

## FINANCIAL AND ACCOUNTING CONTEXT OF VFTC'S ACTIVITIES

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Volunteer formations of territorial communities (VFTC) have become an important component of the territorial defense system in Ukraine, especially in the context of modern military challenges. These civic initiatives ensure the active participation of the local population in strengthening the country's defense capability. However, the issue of financing and accounting of state resources allocated for the VFTC's needs remains a key aspect of their activities and is an important step in ensuring the effectiveness and sustainability of the VFTC as the territorial defense system component.

To understand the difference between the Territorial Defense Forces of the Armed Forces of Ukraine (Forces of TrD of the Armed Forces of Ukraine) and VFTC, it is necessary to compare their main characteristics. Thus, the forces of the TrD of the Armed Forces of Ukraine [1–3]: consist of professional military personnel who have signed a contract and receive armed, monetary and other necessary support from the Armed Forces of Ukraine; officially are part of the Armed Forces of Ukraine and have the status of military units; the main purpose of their activities is to ensure the defense capability of the territory; receive funding from the state budget. Unlike the forces of the TrD of the Armed Forces of Ukraine VFTC [1–3]: formed on a voluntary basis and consisting of Ukrainian citizens who live in the relevant territorial community; have a paramilitary status and participate in the preparation and performance of territorial defense tasks on their territory; are not an official component of the Armed Forces of Ukraine, but can cooperate with them and other defense bodies; funding can be provided from both state and local budgets.

So, basically, the forces of the TrD of the Armed Forces of Ukraine and the VFTC differ in that the former are part of a professional army with an official status and full-fledged military support, while the latter are voluntary formations of citizens who can be a part of the territorial defense system, but do not have the same status and military training level as professional military personnel.

Financing of VFTC is a key aspect of ensuring their operations. Usually, funding is provided from the state and local budgets. VFTC may receive funds

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to provide the necessary material resources, provide personnel, conduct training, and other activities related to preparing for territorial defense tasks.

To ensure the effective use of the allocated funds, VFTC use cost accounting mechanisms. This includes financial reporting, cost control, budgeting, and resource planning. A system of monitoring the use of financial resources in order to ensure their effective and targeted use is also important.

VFTC as budgetary institutions must comply with and design its activities in accordance with the requirements of budget legislation and regulatory legal acts on accounting and financial reporting. This includes submitting reports on the use of funds, financial statements on income and expenses, and so on. Transparency in the financial activities of the VFTC is an important aspect for ensuring accountability to society and ensuring the effective use of budgetary funds.

At the moment, there are legislative gaps that make it difficult to financially support the activities of the VFTC. VFTC divisions do not have the status of a legal entity and, accordingly, cannot carry out business activities, have their own bank accounts, or be managers of budget funds. Most VFTC are now provided on their own, as well as at the expense of volunteers, benefactors and local self-government bodies, which complicates the situation in supporting these units, especially in the case of using budget funds.

In July 2022, a draft law on amendments to certain legislative acts was submitted to the Verkhovna Rada of Ukraine in order to improve the principles of organization, social, financial and material-technical support for volunteer formations of territorial communities [4], but it has not yet been considered and adopted.

Given these conditions, it is necessary to use various support mechanisms, in particular, through the accounts of the military unit of the TrD forces of the Armed Forces of Ukraine and military administrations, as well as to develop practical recommendations that will help specialists at the local level (local self-government bodies, executive bodies of local councils, local state administrations and military administrations of localities) to better understand the problems, which may arise in the financial support implementation for territorial defense units during martial law and organize the accounting and financial control process over the relevant resources.

The draft law also introduces important changes regarding the financing of VFTC, differentiating the funding sources depending on the direction of expenditures. These amendments provide for the possibility of simultaneous financing of VFTC from the state budget, local budgets and other sources not prohibited by the legislation of Ukraine, significantly expanding the possibility of their financial support while complicating accounting and accounting processes.

Ideologically, funds from the state budget for the needs of the VFTC should be directed to providing financial, material and technical services to the VFTC management bodies, and expenditures related to the implementation of the territorial defense tasks of VFTC should be carried out at the expense of local budgets and other sources not prohibited by law. This approach (differentiation of funding sources) will ensure more effective and flexible financing of VFTC, increase their defense capability and actively participate in strengthening national security. Legislative consolidation of this possibility will make it possible to optimally use available resources at the state and local community levels, maximizing the need for VFTC.

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