



MEASURES FOR IMPROVING INTERNAL AUDIT AND INTERNAL
CONTROL IN PUBLIC FINANCIAL MANAGEMENT STRATEGY IN UZBEKISTAN

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Annotation: *This article provides a thorough examination of Uzbekistan's public financial management strategy for 2020-2024, elucidating the critical role of the public finance management system in efficient resource allocation.*

Keywords: *public financial management, internal audit, financial discipline, accountability, transparency, institutional capacity, fiscal risks assessment, financial asset management, budget accounting standards, implementation plan.*

The pivotal role of the public finance management system in facilitating the efficient and effective allocation of resources within a country is widely acknowledged. In Uzbekistan, a discerning government has identified the imperative for enhancements in internal audit and internal control mechanisms, recognizing their potential to elevate financial discipline, accountability, and transparency. This article meticulously examines the measures articulated in the public financial management strategy for 2020-2024¹, elucidating how they are intricately designed to fortify these critical areas and concurrently foster good governance.

Approved on August 24, 2020, the strategy for enhancing the public finance management system in Uzbekistan for the years 2020-2024 is a comprehensive response to prevailing challenges. This strategic document aims to redress the existing deficiencies within the current system, introducing substantive reforms that seek to bolster financial control, accountability, and responsibility. It is underpinned by a thorough analysis conducted by the World Bank, diagnostic assessments, and adherence to international best practices.

The strategy identifies six primary directions, each contributing to the overarching goal of improving the public financial management system in Uzbekistan:

Firstly, the strategy accentuates the significance of developing the Mean Time Between Failures (MTBF) and advocates for the introduction of a novel annual budgeting system known as Performance Based Budgeting. This strategic approach ensures a more efficient allocation of resources predicated on performance indicators. Secondly, in a contrasting yet complementary focus, the strategy prioritizes the augmentation of institutional capacity and responsibility within the budgetary process. This includes fortifying the fiscal authority, accountability, and responsibility of spending units and local governments to enhance the reliability of macro-fiscal forecasts. Furthermore, the strategy

¹ The Strategy for improving the public finance management system of the Republic of Uzbekistan for 2020-2024 was approved. (uzdaily.uz)



advocates for the implementation of a robust fiscal risks assessment system to identify and manage potential risks, thereby empowering the government to make informed decisions and take necessary actions to mitigate risks. Simultaneously, the strategy underscores the importance of accounting for financial assets and liabilities and advocates for the efficient management of these resources, contributing to enhanced financial control and resource allocation. In tandem with these measures, the strategy places a significant emphasis on harmonizing budget accounting standards, refining the internal audit and internal control system, and reinforcing financial discipline. These collective efforts aim to augment transparency, accountability, and efficiency in the budgetary process. Conclusively, the strategy sets out to ensure openness, completeness of budget information, and compliance with international standards, thus enhancing transparency and providing stakeholders with access to reliable and accurate budget information.

To effectually implement the outlined measures, a comprehensive implementation plan has been meticulously devised, encompassing key activities:

Firstly, with the assistance of international experts, a law on public financial control will be drafted, providing a requisite legal framework for the strategy's implementation. Simultaneously, the strategy focuses on refining the internal audit function by developing standard guidelines, a code of ethics, and specifications for a unified database to collect data on internal audit plans and outcomes. This initiative will be complemented by a new professional development program for internal auditors. Moreover, a central harmonization unit will be established to coordinate internal audit functions and generate reports, taking on the additional responsibility of identifying and preventing systemic risks within the internal audit system.

Additionally, the strategy includes the development of national internal audit standards and guidelines, accompanied by a methodological framework that provides a standardized approach, ensuring consistency across ministries and agencies. Finally, workshops and training sessions will be conducted to raise awareness among stakeholders about the functions and objectives of internal audit. Certification guidelines for internal auditors will also be developed, contributing to the enhancement of professionalism within the field.

In summation, the public financial management strategy for 2020-2024 in Uzbekistan strives to fortify internal audit and internal control mechanisms, with the overarching goals of enhancing financial discipline, accountability, and transparency. Through the judicious implementation of the outlined measures, the government aspires to not only improve the efficiency and effectiveness of resource allocation but also to promote good governance and achieve sustainable economic development. The concurrent development of laws, guidelines, and training programs underscores Uzbekistan's steadfast commitment to realizing its financial management objectives.

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