

## HARMONIZATION OF REGULATORY REGULATION OF DIGITALIZATION OF STATE FINANCIAL CONTROL IN UKRAINE: CHALLENGES AND PROSPECTS FOR ADAPTATION TO EUROPEAN UNION STANDARDS

*The study is aimed at analyzing the legal regulation of the processes of digitalization of state financial control in Ukraine, taking into account the current challenges associated with integration into the legal space of the European Union. The article considers the principles of harmonization of Ukrainian legislation with EU legislative acts in the field of financial control and digital management tools, costs and prevention of abuse.*

*The study implements a comprehensive methodological approach, which includes several interrelated methods that provide a multifaceted analysis of the selected problems. Thus, the comparative legal analysis made it possible to identify common and distinctive features in the legal regulation of the digitalization of state financial control between the legislation of Ukraine and the legal standards of the European Union. Particular attention was paid to the analysis of EU directives and regulations in the context of their adaptation to the national legal framework. The use of a systematic approach ensured the consideration of the digitalization of state financial control as a holistic structure, which includes the regulatory framework, technological aspects, institutional mechanisms and socio-economic consequences. This made it possible to assess the harmonization of legislation not only from the point of view of compliance with the norms, but also taking into account the impact on the management system as a whole. The modeling method contributed to predicting the consequences of the application of regulations focused on the digital transformation of financial control. Predictive methods were used to assess the dynamics of the development of the regulatory framework in the field of state financial control in the context of digitalization. This made it possible to predict how changes in legislation will affect the effectiveness of control and transparency of financial activities. This approach provided not only the theoretical depth of the analysis, but also the practical significance of the results for further improvement of the legal regulation of digitalization of state financial control in Ukraine.*

*The key problems facing Ukraine in the context of regulatory regulation of the digitalization of state financial control are identified, in particular, the limited technological infrastructure, insufficient harmonization of legal norms with EU requirements, and the imperfection of legal control mechanisms. The need to modernize Ukrainian legislation taking into account European standards and adaptation of the best practices of digitalization is substantiated.*

*The study confirmed that the process of digitalization of state financial control requires systematic harmonization of Ukraine's regulatory framework with EU legislation. It is recommended to strengthen the regulatory regulation of the introduction of digital technologies, provide appropriate infrastructure support and improve the mechanisms of cooperation between state bodies. Harmonization of national legislation with EU legal norms will contribute to increasing the transparency, efficiency and accountability of financial control in Ukraine.*

**Key words:** digital technologies in public administration, financial control in Ukraine, European management standards, integration into the EU, modernization of the regulatory framework, transparency of public finances, digital transformation, public administration.

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**Introduction.** In the context of global technological changes and challenges caused by the full-scale war on the territory of our country, regulatory regulation in this area is receiving special attention. Digitalization of financial control is a priority area of modern public administration, which is of strategic importance for economic stability and transparency of the use of budget funds. This allows us to determine the main approaches to the introduction of digital technologies, regulation of the activities of state bodies in the field of financial control and creation of conditions for effective management of public resources.

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Analysis of the current legislation of Ukraine, in particular such regulations as the Budget Code of Ukraine, the Tax Code of Ukraine, the Customs Code of Ukraine and others, makes it possible to identify the main problems, gaps and outdated norms that hinder the development of digital technologies.

**The purpose** of this article is to analyze the features of the regulatory regulation of digitalization of state financial control in Ukraine, to identify the main regulatory legal acts regulating this area, as well as to identify problems and shortcomings of the existing regulation and develop recommendations for its improvement.

**Literature Review.** One of the key areas of research is the adaptation of Ukrainian legislation to EU standards, which is widely covered in the works of Ukrainian and European researchers. The research of scientists such as D. V. Bazylevych, O. Baranovsky, I. Basantsov, O. Vasylyk, N. Vyhovska, I. Drozd, O. Kyrylenko, A. Mamyshev, N. Ruban, V. Savchenko, V. Symonenko, O. Stefanyshyn, I. Stefaniuk, V. Fedosov, O. Shevchuk and others are focused on theoretical and practical aspects of the role of state financial control of their research highlights the importance of taking into account EU directives relating to transparency and efficiency in public financial management, especially through the use of digital technologies.

The analysis of the literature indicates the importance of harmonization of legislation, the introduction of advanced digital technologies, the modernization of legal mechanisms and taking into account European experience. This creates the basis for further research in the field of adaptation of Ukrainian legislation to EU standards in the context of digitalization of state financial control.

**The Main Outcomes of the Study.** The development of digitalization in the field of state financial control is an important stage in the modernization of the financial system of Ukraine. This not only contributes to increasing the efficiency of control over public finances, but also allows to ensure transparency and accountability of budget management processes. In today's environment, digital technologies are becoming a key tool for fighting corruption, optimizing costs, and preventing abuse.

At the initial stages of the development of state financial control in Ukraine, the main attention was paid to the creation of basic mechanisms for processing financial data. Until 2014, digital technologies were used to a limited extent, and their implementation was often hampered by insufficient infrastructure, weak legislative frameworks, and low digital literacy among civil servants and the population. The main information systems used were of a local nature and were aimed at automating individual processes, such as processing tax reporting or controlling budget expenditures.

Thanks to this regulation of digitalization, it becomes the "legal foundation" for effective financial management, the fight against corruption and abuse. The effectiveness of regulatory regulation is based on several principles:

- The principle of legality: the essence is that the actions of the control bodies must comply with the current legislation. For example, the State Audit Service must comply with the provisions of the Law of Ukraine "On the Basic Principles of State Financial Control in Ukraine" (The Verkhovna Rada of Ukraine, 1993), which regulates the procedure for conducting audits and the duties of officials.
- The principle of transparency: ensuring open access to information on the use of budget funds. For example, the electronic procurement system "Prozorro" allows citizens of Ukraine and international partners to openly track each stage of public procurement, in accordance with the Law of Ukraine "On Public Procurement" (The Verkhovna Rada of Ukraine, 2016).
- The principle of responsibility: this principle emphasizes the fullness of responsibility of officials for the proper performance of their duties. If the auditor detects violations during the financial audit, he is obliged to draw up an appropriate act, on the basis of which sanctions can be applied, in accordance with the Law of Ukraine "On the Basic Principles of State Financial Control in Ukraine" (The Verkhovna Rada of Ukraine, 1993).
- The principle of technological neutrality: According to the Law of Ukraine "On Electronic Documents and Electronic Document Management", regulations should in no way restrict the use of the latest technologies (The Verkhovna Rada of Ukraine, 2003). The current law allows the use of both government and commercial platforms for reporting.

A significant impetus for the development of digitalization of financial control was the adoption of a number of key regulations in Ukraine, which laid the foundation for the integration of the latest technologies into the field of public administration. In particular, the Law of Ukraine "On Electronic Identification and Electronic Trust Services", adopted in 2017, became a turning point in ensuring the legal

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force of electronic documents and services (The Verkhovna Rada of Ukraine, 2017). This law contributed not only to the harmonization of Ukrainian legislation to European standards, but also to the development of technological infrastructure for the provision of public services in electronic format.

In 2019, the Ministry of Digital Transformation of Ukraine was established, which is actively working on the introduction of the latest technologies. Particular attention is paid to the development of systems based on blockchain, artificial intelligence and big data analysis. These tools allow you to automate monitoring and auditing processes, reducing the risk of human error and corruption.

The history of digitalization of financial control is also related to the requirements for Ukraine's accession to the European Union. The inclusion of European directives, such as Regulation (EU) No. 910/2014 on electronic identification and trust services (eIDAS), has stimulated the development of digital initiatives aimed at ensuring transparency of public finances. For example, it is worth highlighting the cooperation between EUROSAI (Accounting Chamber of Ukraine, 2024) and the Accounting Chamber, which contributed to the exchange of experience, the implementation of the organization's strategic goals, such as professional cooperation and institutional capacity development, as well as the implementation of best practices in the system of state financial control of Ukraine. The participation of the Accounting Chamber in working groups such as ITWG, WGEA and TFMA made it possible to integrate modern approaches to auditing and ensure harmonization with international standards.

A successful example of the digitalization of public procurement in Ukraine is the Prozorro system, which has become a benchmark for transparency in public procurement and one of the most successful examples of digitalization in Ukraine. Its creation and development were the result of Ukraine's desire to ensure the openness of tender processes, reduce corruption risks and attract the widest possible range of participants to participate in public procurement. Prozorro has implemented the concept of "open data", which makes it possible to analyze all stages of the procurement process: from announcing a tender to concluding a contract. The uniqueness of the system lies in its decentralized model, which allows you to integrate commercial platforms into a single platform. This significantly increases competitiveness, provides equal conditions for all bidders and minimizes corruption risks. The open architecture of the system allows independent analysts, NGOs and journalists to access tender data, contributing to public scrutiny.

Since the beginning of February 24, 2022, the Prozorro system has faced new challenges, but was able to demonstrate high adaptability. In critical conditions of war, the platform ensured the stability of procurement, which became the basis for the supply of the necessary resources: medical equipment, humanitarian aid, military equipment, etc. Thanks to the functionality of Prozorro, public procurement remained transparent even in crisis conditions, which allowed international partners and donors to continue to provide financial assistance with confidence in its rational use. In the first months of the war, the system adapted to the needs of the time, allowing state institutions to conduct procurement under a simplified procedure, but maintaining transparency and availability of information on concluded transactions. In addition, Prozorro contributed to the formation of special procurement procedures related to defense needs, which made it possible to promptly respond to urgent challenges.

This system has become a key tool for the international community, which gets the opportunity to monitor in real time the use of funds provided to Ukraine. This significantly increases the credibility of Ukraine as a reliable partner, as well as contributes to attracting additional financial support. In addition, both Ukrainians and international partners can effectively monitor the feasibility of using budget funds, which allows for transparency and accountability.

A number of state programs aimed at digitalization of state financial control are being implemented in Ukraine, among which the following key initiatives can be distinguished:

- The "State in a Smartphone" program, which provides for the introduction of digital services to ensure transparency of public finances.
- Strategy for the Development of the Digital Economy and Society of Ukraine, which includes measures for the digital transformation of state financial control bodies.
- The Concept of Reforming the State Financial Control System, which defines strategic directions for automating and digitalizing inspections. This document acts as a strategic guide for the modernization of the state financial control system in Ukraine. Ensuring the transition from traditional paper processes to modern digital technologies, which will significantly increase the efficiency and efficiency of control. The use of blockchain technologies, artificial intelligence and big data to analyze financial flows, which will contribute to the early detection of violations and risk reduction. Formation of a legal framework

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that takes into account the peculiarities of digitalization, and the creation of clear regulatory mechanisms for the introduction of innovative technologies in the control process. Establishing interaction between different state databases to ensure a single information space, which will contribute to transparency and accountability. Providing a system of education and training of specialists who will be able to effectively use the latest technologies and methods in the field of financial control. Development and implementation of measures aimed at protecting digital data and information systems from cyber threats.

- Introduction of the Unified Web Portal for the Use of Public Funds, which allows for public control over the expenditures of state bodies.

Also, an important role in digitalization is played by the initiatives of the State Audit Service of Ukraine and the Accounting Chamber, which develop automated systems for monitoring and analyzing public finances. One of the priority areas is the integration of electronic document management and analytical platforms for detecting financial violations.

Legislative initiatives aimed at improving digitalization in the financial sector are also important for stimulating economic development. In addition to ensuring transparency, such initiatives create additional opportunities for the development of innovative financial instruments, in particular under martial law. Increasing access to financial services through digital platforms allows citizens to more effectively participate in supporting the national economy, which is confirmed by the development of electronic payments within the framework of state financial management, specified in the Law of Ukraine “On Payment Services” (The Verkhovna Rada of Ukraine, 2023).

Regulation in the field of financial control also provides for the use of risk-based approaches, which allows concentrating resources on the most problematic areas. The risk-based approach aims to increase the effectiveness of control by identifying and assessing risks that may lead to violations or misuse of resources. For example, financial control bodies can conduct audits primarily in those sectors where there is a high probability of financial abuse or violations of budgetary discipline.

An example of the application of such an approach in Ukraine is the implementation of the methodology of risk-based planning of internal audit in accordance with the order of the Ministry of Finance of Ukraine. This allows for a more efficient allocation of the resources of the control bodies and an increase in the quality of the audit by focusing on the most critical areas.

For the effective implementation of digitalization in the field of state financial control, it is important not only to adapt legislation to modern requirements, but also to create conditions for synergy with international standards. Such integration allows for uninterrupted exchange of information between government and commercial institutions, increasing the level of control over the use of state resources. Modern technologies make it possible to more effectively detect violations and abuses, reducing the risks of misuse of funds. In this context, integration into European norms plays an important role, which makes it possible to improve financial control mechanisms and, in accordance with the Law of Ukraine “On Public Procurement”, to ensure transparency in the use of budget funds (The Verkhovna Rada of Ukraine, 2016).

The digitalization of financial control at the international level is an important tool for ensuring transparency, efficiency and reducing corruption. One of the most authoritative standards development bodies in this area is the Organization for Economic Co-operation and Development (OECD) (Organization for Economic Cooperation and Development, 2018). It acts as a certain platform where its members have the opportunity to discuss and determine specific areas at different levels: political, social and economic development.

Also, one of the many functions is the exchange of experience. This provides an opportunity that helps to find solutions to the problems of coherent policies and coordinate domestic policies. I note that the OECD does not issue binding resolutions, instead, it develops those recommendations for the governments of the countries of the world to improve socio-economic policy. It is a synergy of positive experiences that helps to find a way to solve common problems by coordinating domestic and foreign policies.

The OECD’s recommendations for member countries include the creation of a clear regulatory framework for the introduction of digital technologies in financial control, focusing on the automation of audit and inspection processes. The OECD emphasizes the importance of integrating electronic document management and expanding the use of electronic signatures to ensure the legal validity of documents. citizens and international partners to have access to financial management processes.

According to the European integration program, Ukraine is actively moving towards integration into the EU Digital Single Market. This includes synchronization with the EU Electronic Communications



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Code and the introduction of electronic identification and authentication standards. One of the key conditions for the start of negotiations is the implementation of 7 EU recommendations, and Ukraine has already received high marks in the field of digitalization, which allows us to hope for positive developments in October. EU membership opens up new opportunities for Ukraine, including access to funding programs for digital projects and priority initiatives such as Digital Europe, which allows raising funds for the development of digital technologies, artificial intelligence, cybersecurity and high-performance computing. Ukraine is already implementing important projects within the framework of European integration, such as synchronization of the electronic communications and trust services sector with the EU. An important advantage will also be the implementation of the Roam like at home policy for Ukrainians living in the EU. In addition to practical benefits for citizens, such as reduced roaming costs and simplified use of digital services, Ukraine's EU membership will also bring significant economic benefits. GDP growth and exports of goods and services are expected, which will contribute to the economic development of the country (ENTC, 2024).

**Conclusions.** Thus, the digitalization of financial control at the international level is a key element in ensuring transparency, accountability and reducing corruption in public finance management. Organizations such as the OECD and other international institutions are developing recommendations for member countries on the adoption of digital technologies, which allows for the standardization of processes and increased efficiency of audits and inspections. At the same time, the introduction of digital tools in EU countries, such as electronic public procurement systems and digital platforms for the supervision of public spending, creates effective mechanisms to reduce bureaucracy and abuse.

Digitalization in the field of state financial control is an important element that contributes to the effective management of public financial resources. For its successful implementation, a clear legal regulation is needed, which determines the procedure for the use of digital technologies and ensures their compliance with legal requirements. Digital tools ensure greater transparency, accountability, and efficiency in the use of budget funds, as well as reduce the risks of abuse and corruption.

The integration of Ukrainian legislation with European standards, as well as the development of digital platforms to ensure transparency, increases the level of trust in state institutions and allows citizens to be more actively involved in financial control processes. This, in particular, is confirmed by the successful implementation of the electronic payment system and the possibility of buying domestic government bonds through the Diia application, which additionally ensures the stability of the financial system of Ukraine.

The process of digitalization in the field of state financial control is an important component of the modernization of the financial system of Ukraine. Thanks to the introduction of digital technologies, it has become possible to increase the efficiency of monitoring budget resources, ensure transparency and accountability of financial processes, as well as minimize corruption risks. At the initial stages, the development of digital solutions in this area was slowed down due to the limited technical base, imperfection of legislation, and insufficient digital literacy of civil servants. However, further harmonization of Ukrainian legislation with EU norms, in particular through the adoption of the Law "On Electronic Trust Services", contributed to the expansion of opportunities for the integration of modern technologies.

Thus, digitalization in the field of state financial control is not only a necessary step to increase the efficiency of the use of public resources, but also an important factor contributing to economic development and strengthening citizens' trust in state institutions. Adaptation of legislation to modern requirements and international standards allows to improve control mechanisms, which is the key to stable and transparent financial management in the face of modern challenges.

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## **ГАРМОНІЗАЦІЯ НОРМАТИВНО-ПРАВОВОГО РЕГУЛЮВАННЯ ЦИФРОВІЗАЦІЇ ДЕРЖАВНОГО ФІНАНСОВОГО КОНТРОЛЮ В УКРАЇНІ: ВИКЛИКИ ТА ПЕРСПЕКТИВИ АДАПТАЦІЇ ДО СТАНДАРТІВ ЄВРОПЕЙСЬКОГО СОЮЗУ**

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Статтю присвячено аналізу нормативно-правового регулювання процесів цифровізації державного фінансового контролю в Україні, враховуючи сучасні виклики, пов'язані з інтеграцією до правового простору Європейського Союзу, розглянуто принципи гармонізації українського законодавства із законодавчими актами ЄС у сфері фінансового контролю та цифрових інструментів управління, адже у сучасних умовах цифрові технології стають ключовим інструментом для боротьби з корупцією, оптимізацією витрат та запобігання зловживанням.

У статті реалізовано комплексний методологічний підхід, який охоплює декілька взаємопов'язаних методів, що забезпечують багатогранний аналіз обраної проблематики. Так, порівняльно-правовий аналіз дозволив виявити спільні та відмінні риси у нормативно-правовому регулюванні цифровізації державного фінансового контролю між законодавством України та правовими стандартами Європейського Союзу. Особлива увага приділялася аналізу директив і регламентів ЄС у контексті адаптації їх до національної правової бази. Використання системного підходу забезпечило розгляд цифровізації державного фінансового контролю як цілісної структури, яка включає нормативно-правову основу, технологічні аспекти, інституційні механізми та соціально-економічні наслідки. Це дозволило оцінити гармонізацію законодавства не лише з точки зору відповідності нормам, але й з урахуванням впливу на систему управління в цілому. Метод моделювання сприяв прогнозуванню наслідків застосування нормативних актів, орієнтованих на цифрову трансформацію фінансового контролю. Прогностичні методи використовувалися для оцінки динаміки розвитку нормативно-правової бази у сфері державного фінансового контролю за умов цифровізації. Це дало змогу передбачити, як зміни в законодавстві впливатимуть на ефективність контролю та прозорість фінансової діяльності. Такий підхід забезпечив не лише теоретичну глибину аналізу, але й практичну значущість результатів для подальшого вдосконалення правового регулювання цифровізації державного фінансового контролю в Україні.

Визначено ключові проблеми, які постають перед Україною в контексті нормативного регулювання цифровізації державного фінансового контролю, зокрема обмеженість технологічної інфраструктури, недостатня гармонізація правових норм із вимогами ЄС та недосконалість механізмів правового контролю.

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*Обґрунтовано необхідність модернізації українського законодавства з урахуванням європейських стандартів та адаптації найкращих практик цифровізації.*

*Дослідження підтвердило, що процес цифровізації державного фінансового контролю вимагає системної гармонізації нормативно-правової бази України із законодавством ЄС. Рекомендовано посилити нормативну регламентацію впровадження цифрових технологій, забезпечити відповідну інфраструктурну підтримку та удосконалити механізми співпраці між державними органами. Гармонізація національного законодавства з правовими нормами ЄС сприятиме підвищенню прозорості, ефективності та підзвітності фінансового контролю в Україні.*

**Ключові слова:** цифрові технології у державному управлінні, фінансовий контроль в Україні, європейські стандарти управління, інтеграція до ЄС, модернізація нормативної бази, прозорість державних фінансів, цифрова трансформація, публічне адміністрування.