

SUPERVISION SYSTEM OVER THE STATE BUDGET

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Abstract: This article is devoted to the results of the research on the issues of budget oversight, public financial control which are an integral part of the control system. In addition, this article provides the methods used for implementing analysis in the process of the budget control.

Key words: State budget oversight, public financial control, budget oversight (supervision), budgeting

Introduction. The transition from the administrative and command system to the market economy accompanied by the exchange of the property form justifies the necessity to seek and determine other economic methods of management and other schemes of the financial flows movement. The peculiarities of the new stage of the national economy development have created preconditions and need of cardinal changes in the mechanisms and instruments of the economic regulation, including, first of all, the control over the state budget.

The development of market relations does not require the abolishment of the state control over the movement of budgetary resources, but justifies the necessity of the transition to qualitatively new forms of control that corresponds the market environment and meets modern conditions. This creates conditions for the emergence of a new system of budget supervision as the main strategic significant network of the public financial oversight¹.

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¹ Alborova O.K. «Improvement of the system of the public budget oversight», Krasnodar 2004, p.15.

Literature review. The public financial control can be determined as the activity of the public administration authorities and local self-governance bodies in the formulation, distribution, targeted and efficient use of financial resources, as well as control over the legitimacy and validity of the state and municipal property use².

From the point of view of practice, the public financial control can be described as “the whole complex of the activities and transactions of the legislative and executive authorities of all levels and the specially established supervisory bodies on the audit of financial activity of all economic entities represented by the state, enterprises, institutions and organizations”³.

The public financial control is aimed at ensuring the protection of the rights and interests of the state and its institutions and all other economic entities, implementation of the public financial policy, as well as the creation of conditions for financial stability. This, first of all, includes the development, approval and enforcement of extrabudgetary funds and budgets of all levels, as well as supervision over the financial activities of economic entities.

Within the framework of the public financial control the budget has a particular importance because it is aimed at supervising the use of budgetary funds⁴. It should be noted that most of the public financial resources are formulated, distributed and utilized during the budget process and reflected in the budgets of different levels, thus the budget oversight plays a key role in the public financial control.

Budget oversight is represented as a complex of measures used to determine the legitimacy, feasibility and efficiency of the actions undertaken by the government and local self-governance authorities to identify, allocate and make use of money savings, determine budget reserves and enhance a budgetary discipline. Within the framework of a more complex market economy, the importance of budget oversight increases. Its objective is to contribute to the successful

² Kovaleva A.M. Finance and credit. M.: Finance and statistics, 2003, p. 512.

³ Galitskoy S.V. Money. Credit. Finance. M.: Exmo, 2008, p. 398.

⁴ Galitskoy S.V. Money. Credit. Finance. M.: Exmo, 2008, p. 399.

implementation of the state budget policy, formation of money resources and ensuring the process of their utilization.⁵

The main aim of the budget oversight is to facilitate the implementation of the fiscal policy through compliance with financial legislation, financial discipline, as well as prevention of non-target ineffective use of budgetary funds. Budget oversight promotes the development and implementation of optimal fiscal and budgetary policies, ensures the maximum growth of revenues in the state budget and economic development.

Control over the execution of the budget in the budgeting system will play the role of the opposite relation which is necessary to analyze the status of the case, its results, and to correct the system's operation depending on the relevant signals.

Control over execution of the budget in the budgeting system, as well as the result of such a control play the role of reverse communication required for the analysis of the conditions of the state budget execution, its results, and adjustment of the functioning of the system depending on the relevant signals. This system lacking the mechanism structure is unable to exist, and thus the budgeting process becomes a planning tool which is separate from the control. Control over the achievement of budget indicators will help to determine the efficiency of the budgeting system, as a regular budget execution is considered to be one of the main indicators of the economy's inefficiency.⁶

The Keynesian theory of public finance denied a balanced budgeting, legitimizing and empowering budget deficits to stimulate the economy. Under conditions of crisis or stagnation, the state should allow the budget deficit, thereby increasing the demand for so-called "sluggish" economy.⁷

⁵ <http://www.tisbi.org/home/science/journal-of-tisbi/2000/issue2/23/>

⁶ Pokidova S.S. «How to achieve the budget execution» Journal «Reference of the economist» №2 (92) 2011
<http://economist-info.ru/magazine-articles/show/48/>

⁷ Sumarokov V.N. «Public finance in the modern economy», Moscow, 1998, p. 95.

As the system, the state budget oversight is aimed at successful implementation of the budgetary policy, the efficient use of financial resources of the national monetary funds of the country. This objective determines the following objectives of the state budget oversight:

- supervision over the legitimacy, expediency and complete and targeted allocation of financial resources, material values, property rights, and state property objects;
- supervision over the legitimacy and validity of the state financial and property guarantees;
- development of proposals aimed at revealing public financial resources, reduction of unnecessary expenditures, decrease of budget deficits;
- assessment of the efficiency of using the state property;
- control over the state and use of the state resources;
- control over execution of the plan tasks on rendering the state services and observance of the norms of financial expenses for rendering the state services;
- control over completeness, consistency and target direction of execution of revenues and expenditure parts of state and local budgets and extrabudgetary funds, preparation of proposals on improvement of this process, as well as estimation of expenditures and results of budgetary funds' use;
- control over the optimality of internal and external debt management systems;
- control over timeliness and completeness of state orders' execution;
- control over the effectiveness and efficiency of implementation of public-targeted programs;
- assessment of the financial position and the efficiency of the governance and supervision systems of the budgetary organizations, state unitary enterprises, entities with the state participation, or companies which activity is directly connected with the public activities;
- evaluation of the efficiency of the performance of functions of public authorities and management;
- control over the circulation of public funds in the credit system;
- control over the provision of public financial security during the budget process, etc.

Discussion. The object of the budget oversight is the process of formation of the financial resources reflected in all levels of the budget and distribution for their use, that is the budget process.

Preliminary, current and final controls are distinguished in the structure of the state budget oversight. However, economic literary sources do not provide a single idea on the point which of these types of control is considered to be a primary one. Therefore it is desirable to consider the state budget oversight stages not as a chain of the preliminary, current and final control of supervision, but to be viewed as closed cycle.⁸

If you take into account the definition of budget oversight, then all the stages of the budget process - budgeting, consideration, approval, execution, and compiling reports on the budget execution can be considered as a subject of the budget oversight. Supervision over the payments of taxes to the budget, receipts to the extrabudgetary funds, targeted budget funds, dotations, subsidies, subventions, transfers, and flow of budgetary credits is performed at all above-mentioned stages.

All these operations which are under budgetary control are carried out using cash resources, so the principles that are based on the circulation of budget financial flows ensuring the efficiency of financial resources are the key elements of the control system.

The efficiency of the state budget oversight depends largely on the combination of supervision methods at the control stages.

One of the methods of state budget oversight is the analysis of the revenue and expenditure parts of the budgets of levels as well as execution of the estimate cost of the expenditures of the budgetary organizations. Its role in managing public finance of the economic entities, regulating socio-economic processes in society is significantly enhanced in the market conditions.⁹

⁸ Alborova O.K. «Improvement of the system of the state budget oversight», Krasnodar 2004, p.32.

⁹ <http://www.tisbi.org/home/science/journal-of-tisbi/2000/issue2/23/>

Conclusion. Economic analysis of the budget indicators, their reliability, structure, dynamics and other parameters is the most important part of the budget process. The analysis is carried out at all stages of the budget process: budgeting, budget consideration, approval and execution of the budget. It is performed by the finance and tax authorities, relevant offices, treasury bodies, supervisory authorities, as well as financial units of the economic entities.

During the process of financing planned events from the budget as well as gathering all budget revenues in one place at the stage of the budget execution current reports and operational data on the main indicators of the budget execution are analyzed. On the basis of this information, the amendments are made in the directions by the budgetary institutions and deficiencies in the performance of obligations to the budget are determined.

Budget execution by the revenue part implies mobilization of taxes, charges and other payments, and allocation of them according to the level of the budget system in accordance with the current legislation. The main task of the budget revenue is to look for income reserves, as well as raise the national and local taxes and degree of their collection.

Budget execution by the expenditure part represents financing of expenditures envisaged by the budget in accordance with the budgetary list. The analysis of the execution of the expenditure part of the budget implies finalizing in general, the types of expenditures, sub-budgets, types of budgetary institutions, separate units, expenditure items. Opportunities of more economical use of funds are determined; the targeted nature of spending budgetary funds is checked; the satisfaction level of the needs of the institutions is assessed.

While executing the budget by the expenditures it is particularly important to determine the limits. Just imagine what the disadvantages may have arisen if a particular industry or a country are allowed to spend as much as they want. In addition, the establishment of limits in the budget

guarantees that the most important needs of the country can be satisfied first of all, and its less important needs are postponed until it acquires sufficient funds.¹⁰

The most important requirements for the budget execution analysis are the use of a wide range of interconnected indicators such as complexity, documentarity, accuracy, budget, statistical, and institutional information.

Moreover, besides the methods of economic analysis describing the overall approach to budget execution, there is also a methodology for analyzing budget execution which determines the stages and methods of information processing.

The analysis technique is selected on the basis of the objectives set up. However, when fulfilling each task and performing analytical activities at any level of the budget, the following the basic principles of the analysis should be observed:

- based on the comprehensive study of indicators;
- systematic character, i.e. terms, coverage of issues, methods, analytic work system of interrelated indicators;
- developing recommendations that can rapidly influence the indicators and processes that are analyzed according to the analysis' results;
- objective character, it must be provided by selecting the dynamics, the information inherent to comprehensively describe the whole set of reasons and factors that determine trends.

Taking into consideration above-mentioned factors, the following conclusions can be developed:

- scientifically-based and comprehensive implementation of budgetary analysis serves as a basis for long-term fiscal policy development and enables to use the budgetary re-production as an efficient tool of the government regulation;

¹⁰ Andrews, M., & Hill H.. (2003). "Impact of the traditional system of budgeting on the efficiency of result-oriented budgeting: another point of view on the recent results". *International journal of the public administration* 26, №. 2: 135 +. <http://www.questia.com/PM.qst?a=o&d=5001905208>

- accuracy of the budget is considered to be a necessary condition for its execution. It is difficult to execute an inaccurate budget: this means that the wrong paths have been selected from the very beginning of the road. Even if such a budget is executed, the achieved results are not positive and efficient;

- in our opinion, it is recommended to introduce the following definition of the budget oversight: it is a comparison between annual budget allocated versus its spending as per plan to meet the goal during a fiscal year. The budget oversight ensures that resources and expenditures are occurring in general conformity with the budget plan. In addition, it facilitates supervision over the efficient and targeted use of budgetary funds, as well as formulation of the revenue part of the budget.

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