
Strengthen the Prevention of Violations of Budget Legislation and Expand Remote Financial Control

Nazarova Gulrukh Umarjonovna
Karshi Engineering Economics Institute

Abstract: The article notes that in Uzbekistan, state financial control implemented through the activities of various state bodies regulated by law. A special place in the system of state financial control occupied by the state service for financial monitoring. It proved that during the global financial and economic crisis, which has become a catalyst for the development of various criminal trends, the financial sector demonstrates the greatest vulnerability to the penetration of criminal elements, especially during a Pandemic (Covid-19). In connection with this, it required by the state to strengthen the prevention of violations of budget legislation and expand remote financial control.

Keywords: financial control, corruption, finance, security, banks, monitoring, budget legislation.

With the development of market relations in Uzbekistan, corporatization and privatization of state property, the criminal possibilities of organized crime, including from among corrupt representatives of government and administration, in the economic sphere have multiplied many times over. Organized criminal groups are actively operating in various sectors of the economy, in fact, on a legal basis [2]. In 2019-2021 Law enforcement, agencies uncovered a whole range of problems related to theft, systemically built schemes for tax evasion, corruption in government bodies and large-scale operations to legalize the export of large financial assets abroad.

At the same time, the country's economy is currently suffering significant losses precisely because of non-observance of financial and budgetary discipline. Large-scale misuse of public resources, fraud on their withdrawal and direct theft, capital flight abroad, as well as facts of legalization of proceeds from crime has become a common occurrence. The number and total monetary value of financial violations have not decreased in recent years, as evidenced by the main indicators of the control and audit work of the Accounts Chamber of the Republic of Uzbekistan and the Department for Regulation of State Financial Control, Auditing, Accounting and Reporting of the Ministry of Finance of the Republic of Uzbekistan. Negative processes in the economy are largely due to the weakening of public administration, including the system of state financial control, as well as insufficient scientific study of new market mechanisms, including finance, credit, taxes, etc.

In recent years, there has been a steady trend towards the integration and "legalization" of criminal business. In order to strengthen the organization of opposition to competitors, expand their spheres and territories of influence, the leaders of criminal groups combine legal and illegal capital, enter into criminal interactions with representatives of state structures, thereby forming "shadow" corporations. They actively participate in the processes of privatization of state property, come up with schemes to take it away through various machinations, not without the help of individual representatives of the judicial system.

All these facts testify not only to the low quality of the fight against economic crimes, but also to serious miscalculations in the economic and social policy of the state. The high level

of economic crime necessitates a radical revision of the state's approaches to solving problems of economic security.

The adoption of a package of anti-corruption laws at the end of 2018 indicates the intensification of efforts by the Government of the Republic of Uzbekistan in the field of preventing corruption, combating corruption, as well as minimizing and eliminating its consequences. Currently, the problem of corruption given the importance of a national security threat, along with regulatory changes; changes are being introduced into the current organizational and managerial mechanism.

One of the serious threats to economic security is the legalization of money obtained by criminal means. This problem has acquired significant importance for Uzbekistan due to the instability of its economic processes, a large share of the shadow economy, the growth of corruption, and the active penetration of organized crime into legal areas of activity. At the same time, according to the new anti-corruption legislation, corruption offenses include unlawful actions by the heads and founders of commercial organizations that abuse their powers.

The process of cashing out funds is one of the components of the legalization of income received because of corruption:

Firstly, groups of cashiers, as a rule, have a network of established one-day firms, the duration of which is limited to several months.

Secondly, they use the mechanism of hiding traces, when the initial non-cash funds transferred from one settlement account of a one-day company to another, and so on.

Thirdly, in the end, the transferred funds converted into cash or non-cash funds, which then directed to the purchase of real estate or inventory items.

One of the most used basic schemes for cashing out and legalizing (laundering) money is the following. The client transfers his money in a non-cash form to the bank account of a one-day firm in exchange for some fictitious report on the work done, and then receives it back, but in the form of unaccounted ("black") cash. For this, representatives of the one-day firm are paid commissions as a percentage of the initial bank payment. Because of such a transaction, the client enterprise significantly reduces its tax payments, but its financial statements remain clean. It turns out that it simply spent its money on some goods and services. On the contrary, the one-day firm would not be able to explain where the money returned in the form of unaccounted for cash went. Therefore, it is valid only for two or three months – until the period when the tax authorities must receive its first report, and self-liquidates. The tax authorities are not able to organize a search for all the "melted" one-day firms.

So the State Financial Control Inspectorate being established in Uzbekistan. This stated in the resolution signed by the President "On further increasing the efficiency of the State Budget of the Republic of Uzbekistan and improving the activities of public financial control" [1].

According to the document, in order to increase the efficiency of the State Budget, strengthen the prevention of violations of budget legislation and expand remote financial control, as well as improve the activities of public financial control bodies, the Audit Chamber, the Ministry of Finance, ministries and departments programs in line with the priorities set out in the resolution.

It is necessary to pay special attention to the following:

- Constant monitoring of budget funds management and budget accounting in budget organizations by means of special automated software products;

- Increase the efficiency of inspections of budget organizations at the same time by reducing the number of ineffective inspections through the widespread use of remote control, the identification of inspection objects and objectives through modern information technology and databases [3].

In addition, the document provides for the establishment of the State Financial Control Inspectorate under the Ministry of Finance based on the Department of State Financial Control within the Ministry of Finance and its territorial divisions.

The Ministry of Finance, together with the Ministry of Information Technologies and Communications Development, been instructed to develop and implement a software package “Electronic Supervisor-Inspector”.

The work will be carried out in two stages: by September 1, 2022 to launch a database of financial control of the Ministry of Finance to analyze the risk of violations of budget legislation through real-time exchange of information with ministries and departments, and by January 2023 to identify specific objects of state financial control. It planned to create a module to monitor its activities on some issues for the period.

The head of the inspectorate equated to the deputy minister of finance for material, medical and transport conditions. The appointment and dismissal of the head of the inspection and his deputies by the Cabinet of Ministers on the recommendation of the Minister of Finance.

Separately, it should be noted the participation of credit institutions in the activities of cashing out and legalizing proceeds from crime. Most of the one-day firms provided with cash by a group of small and medium-sized commercial banks. As a rule, banks do not have direct contacts with shell companies. Each bank involved in the scheme is usually associated with a financial or investment company that is responsible for the creation or liquidation of shell companies, as well as for contacts with clients. This company opens a bank account and regularly receives cash for legal reasons (for example, to buy shares and promissory notes from individuals). The normal price of legal cash in the interbank market, measured in non-cash amounts, does not exceed 100.1%. The financial company pays the bank 101% for receiving cash. As a result, the bank receives 0.9% per day on invested funds. Further, the financial company buys bills from certain individuals. Naturally, in this case, the price fixed in the contract between the financial company and individuals will be close to the face value, for example, 98%. After that, the financial company sells the said bills to a one-day firm by bank transfer for 100% of the face value. Thus, the financial company, firstly, withdraws into unrecorded cash circulation the amount necessary for the real enterprise-client evading taxes, and secondly, on legal grounds, receives to its current account those non-cash funds that the client initially transferred to the company – one-day under a fictitious contract. The main risk of identifying this scheme is associated with the possibility of checking individuals – in the case of an external audit of the activities of a financial company. Therefore, contracts for the purchase of securities often use data taken from lost passports or from documents of deceased people. The same passports often used when registering one-day firms.

There are a number of signs, that are characteristic of the use of illegal schemes for cashing out and legalizing proceeds from crime:

- As a rule, one-day firms have the same person as the founder, manager and accountant (in some cases, this person is a resident of another region);
- it often turns out that the nominal head of a one-day company has been repeatedly brought to administrative responsibility for various domestic offenses (appearing in a drunken state, lack of registration, petty hooliganism, etc.);

- the authorized capital of a one-day company has a minimum size, and the charter contains many different types of activities—from the sale of consumer goods to the manufacture of specific equipment;
- recently, representatives of one-day firms began to use the “bank-client” system for remote maintenance of their current account, which allows them to quickly and discreetly make money transfers;
- in some cases, one-day firms used to transfer funds for construction and installation work have construction licenses, however, if they are checked against the information bases of the Pension Fund of the Republic of Uzbekistan and the Compulsory Medical Insurance Fund, it turns out that the number of employees required to perform the work these firms do not [2].

A large number of organized criminal groups specialize in the use of illegal schemes for cashing out and legalizing proceeds from crime. Corrupt officials actively use one-day firms for the subsequent embezzlement, embezzlement of public funds and their legalization (laundering).

According to the authors, a special role in the formation of an anti-corruption mechanism for ensuring national economic security belongs to the state financial control, the main purpose of which is to neutralize the factors that destabilize the financial sector of the economy. The need to create a financial control system as a tool for ensuring the economic security of the state arose because of a combination of a number of objective circumstances, the main of which were:

- availability of real opportunities to replenish the state budget by improving state financial control, tax and investment policy;
- improving the activities of banking institutions;
- increasing the “transparency” of executive authorities, including law enforcement agencies, the degree of trust between government and business and mutual responsibility;
- high income differentiation; the presence of a “shadow” sector of the economy, etc[3].

Thus, tracking illegal financial flows, their analysis and information exchange between various departments without a single coordinating center, the lack of a single strategic goal that unites activities in specific areas of different services and departments, so far do not allow to fundamentally changing the situation in the area under consideration adequately assess threats to national security. This is one of the reasons, why Uzbekistan still has a high level of tax crimes capital. Outflows abroad, misuse of budgetary resources, corruption, many facts of money laundering through the banking system, and illegal financial flows entering the country.

From the point of view of the authors, the functions of the Government of the Republic of Uzbekistan should not include the task of investigating financial offenses. This is the prerogative of law enforcement agencies. In the short term, a situation will require law enforcement agencies and other structures that ensure the protection of the economic interests of Uzbekistan. New approaches to solving the above tasks related to organizational, personnel and information support of the mechanism to counter the threats of corruption in the Republic of Uzbekistan.

REFERENCE

1. <https://lex.uz/pdfs/5858712> [Resolution of the President of the Republic of Uzbekistan, No. PP-128 dated 14.02.2022]

2. Usmanova S., Golovanov NM Shadow economy and money laundering. Strengthening the prevention of violations of budget legislation. – Tashkent-Moscow: Bulletin of Moscow State University. 2021.
3. Ovsyannikov L.N., Rustamov I.M. State financial control: expansion of remote financial control. – Samarkand-Kazan: World Economy, 2021.