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BANK AND TAX TRANSPARENCY IN ENSURING THE ACCOUNTING, ANALYSIS, AND AUDIT OF THE ENTERPRISE'S INVESTMENT ACTIVITIES

This article explores the structural role of the accounting and audit system, where information is transformed according to specific user requirements. It highlights that banking and tax transparency are instrumental in ensuring the credibility and reliability of the accounting and auditing of investment activities. Enhanced transparency mitigates risks associated with financial misreporting and tax evasion, thereby fostering investor confidence and promoting efficient market functioning. Furthermore, the study notes that international regulatory frameworks and technological innovations have increasingly emphasized financial transparency regarding cross-border flows and tax compliance.

The system for ensuring tax and banking transparency in the analysis and audit of investment projects aims to generate high-quality, operational accounting and analytical information. This information serves as the fundamental basis for management decisions within specific investment subjects. In researching the formation of accounting data for the audit and analysis of investment projects, it was found that the management of an enterprise's investment process is executed through three interconnected subsystems: accounting, audit, and analysis. These are linked via information flows that ensure the validity and efficiency of management investment decisions.

The study concludes that the specifics of investment management must be reflected across all components of the accounting and analytical support system. Specifically, the accounting and audit subsystems must utilize high-quality data to truthfully reflect the state of investment processes, while the analysis subsystem requires an effective mechanism for assessing the trends and dynamics of investment potential development.

Keywords: *banking transparency, tax transparency, accounting, analysis, audit, investment activities.*

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БАНКІВСЬКА ТА ПОДАТКОВА ПРОЗОРІСТЬ У ЗАБЕЗПЕЧЕННІ ОБЛІКУ, АНАЛІЗУ ТА АУДИТУ ІНВЕСТИЦІЙНОЇ ДІЯЛЬНОСТІ ПІДПРИЄМСТВА

Система бухгалтерського обліку та аудиту має чітко визначену структуру, а інформація, що проходить через неї, трансформується залежно від запитів користувачів. Було підкреслено, що банківська та податкова прозорість відіграє важливу роль у забезпеченні достовірності та надійності бухгалтерського обліку та аудиту інвестиційної діяльності. Система забезпечення податкової та банківської прозорості аналізу та аудиту інвестиційних проектів має своєю основною метою формування та передачу високоякісної та оперативної бухгалтерської та аналітичної інформації для задоволення інформаційних потреб аудиту та аналізу інвестиційної діяльності як основи для прийняття управлінських рішень конкретного суб'єкта інвестиційної діяльності. У процесі проведення дослідження формування облікових даних та звітності для інформаційного забезпечення аудиту та аналізу інвестиційних проектів було виявлено, що управління інвестиційним процесом підприємства здійснюється на основі взаємопов'язаних підсистем: бухгалтерського обліку, аудиту та аналізу, пов'язаних через інформаційні потоки в процесі формування та передачі облікової та звітної інформації для забезпечення обґрунтованості та ефективності прийняття управлінських інвестиційних рішень.

Ключові слова: *банк, податки, бухгалтерський облік, аналіз, аудит, інвестиційна діяльність.*

Introduction. The rapid development of global financial markets in the 21st century has brought about significant changes in the way investments are accounted for, taxed, and audited. Banks play an essential role in this process by ensuring the transparency and legality of financial transactions. Moreover, the increasing emphasis on tax transparency in the wake of international agreements, such as the OECD's Common Reporting Standard (CRS), has brought a renewed focus on the role of banks in maintaining proper accounting standards and ensuring that investment activities comply with tax laws. With the growing complexity of investment structures and cross-border transactions, the need for efficient accounting systems, transparent tax practices, and robust auditing mechanisms is more critical than ever before [1-2].

Recent data from the International Monetary Fund (IMF) highlights the importance of global transparency in investment activities. In 2023, global Foreign Direct Investment (FDI) flows were valued at approximately $1.6 trillion, with significant investments from major financial hubs such as the United States, the European Union, and China. FDI flows to developing countries fell by 7% to $867 billion last year, reflecting an 8% decrease in developing Asia.This figure dipped by 3% in Africa (learn more) and by 1% in Latin America and the Caribbean.

On the other hand, flows to developed countries were strongly affected by financial transactions of multinational enterprises, partly due to efforts to implement a global minimum tax rate on the profits of these corporations. Inflows to most parts of Europe and North America were down by 14% and 5%, respectively (Table 1) [3].

Table 1

Foreign direct investments declined moderately in most regions, billions of dollars and percentage change

Region	2022	2023	Growth
World	1356	1332	-2%
Developed economies	426	464	9%
Europe	-106	16	115%
North America	379	361	-5%
Developing economies	930	867	-7%
Africa	54	53	-2%
Latin America and the Caribbean	196	193	-2%
Asia	678	621	-8%

Source: UN Trade and Development (UNCTAD) [3].

However, reports from the OECD reveal that a large portion of these investments is made through offshore financial centers, raising concerns about tax compliance. In this context, banks have been increasingly tasked with ensuring that cross-border investments are transparent and meet tax requirements.

As investments continue to become more internationalized, the risks associated with tax evasion and financial fraud have increased. According to recent reports by the European Commission (2023), tax evasion and avoidance cost the EU over €140 billion annually, a statistic that underscores the need for increased transparency in financial transactions. Additionally, the role of banks has expanded beyond merely facilitating financial transactions. They are now instrumental in implementing and ensuring compliance with global tax standards, such as the CRS and the Foreign Account Tax Compliance Act (FATCA). This makes the research topic highly relevant for understanding how modern banking practices intersect with tax laws, investment strategies, and the auditing of financial statements.

Analysis of recent research and publications. Several researchers have made significant contributions to the field of investment accounting, tax transparency, and the role of banks in financial audits. These contributions help shape the current understanding of how financial institutions, tax laws, and auditing practices interact. James R. Hines Jr. (2017) focuses on international tax laws and their effects on cross-border investments in his work, with particular attention to the OECD's BEPS (Base Erosion and Profit Shifting) initiatives [1].

Michael P. Devereux (2018) is known for his research on international tax systems and their impact on investment flows. Devereux's work has shaped discussions on tax compliance in the context of global capital movement [2]. Richard M. Bird (2016) explores the tax systems of developing economies and their effect on foreign investment, particularly in regions with less stringent tax regulations [4]. John M. Vella's (2022) research focuses on financial reporting and its influence on corporate governance, particularly in the context of tax transparency and compliance [5].

These researchers have contributed significantly to understanding how financial institutions play a pivotal role in ensuring investment activities are appropriately reported and comply with global tax standards. However, special attention should be paid to the study of bank and tax transparency features in ensuring the accounting and audit of investment activities.

The purpose of the article is to consider the scheme for the formation of accounting and analytical support for the investment activities of an enterprise, disclose regulatory framework for bank and tax transparency, reveal the tax and bank transparency features impact on investment activities.

Formulation of the main material. Modern conditions of globalization and the digitalization of financial markets necessitate enhancing the transparency of banking and tax processes to ensure the reliability of accounting, analysis, and auditing of enterprises' investment activities. In this context, the development of an integrated accounting and analytical management system for investment activities, based on banking and tax transparency and leveraging digital technologies such as artificial intelligence, blockchain, and Big Data, is becoming increasingly relevant.

The urgency of this issue is driven by the growing risks of financial fraud, tax evasion, and information asymmetry, all of which negatively affect the effectiveness of managerial decision-making.

In the process of research, it was established that the accounting and audit system has a clearly defined structure, and the information passing through it is transformed depending on user requests. The main stages of transformation of economic information are in a simplified form:

– recording of acts of economic activity of the enterprise;
– verification of the reliability of the information received;
– analysis of the data received [6, p. 73] (Fig. 1).

At each of the listed stages, information is collected and presented in a formally defined form – first, accounting data are formed, which reflect the actual economic, including investment activity, which in turn is the object of management control (internal audit). Analysis of the results of investment activity is carried out at the end of the reporting period according to the financial reporting data compiled by the relevant service according to accounting data.

Therefore, the information received by the analytical department must be standardized in a certain way and meet certain criteria. It is for this reason that the internal audit stage verifies the accuracy of the accounting information reflected in the reporting, and if necessary, in the registers of analytical and synthetic accounting.

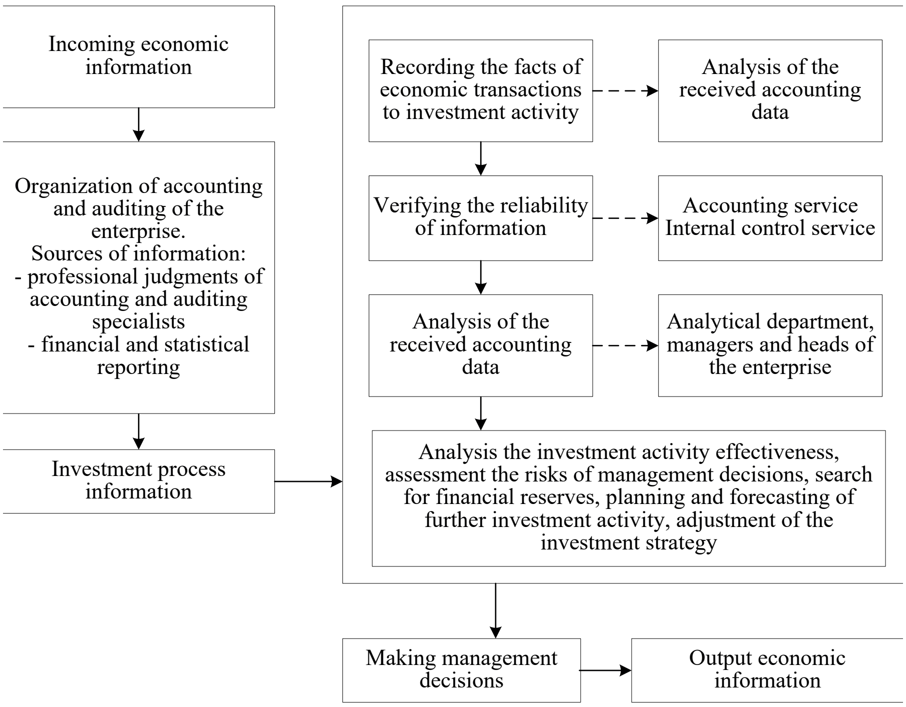

Fig. 1. Scheme for the formation of accounting and analytical support for the investment activities of an enterprise

Source: developed by the author.

In recent years, international regulatory frameworks have increasingly emphasized the importance of financial transparency, particularly with regard to cross-border financial flows and tax compliance. Institutions such as the Organisation for Economic Co-operation and Development (OECD) and the Financial Action Task Force (FATF) have spearheaded initiatives aimed at improving the transparency of financial activities. For example, the OECD's Common Reporting Standard (CRS) and the FATF's recommendations on combating money laundering and terrorist financing have established global benchmarks for financial institutions to follow in promoting transparency.

The Common Reporting Standard (CRS) facilitates the automatic exchange of financial account information between tax authorities, helping them track the ownership and movement of assets across borders. This initiative has been instrumental in curbing tax evasion, which can distort the integrity of investment activities and undermine the effectiveness of audits. By ensuring that tax authorities have access to relevant financial data, banks contribute significantly to the integrity of financial reporting and the accuracy of audits conducted on investment activities.

Another key regulatory development is the implementation of the Base Erosion and Profit Shifting (BEPS) project by the OECD. The BEPS framework addresses the issue of tax avoidance strategies that exploit gaps in international tax rules, ensuring that profits are taxed where economic activity and value creation occur. This has led to significant changes in the reporting obligations of multinational corporations, with stricter requirements for transparency regarding tax arrangements, financial dealings, and related-party transactions. As a result, investors and auditors are now provided with more detailed and reliable information about the tax strategies employed by firms, contributing to better-informed decision-making processes.

Bank transparency plays a pivotal role in maintaining financial stability and fostering investor confidence. The introduction of multiple regulatory frameworks has been a significant milestone in this journey. For instance, the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the United States, mandates the disclosure of critical financial information by banks, thus reducing systemic risks and promoting transparency (Kroszner & Strahan, 2001) [7].

In addition to regulatory frameworks, technological advancements have revolutionized the transparency landscape. The advent of blockchain technology has introduced a new paradigm in financial reporting. Blockchain's inherent characteristics of immutability and transparency offer an unprecedented level of trust in financial transactions and disclosures. Banks adopting blockchain for their financial reporting systems can provide real-time, verifiable data to regulators and stakeholders (Ammous, 2016) [8].

Moreover, the rise of big data analytics has enabled banks to enhance their transparency initiatives. By leveraging data analytics, banks can process vast amounts of financial data, identify patterns, and detect anomalies that may indicate fraudulent activities. This proactive approach not only bolsters transparency but also strengthens the bank's internal controls and risk management practices.

A concrete example of bank transparency can be seen in the efforts of Standard Chartered Bank. The bank has implemented a comprehensive transparency and disclosures framework that includes detailed reporting on financial performance, risk management practices, and ESG initiatives. This proactive approach has significantly enhanced the bank's reputation and stakeholder trust, illustrating the tangible benefits of embracing transparency.

Tax transparency has gained momentum as countries strive to combat tax evasion and ensure equitable tax practices. A notable initiative in this domain is the European Union's Directive on Administrative Cooperation (DAC6), which mandates the disclosure of potentially aggressive tax planning arrangements. This directive has brought about greater scrutiny and accountability in tax practices across the EU (European Commission, 2018).

Voluntary tax transparency frameworks have also played a crucial role. Companies such as Vodafone have embraced the Tax Transparency Benchmark, which assesses companies on their tax disclosure practices. By voluntarily providing detailed information on their tax strategies, payments, and governance, companies can demonstrate their commitment to transparency and ethical business practices.

Blockchain technology has also made significant inroads in the realm of tax transparency. Tax authorities in several countries are experimenting with blockchain-enabled tax reporting systems to improve transparency and reduce compliance costs. These systems provide a decentralized, tamper-proof ledger of tax transactions, ensuring accurate and transparent reporting.

Microsoft's commitment to tax transparency is a testament to the impact of voluntary frameworks. Microsoft publishes an annual Tax Transparency Report, detailing its tax strategy, policies, and contributions to the global economy. This level of transparency not only complies with regulatory requirements but also reinforces the company's reputation as a responsible corporate citizen.

The interplay between bank and tax transparency and investment activities cannot be understated. Transparent financial institutions and corporate entities are more likely to attract investors, as transparency reduces uncertainties and information asymmetries (Florou & Pope, 2012) [9]. Investors are increasingly prioritizing companies with robust transparency practices, as these entities are perceived to have lower regulatory risks and more sustainable business models.

Furthermore, transparency in the banking sector enhances capital market efficiency by ensuring that financial information is accurately reflected in stock prices. This, in turn, promotes more informed investment decisions, contributing to market stability and growth (Bushman, Chen, Engel, & Smith, 2004) [10].

In terms of tax transparency, investors are drawn to companies that demonstrate ethical tax practices. Transparent tax reporting provides assurance that companies are not engaged in aggressive tax avoidance schemes, reducing the risk of future tax-related controversies. This trust forms the bedrock of long-term investment relationships, fostering financial stability and growth.

The integration of cutting-edge technologies has markedly advanced the cause of transparency. The deployment of artificial intelligence (AI) in financial reporting and tax compliance has facilitated real-time data analysis and anomaly detection. AI-driven tools can sift through vast datasets to identify discrepancies, flag potential issues, and generate timely reports, thereby enhancing the accuracy and reliability of financial and tax disclosures (Davenport & Ronanki, 2018) [11].

Blockchain technology, as previously mentioned, has revolutionized the way financial and tax data are recorded and reported. The decentralized nature of blockchain ensures that all transactions are transparent, immutable, and verifiable, making it an ideal tool for enhancing transparency in banking and taxation.

Thus, accounting is an important information resource that reflects all the facts of economic life, and the analysis transforms the collected data to meet the information needs of users, which makes it possible to compare economic and financial indicators and form a further strategy and tactics for the development of the enterprise. The target goal of this process is to provide management personnel with an understanding of the real state of affairs: whether investment activities are profitable, whether the enterprise's resources are used effectively, whether the investment management system requires optimization, etc.

Each individual type of activity or business entity has its own specific accounting and analytical system, tax policy and banking strategy, however, in general terms, it is possible to present a model or stages of the accounting process, the purpose of which is to form the necessary adequate and significant information base for making management decisions.

The creation of a comprehensive model that integrates regulatory transparency requirements with advanced digital technologies will significantly enhance the speed and accuracy of managerial decision-making. Such a model is not merely a technical innovation but a strategic tool for improving corporate governance and financial integrity. By embedding transparency principles into automated accounting and analytical processes, enterprises can ensure real-time access to reliable data, reduce the likelihood of errors, and strengthen internal control mechanisms.

The practical significance of this research lies in its potential to reinforce investor confidence, minimize the risks associated with tax disputes, and optimize the allocation and utilization of enterprise resources. Transparent and technologically advanced systems foster trust among stakeholders, mitigate information asymmetry, and create a foundation for sustainable investment strategies. Furthermore, the integration of artificial intelligence, blockchain, and big data analytics into accounting and auditing practices will enable predictive insights, anomaly detection, and immutable transaction records, thereby transforming traditional approaches to financial reporting and compliance.

Conclusions. Bank and tax transparency are instrumental in ensuring the credibility and reliability of accounting and auditing investment activities. Enhanced transparency mitigates risks associated with financial misreporting and tax evasion, fostering investor confidence and promoting efficient market functioning. The implementation of regulatory frameworks and voluntary reporting standards has significantly advanced transparency efforts. Technological innovations further bolster these efforts, revolutionizing financial reporting and tax compliance. The intersection of transparency, technology, and regulatory compliance presents a promising avenue for future research and practices aimed at strengthening financial markets' foundations and ensuring their sustained stability and growth.

The system for ensuring tax and banking transparency of the analysis and audit of investment projects has as its main purpose the formation and transfer of high-quality and operational accounting and analytical information to meet the information needs of the audit and analysis of investment activities as a basis for making management decisions of a specific subject of investment activity.

In the process of conducting a study on the formation of accounting data and reporting for information support of the audit and analysis of investment projects, it was found that the management of the investment process of the enterprise is carried out on the basis of interconnected subsystems: accounting, audit and analysis, connected through information flows in the process of generating and transferring accounting and reporting information to ensure the validity and efficiency of making management investment decisions.

The specifics of managing the investment activities of an enterprise should be manifested in all components of the accounting and analytical support system for managing the investment process: for example, in the accounting and audit subsystem through the use of high-quality accounting data and correct reporting, which most truthfully reflect the current state of investment processes, in the analysis subsystem – through the formation and use of an effective mechanism and tools for assessing the state, trends and dynamics of the development and use of investment potential.

The prospects for further research lie in deepening the theoretical and methodological foundations for developing an integrated accounting and analytical system to support the management of enterprises' investment activities. This will enhance the consistency and reliability of information flows among the subsystems of accounting, auditing, and analysis. Further development is also required to improve approaches to the automation of data collection, processing, and transmission within the framework of digitalized financial reporting, which

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will contribute to greater transparency, timeliness, and efficiency in managerial decision-making in the field of investment activity.

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