which testifies to the importance of this institution in the system of municipal democracy. This norm is intended, on the one hand, to ensure that citizens are informed about the state of the municipal budget, and, on the other, their participation in the development, discussion and control of its implementation.

6) *Standardization and unification of control methods.* Significant work in this area has been

accomplished by both federal and regional control and accounting bodies, as well as the Union of Municipal Control and Accounting Bodies (hereinafter referred to as the MCABs Union). The report on the results of municipal control and accounting bodies' application of the methodological materials developed by the MCABs Commission on Methodological Support and approved by the MCABs Presidium¹⁷ noted that, as of July 1, 2024, the MCABs Presidium had approved 38 methodological documents, including 12 standards, 26 methodological recommendations, and 1 methodology developed by the Commission. These documents are used by 78 to 84% of CABs members.

The issues of standardization of internal financial control are presented in sufficient detail in the work of Antropseva I.O., who also notes the need to "adopt a single standard defining the requirements for internal financial control, its main characteristics and their concepts" [13, p. 10]. Lagutin I.B. agrees with this conclusion, emphasizing that "unification will not only qualitatively change the implementation of the control activities themselves, but will also allow for the improvement of approaches to the analysis of the effectiveness of the control bodies themselves, which will subsequently provide an opportunity to improve the overall management system at the regional and local levels" [14, p. 14].

7). *Emphasis on training and professional development of specialists.* In this context, it is important to remember the challenges currently facing the education system, based on Decree No. 309 of the President of the Russian Federation dated May 7, 2024, "On the National Development Goals of the Russian Federation for the Period up to 2030 and for the Perspective up to 2036"¹⁸, which outlined the

¹⁷ Information on the results of the application by municipal control and accounting bodies of the methodological material developed by the Union of International Classification of Audit Institutions (ICAIS) Commission on Methodological Support and approved by the Presidium of the Union of International Classification of Audit Institutions (ICAIS). Approved by the decision of the Presidium of the Union of International Classification of Audit Institutions (ICAIS), Protocol No. 5 (100) dated September 18, 2024, paragraph 11.2.

¹⁸ Decree of the President of the Russian Federation of May 7, 2024, No. 309 "On the National Development Goals of the Russian Federation for the Period up to 2030 and for the

¹⁶ Report on best practices for the development of participatory budgeting in the constituent entities of the Russian Federation and municipalities for 2024.

digital transformation of state and municipal administration, the economy, and the social sphere. This transformation requires specialists with not only knowledge of financial control but also skills in working with all specialized electronic resources, including their restricted areas, to which educational institutions currently have no access, even at the demo level.

4. Conclusions.

In summing up the analysis of municipal financial control development trends, the sustainability of its organizational system is noteworthy. Although the reform of the territorial foundations of local self-government has seen a sharp decline in the number of municipalities, the ratio of municipal control and accounting bodies to the total number of municipalities remains at 12%.

The forms (preliminary) and methods of organizing municipal financial control are being improved, and the participation of individual entities (citizens) in its implementation is increasing.

The introduction of modern information technologies, on the one hand, ensures transparency of the budget process, and, on the other, poses new challenges in the training and professional development of specialists performing control activities.

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INFORMATION ABOUT AUTHOR

Elena Y. Kireeva – Doctor of Law, Professor; Acting Dean, Faculty of Personnel Management and Public Administration of the Institute of Public Administration and Civil Service
Russian Presidential Academy of National Economy and Public Administration
 84/1, Vernadskogo pr., Moscow, 119606, Russia
 E-mail: kireeva-ey@ranepa.ru
 ORCID: 0000-0003-2090-5299
 ResearcherID: S-3721-2017
 RSCI SPIN-code: 3144-7190

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