

IMPROVEMENT OF PUBLIC PROCUREMENT AUDIT

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Abstract

This article considers theoretical issues of organization of public procurement audit, which is a component of financial control. Furthermore, the article presents regulatory legal basis of the public procurement audit in the context of economy digitalization.

Keywords: Audit, audit activity, digital audit, public procurement audit, electronic system.

Introduction

Public procurement is crucially importance in ensuring development of the government financial system, on the one hand, it makes a direct impact on the efficiency of the budget sector, and on the other hand, on the targeted effectiveness of the state budget funds.

Due to public procurement new opportunities are created to develop competition, improve the quality of manufactured products, as well as support the economy, including industry and small businesses.

Such statutory acts as Law of the Republic of Uzbekistan № LRU-684 “On Public Procurement” dated April 22, 2021 [1], Resolution of the President of the Republic of Uzbekistan dated December 5, 2019 № PR-4544 “On measures to further improve the public procurement system and widely involve business entities in the public procurement process” [2], Resolution of the President of the Republic of Uzbekistan dated July 10, 2024 № PR-249 “On measures to improve the public procurement system and encourage the participation of small businesses in it” [3] constitute the regulatory foundation for the regulation of the public procurement in the Republic of Uzbekistan. The statutory acts specified above clearly define the objective of further strengthening financial control over public procurement. The organization and conduct of public procurement audits is an efficient tool in further strengthening financial control.

Literature Review

It should be noted that the issues of further strengthening of financial control over public procurement, organization and conducting of public procurement audits have always been the cause of debates among theoreticians and practitioners and have been interpreted in different ways.

Article 4 of the Law of the Republic of Uzbekistan № LRU-684 “On Public Procurement” dated April 22, 2021 defines public procurement as follows: public procurement is the process of ensuring the needs of public customers for goods (works, services) on a paid basis [1].

As A.D. Krasnova (2021) writes: “Public procurement audit is a dynamically developing type of control activity. Taking into account the fact that public procurement is carried out at the expense of budget funds, the relevance of this topic is justified by the need to achieve economy and efficiency in the use of public financial resources” [Krasnova, 4].

From the point of view of I. P. Vorobyev and E. Yu. Matveeva (2020), “The relevance of conducting a public procurement audit is associated with the constant annual growth in the total volume of purchases, the dynamics of which is presented in the form of an analytical table compiled on the basis of annual reports and reports of the Accounts Chamber” [Vorobyev et al. 5].

According to L.S.Korobeinikova and I.V.Panina (2021), the public procurement audit in the Russian Federation is regulated by the Budget Code, Federal Law №44-FД, the SGA (DAS)-302 standard “Audit in the field of procurement of goods, works and services carried out by audit (control) objects” and other regulatory documents of the Federal Accounts Chamber [Korobeinikova et al.6].

Article 74 of the Law of the Republic of Uzbekistan № LRU-684 “On Public Procurement” dated April 22, 2021 sets out the norms for monitoring and control in the field of public procurement.

In particular, monitoring in the field of public procurement is a system of constant monitoring of compliance with the legislation on public procurement, the implementation of the goals, principles and restrictions of public procurement established by this Law, through the collection, generalization, systematization and evaluation of information on the conduct of public procurement.

Inspections performed by means of comparison and analysis of statistical and other information in accordance with the procedure established by the legislation are the main form of control over the compliance of the public authorities with the legislation on public procurement.

Analysis and Results

Control over public procurement in the form of external audit is mainly assigned to the Accounts Chamber of the Republic of Uzbekistan. In addition, control over public procurement is also implemented the internal audit system of ministries and departments.

The third national report on the anticorruption measures has been discussed at the 57th plenary session of the Senate on September 20, 2024. The following points have been noted in the report:

Some public agencies made some mistakes in organizing the activities of internal control structures. In particular, 172 of the 996 staffing positions set in 37 public agencies are vacant and 35 employees of 6 agencies are charged with additional duties.

At the same time, 20 public agencies have not developed a departmental document on the implementation of an internal control system, and in 13 public agencies were not running efficient internal control system. In particular, departmental documents related to the introduction of the internal control system have not been developed in Andijan and Surkhondarya local authorities (regional level), the Ministry of Foreign Affairs, the Inspectorate of the safety of water

management facilities and water use control. An internal control structure consisting of only 5 staffing positions (in the central office of the Ministry) has been established in the Ministry of Health [2024, 7].

In order to prevent violations of the law in the implementation of public procurement, it is advisable to shift to an electronic public procurement system.

In compliance with the Resolution of the President of the Republic of Uzbekistan № PR-4544 dated December 5, 2019 “On measures to further improve the public procurement system and widely involve business entities in the public procurement process”, it is envisaged that from April 1, 2020 the public procurement process will be gradually transferred to electronic form.

Introduction of information and communication technologies into the public procurement process and the implementation of procurement electronically will ensure transparency and competition in the public procurement market, reduce prices, as well as economize the budget.

In compliance with the Resolution of the President of the Republic of Uzbekistan № PR-249 dated July 10, 2024 “On measures to improve the public procurement system and encourage the participation of small businesses in it”, in order to further improve the public procurement system and strengthen financial control in this system, from October 1, 2024:

suppliers of technically complex goods that have no alternatives on the market are included in the register of single suppliers based on the conclusion of the Committee for the development of competition and protection of consumer rights;

the function in the electronic system of public procurement to notify business entities that have been registered in this system and have a high stability rating about the placement of government orders in the system that correspond to the goods (works, services) they produce (supplied), is being introduced;

the practice whereby operators of the electronic system of public procurement assist government customers and executors of procurement procedures in resolving, in accordance with the established procedure, pre-trial disputes arising during the implementation of contracts, is being introduced;

in the event that one business entity participated in the tender and the government customer placed an announcement about a repeated tender without changing the procurement procedure and criteria for goods (works, services), and the only participant in the repeated tender is the business entity that previously participated in them, the tender is recognized as having occurred.

Here are some figures on public procurement performed by ministries and departments. Public procurement at “National Electric Networks of Uzbekistan” JSC is carried out entirely through specialized electronic information portals within the framework of the requirements of the Law of the Republic of Uzbekistan “On Public Procurement” №LRU-684 dated April 22, 2021.

At the same time, during 2023, a total of 1227 purchases worth 359327.4 million UZS were made through the electronic special information portal. Herewith in order to support local producers, 112 local manufacturing enterprises registered on the *cooperation.uz* portal worth 5536.0 million UZS, 312 electronic stores entered into contracts worth 2661.2 million UZS, 28 national stores entered into contracts worth 427.8 million UZS, 280 *UZ.RTSB yarmrka.uzeh.uz*

entered into contracts worth 18 161.4 million UZS. By selecting the most suitable proposals, 31 contracts worth 30,949.4 million UZS were concluded, tenders worth 2,265,185.8 million UZS were made, and *Xt-kharid.uz* 415 entered into contracts worth 32,363.5 million UZS, sole suppliers entered into contracts worth 1.0 million UZS. Moreover, 46 direct contracts 46 worth 4,041.3 million UZS were concluded [2023, 8].

According to the results of studies conducted by the Anti-corruption Agency in the field of public procurement in 2023: 178 submissions worth 136 billion UZS were made to the Ministry agencies; 57 questionnaires worth 40 billion UZS were made to the State Financial Control Inspectorate; 127 questionnaires worth 232.5 billion UZS were sent to law enforcement agencies [2023.9]. In turn, as a result of the submissions made to the ministries and agencies, violations of the law committed by the customers in 138 cases in the total amount of 110 billion UZS were eliminated, as well as the public purchases were canceled.

In order to prevent and reduce corruption in the public procurement process, it is necessary to further improve the electronic public procurement system because in developed countries, losses due to corruption in public procurement can amount to up to 10 percent of total allocations, and in developing countries, up to 25 percent and up to 2 percent of GDP.

Electronic public procurement is a form of public procurement using information and communication technologies. The electronic public procurement system is a software package of organizational, informational and technical solutions that ensure efficiency of public procurement entities in carrying out procurement procedures in the process of electronic public procurement.

Conclusion.

Based on the considerations specified above, it can be concluded that audit is one of the ways to strengthen control over public procurement. Audits of public procurement in Uzbekistan are conducted according to the following criteria: legality; necessity; justification; rationality; economy; efficiency; timeliness; openness; transparency; competitiveness; impartiality.

It is desirable to further improve the technique and methodology of public procurement audit in our country. For this, it is necessary to digitize the audit process and, having studied advanced foreign experience, apply their positive aspects in the practice of the Republic of Uzbekistan.

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