

## STATE FINANCIAL CONTROL SYSTEM MORE IMPROVEMENT ISSUES

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ABSTRACT	KEYWORDS
The article discusses the issues of effective organization and financial management of budgetary organizations in conditions of limited state financial resources, the introduction of progressive, new methods of expenditure planning aimed at rational allocation and use of budgetary funds, and also provides recommendations on further improvement of the system of state financial control.	state financial resources, budgetary institution, state financial control, budget allocations, department of Financial Control, program "Civil budget", extra-budgetary funds.

### Introduction

In recent years, a number of changes are taking place in the sectors and industries financed from the budget as part of the implementation of the project of reforming the state finances. These changes include the use of methods of planning the expenses of budgetary organizations based on the basic cost standards, the introduction of mechanisms for the treasury of the State budget, the establishment of procedures for the organization of public purchases at the expense of budget funds, and the increasing attraction of extra-budgetary funds by budgetary organizations. is associated with more incentives. A number of social sectors funded by the state: education, healthcare, culture, social security, state administration bodies, institutions and organizations operate as a budget organization. The organization of their finances is determined by relevant decisions of the Cabinet of Ministers, orders of the Ministry of Finance and normative documents of the relevant line ministries and provides for the following:

"Ensuring macroeconomic stability and gradually reducing the annual inflation rate to 5 percent by 2023.

Reducing the state budget deficit and ensuring that it does not exceed 3% of GDP from 2023.

To organize spending of at least 5% of the budget of each district on solving the most urgent problems within the framework of the "Citizens' Budget" program based on the proposals of the population.

To ensure that the amount of newly attracted foreign debt does not exceed 4.5 billion US dollars per year in the management of the public debt."[1]

At the same time, effective organization and management of the finances of budget organizations, advanced cost planning, budget funds, in the context of the limitation of all types of resources, including state financial resources, which are the center of budget funds, under the influence of the current crises in the world community. Implementation of new methods aimed at rational distribution and use of funds is one of the most urgent issues in the practice of using state financial resources today.

As we all know, it is a fact that today there are problems with targeted spending of budget funds, overpayment, spending of funds in other directions, and various corruption cases are occurring in the activities of a number of ministries. Also, we now have the audit control of the Chamber of Accounts and the Ministry of Finance. It is aimed to form and expand the state audit system. The activities of the State Financial Control Department are also limited. It can be said that they are subject to regional authorities. Law-enforcement agencies perform their tasks more. There are many bodies that supervise and assign tasks to them. The existence of such problems justifies the need to reconsider the operation of this system.

## Literature Review

The concept of state financial control has been studied by a number of local and international scientists, and by analyzing the publications reflecting their theories and researches, various opinions about the concept of financial control have been studied. Article 1 of the "International Lima Declaration" adopted in 1977 at the IX Congress of the Organization (INTOSAI) is explained as follows: "Control is a mandatory element of the management of state financial resources, the result of which is responsibility to society." [2]

Russian scientists, in order to fully understand the nature of financial control, define it as follows. NSMalein said in this regard: "Financial control is the verification of the legality, reasonableness and correctness of the expenditure of money, and is aimed at ensuring financial, budgetary, credit, accounting and cash discipline in the process of execution of plans, financial, is the activity of credit and economic bodies (organizations) regulated by legal norms" [3].

In the textbooks "Financial control" by V.Nuritdinova and M.Sharapova, "Financial control is a set of financial audits and actions and handling of issues related to it. organizing with the help of methods, forms", [4] they say.

## Analysis and Results

Effective management of state financial resources and rational use of budget funds play an important role in ensuring economic stability.

Therefore, in the following years, a number of effective reforms are being implemented in our country to improve the state financial control system.

In particular, in the system of state tax service bodies, systematic measures have been established to manage financial resources and control the rational use of budget funds.

As we know, taxes form the basis of State budget revenues. We will analyze the preliminary results of the implementation of the State budget revenues of the Republic of Uzbekistan in 2021.

State budget revenues in 2021 will be 164.7 trillion. amounted to 31.7 trillion soums compared to 2020. it was more than soum.

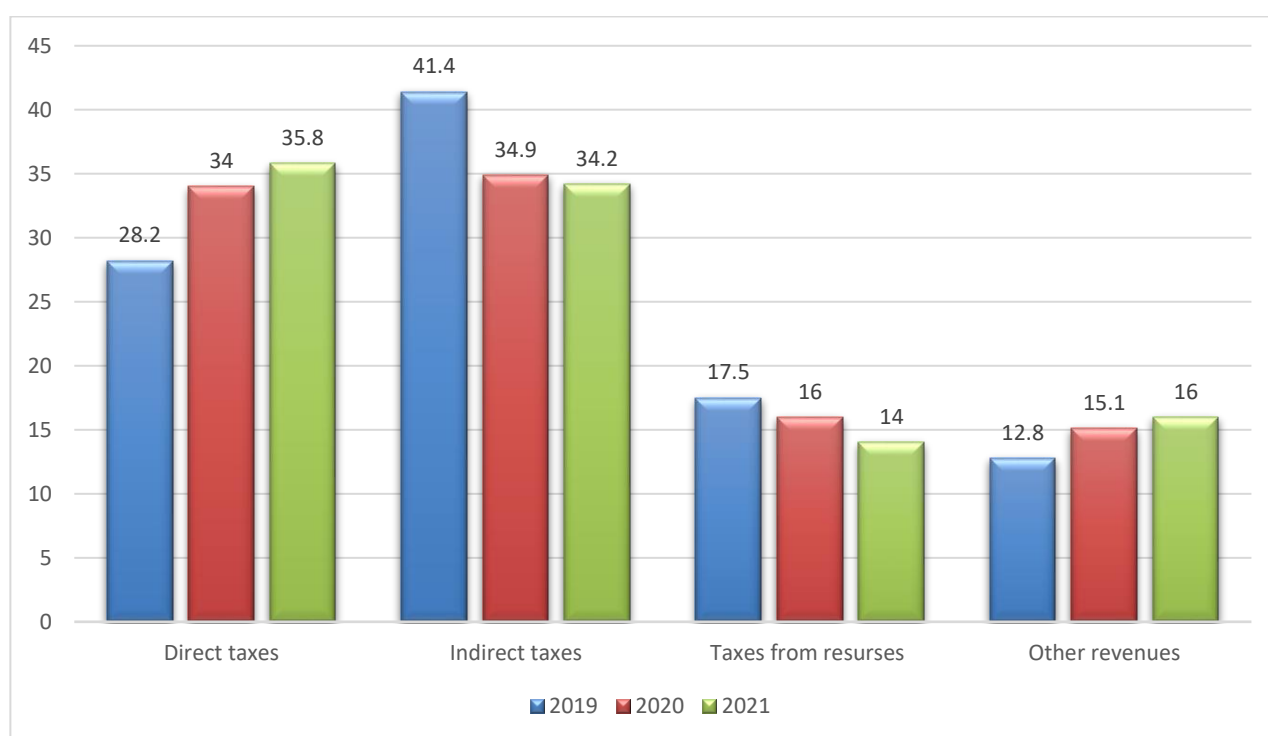
Revenues of the State Budget and State Target Funds in 2021 will be 196.4 trillion. amounted to soums (26.7% compared to GDP).

Revenues from the administration of tax authorities in 2021 will be 127.9 trillion. amounted to soum. Compared to 2020, they are 24.3 trillion. increased to soum. In particular, receipts from the interregional state tax inspection of large taxpayers amounted to 82.3 trillion. amounted to soums (increase compared to last year - 14.6 trillion soums). Revenues in the administration of customs bodies in 2021 will be 8.5 trillion. increased to 33.2 trillion soums. amounted to soum. In addition to economic

growth, the increase in revenues to the budget was influenced by the maintenance of high world prices of precious metals, easing of quarantine restrictions, and new levers of tax control and administration. The increase in customs revenues is related to: an increase in the volume of taxable imports and the exchange rate; measures taken by customs authorities to simplify customs procedures, accelerate the free circulation of goods, and introduce new methods of customs administration.

In 2021, the ratio of direct (35.8 percent) and indirect taxes (34.2 percent) in the State budget revenues remained. The dynamics of the ratio of different taxes in the composition of revenues is shown in Figure 1 below.

The composition of state budget revenues was affected by changes in tax policy measures in the last three years, cancellation of previously granted tax benefits, expansion of the tax base due to reforms in economic sectors, as well as the dynamics of commodity prices.



**The composition of state budget revenues<sup>1</sup>**

The change in the composition of tax revenues is also related to the increase in the number of taxpayers for certain types of taxes.

6,356.2 mln. in 5,694 cases in the territorial tax authorities during the control activities carried out in connection with the targeted spending of budget funds during the last 9 months of 2021. it was found that deficiencies of som.

In particular, errors in the payment of wages and similar payments were detected, and unpaid sums of 589.1 million soums were paid to the employees. The return of 956.3 million soums spent in excess was provided.

In addition, it was found that in 13 cases, 15.7 million soums worth of fuel was used excessively, and in 2 cases, damage to the service vehicle was not covered. (Table 1)

<sup>1</sup> [www.mf.uz](http://www.mf.uz) Information from the Ministry of Finance of the Republic of Uzbekistan

In addition, it was found that payments were not collected for the rental of administrative buildings of tax service bodies, special fund funds were not transferred to the State Tax Committee, and deficiencies were found in the counting of fixed assets and TMZ, 49.7 million soums elimination of damage was ensured.

The complete elimination of deficiencies in the system was controlled by the State Tax Committee, and in order to prevent the recurrence of similar situations in the future, explanations and instructions were given to the responsible employees regarding the requirements of regulatory and legal documents.

Today's development of market relations and the need to protect honest business entities require a radical revision of the forms and methods of combating economic crimes, the formation mechanisms of the "secret economy", the channels of uncontrolled outflow of foreign currency in a timely manner, as well as also requires strengthening of systematic work on optimization of import and promotion of export of national goods.

Table 1 Control of financial resources management and rational use of budget funds in the system of state tax service bodies<sup>2</sup>

No	The content of the translation	During the 9 months of 2021	
		Determined mistakes mln.soum	Excess amount spent mln . soum
1 .	Control measures carried out in connection with the targeted spending of B budget funds, in a total of 5,694 cases	6 356.2	x
1.1	Including wages and similar payments	589.1	956.3
2.	13 cases of excessive fuel consumption	x	15.7
3.	In 2 cases, damage to the service vehicle was not covered	x	x
4.	Non -payment of fees for renting administrative buildings of tax service bodies, non-transfer of funds from the special fund to the State Tax Committee, and deficiencies in the inventory of fixed assets and TMZ	49.7	x

In this regard, the duties and functions of the Department of Combating Tax, Currency-related Crimes and Legalization of Criminal Proceeds under the General Prosecutor's Office of the Republic of Uzbekistan, whose activities do not fully correspond to the modern reality of economic development, support for entrepreneurship, and the fight against economic crimes and corruption and there was a need to fundamentally revise its powers.

23.05.2018 of the President of the Republic of Uzbekistan in order to create more favorable conditions for conducting business and attracting investments, preventing cases of looting and inefficient use of budget funds, as well as increasing the effectiveness of combating economic crimes and corruption Decree No. PF-5446 "On measures to fundamentally increase the efficiency of the use of budget funds and improve the mechanisms of combating economic crimes" was adopted.

<sup>2</sup> <https://soliq.uz/press-services/news/show/byudjet-mablag'lari-maksadli-sarfining-nozorati-taminalgada>

According to the decree, the Department for Combating Tax, Currency Crimes and Money Laundering under the General Prosecutor's Office of the Republic of Uzbekistan was reorganized into the Department for Combating Economic Crimes under the General Prosecutor's Office of the Republic of Uzbekistan.

The department is responsible for rapid investigation, pre-trial investigation and investigation in cases of economic and corruption crimes, legalization of proceeds from criminal activities, financing of terrorism and financing of the distribution of weapons of mass destruction, as well as the commission of these crimes at the General Prosecutor's Office of the Republic of Uzbekistan. an independent specialized law enforcement agency that compensates for the economic damage caused as a result; a state body with special authority to fight against the legalization of proceeds from criminal activities, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction; It is the successor of the rights, obligations and agreements, including international agreements, of the Department of Combating Tax, Currency Crimes and Money Laundering under the General Prosecutor's Office of the Republic of Uzbekistan.

Illegal expenditures, looting, embezzlements made by state bodies and organizations, recipients of budget funds, determined by the results of inspections and investigations conducted by the departmental bodies and charged to the income of the State budget and state funds of the Republic of Uzbekistan , 10 percent of the amount of deficits is transferred to the special off-budget fund of the Department.[5]

Improvement of the system of state financial control over the effective management of state financial resources and targeted and rational use of budget funds, as well as the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021 "Supporting youth and in order to ensure the implementation of the tasks defined in the state program for the year of "strengthening the health of the population" , from January 1, 2022, control will be carried out by the Accounts Chamber in accordance with the Law of the Republic of Uzbekistan "On the Accounts Chamber of the Republic of Uzbekistan" In addition to the forms and types, it was decided to put the following into practice:

- financial audit, which provides for the assessment of accounting, the accuracy of financial accounts, the purposeful and legal use of financial resources and the completeness of income, as well as the legality of financial transactions;
- compliance audit, which provides for checking and assessing compliance with the requirements of regulatory legal documents and their compliance with state programs in the use of consolidated and attracted budget funds, in the implementation of state purchases, as well as in ensuring the completeness of revenues and business processes;
- the effectiveness and efficiency of expenses, subsidies, benefits and preferences in the object of control, the economy of the use of allocated funds, the fulfillment of the specified target indicators, the feasibility and effectiveness of the projects implemented at the expense of the consolidated budget and attracted funds, as well as state and regional performance audit, which involves the evaluation and analysis of the funding sources of the programs. ( Table 2)

**Table 2 Ministries conducting financial, performance and compliance audits based on external audit standards and manuals**

**LIST<sup>3</sup>**

<b>T/r</b>	<b>Ministries where the audit event will be held</b>	<b>The type of audit to be conducted</b>
1.	Ministry of Health	financial audit
2.	Ministry of Employment and Labor Relations	performance audit
3.	Ministry of Water Resources	performance audit
4.	Ministry of Higher and Secondary Special Education	compliance audit

Until January 1, 2022, the Accounts Chamber plans and organizes external audit activities on the basis of international standards of Supreme Audit Institutions (ISSAI), conducts financial, efficiency and compliance audits, as well as conducts risk analysis in state financial control. approved development of standards of improvement.

Accounts Chamber and internal audit services:

-performs each control event based on a three-stage system including organizational, main and final stages and clearly defining the types of audit event;

- Starting from October 1, 2021, the Accounts Chamber, Ministry of Finance and internal audit services will publish reports on their activities to the public at least once every quarter with the participation of mass media representatives;

- Starting from January 1, 2022, financial control activities will be carried out only in entities included in the annual program of control work, except for camera control and other cases provided for by law. The Chamber of Accounts together with the Ministry of Finance and the Ministry of Information Technologies and Communications Development has decided to launch the "State Audit" software complex by January 1, 2022.[6]

Also, for each control event, a control event plan is drawn up, which includes the questions to be studied, the subject of the event, the procedure for data collection and analysis.

Control measures not registered in the "State Audit" program are considered illegal. All types of documents related to the results of all state financial control activities, including the results of audit activities of internal audit services (except for information constituting a state secret or other secret protected by law) control activity on cases identified during state financial control activities the written opinion of the conducted organization will be placed in the "state audit" program within five days after the completion of the control event.

In this case, the costs related to the development of the "State Audit" program, technical support, as well as regular improvement of its functional capabilities are financed from the republican budget of the Republic of Uzbekistan.

### **Conclusions and Suggestions**

Based on the comments given above, we present our suggestions on further improvement of the state financial control system.

1. Using the principle of activity efficiency in evaluating the activity of control bodies ,

<sup>3</sup> Decree of the President of the Republic of Uzbekistan dated August 27, 2021 No. PF-6300



2. Higher audit bodies international standards (ISSAI) current achieve employees qualification increase, experience exchange and advanced experiences in practice apply for High audit bodies international to the organization (INTOSAI) a member to be provide.
3. Exchange experience with international organizations and developed countries, become a member of international organizations to apply best practices in practice, retrain specialists based on today's requirements.
4. Expanding the "Initiative Budget" program in Ukraine, increasing the funds allocated to it from the budget. Of this for from the budget social and cultural events financing In addition to funds, other costs are gradually optimal reduce necessary.
5. To strengthen fiscal discipline by unifying budget accounting standards, improving internal control and audit systems, and strengthening parliamentary and public control over the budget process.
6. Foreign and international an expert and specialists in the presence of state financial control in the field skill classes, trainings and qualification increase organization of courses.
7. Higher education in institutions state financial control bodies official individuals by budget control and to the audit specialized in directions study taking students for practical lessons transition practice to the road to put

Based on the implementation of the above proposals, it is possible to further improve the state financial control system hits that let's count.

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