

# POTENTIAL COOPERATION POINTS BETWEEN BUDGETING AND INTERNAL AUDIT: Some Views from the BCOP

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# Presentation Overview



- I. **Key Conceptual Synergies: How Can Budgeting and Internal Audit (IA) Practices Benefit Each Other**
- II. **Potential Cooperation Points Across the Budgeting Phases: 1. strategic planning 2. budget planning 3. budget execution 4. post-execution assessments**
- III. **Annex: General Information about BCOP**



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# GENERAL INFORMATION ABOUT BCOP



**Overall objective – strengthening budget methodology, planning, and transparency in member countries**

**21 ECA member countries. Members - mid- to high-level officials in budget planning or budget methodology/policy units**

BCOP activity plans: face-to-face learning events, virtual meetings, and study visits, and through the development of knowledge products

Driven by member-led action plans, to address key budgeting reform priorities in the member countries, identified by an annual survey

**Priorities: i) budget literacy, transparency, and public participation, and ii) program and performance budgeting, and two respective standing working groups.**

# GENERAL INFORMATION ABOUT BCOP



## BCOP's knowledge products are published on PEMPAL website:

[Performance Budgeting and Spending Reviews in PEMPAL Countries: Current Practices, Challenges, and Recommendations](#)

[Public Participation in Fiscal Policy and the Budget Process – Establishing and/or Strengthening Mechanisms in PEMPAL Countries](#)

[Conducting a Rapid Spending Review to Identify Measures for Budget Balancing](#)

[Mechanisms for the National MoFs to Facilitate Participatory Budgeting at Subnational Level and Design Initiatives at the National Level](#)

[Participatory Budgeting for Youth](#)

[Spending Reviews in the Netherlands](#)

[Improving Budget Documentation Clarity and Accessibility](#)

[Trends in Spending Reviews in PEMPAL Countries Benchmarked to Trends in OECD Countries](#)

[Modernization of Budgeting: Current Directions and Tips](#)

[Trends in Program Budgeting, Budget Openness, Climate Change Responsive PFM, and Health Sector PFM](#)

# Key Conceptual Synergies:

## How Can Budgeting Practices Contribute to IA?



**Budget processes are the most important and valuable source of data** on operations for any institution, and this data can inform internal audits.

- ❑ The institution's budget is a culmination of all institutional planning processes. Rather than a vague overall institutional objective, the budget represents, through specific monetary targets (especially in detailed expenditure), both implied and explicit operational objectives of all departments/units within the institution (as the saying says *"if it is not in the budget, it won't happen"*)

**Program and performance budgeting is the key driver for internal audit reforms**, as it focuses on system-level improvements in organizational performance and management accountability. The strongest connection between budgeting and IA is through PPB

- ❑ PPB is the systematic use of performance information (outputs, outcomes) to inform budget decisions and to instill greater transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved (OECD definition).
- ❑ An integral part of PPB is assigning managerial accountability for the results of spending, which is at the heart of IA.

# Key Conceptual Synergies:

## How Can IA Contribute to Budgeting Processes?



IA can add value to the different phases/processes that are important in budgeting in all institutions (line ministries/budget users that submit budget requests).

- ❑ It can improve the overall process of planning institutional resource allocations (i.e., **budget planning**), through improving organizational operations and control structures in their institution.
- ❑ Moreover, IA can help in improving the effectiveness of budget spending, through the afore-mentioned synergy between PPB and the managerial accountability strengthened through IA.

Overall, **IA's analytical capabilities and knowledge of institutional internal processes can add value by providing advisory and consulting services to institutional management**, which can then improve governance and accountability in the budgeting phases.

# Potential Cooperation during Strategic Planning



**IA could assist in the process of strategic planning** (which should subsequently be adequately taken into account in budget planning) **by assisting/advising the institution's management in:**

- 1. defining high-level strategic priorities in strategic documents** (including the institution's inputs into national and sectoral strategies, as well as the institution's own strategic plans/work plans) to help improve institutional governance and effectiveness, including defining high-level performance indicators (impact indicators, highest-level outcome indicators) relevant for the institution
- 2. developing action plans/measures for the implementation of strategic documents**, ensuring adequate institutional governance mechanisms and resource planning
- 3. identifying risks** for the implementation of strategic priorities and coming up with **risk mitigation strategies**

# Potential Cooperation During Budget Planning



**In the process of preparing the institution's budget requests (which the institution submits to the Ministry of Finance) the IA could assist/advise the institution's management in:**

1. **coordinating and consolidating across the institution's units/departments the inputs into the budget request** to help ensure optimal internal allocation of human and financial resources
2. **targeting values of the high-level performance indicators** from the strategic documents
3. **defining additional lower-level performance indicators** for the institution's budget programs and targeting their values
4. **identifying risks** for budget implementation and coming up with **risk mitigation strategies**



# Potential Cooperation During Budget Execution



In the process of monitoring the institution's budget execution, the IA could assist/advise the institution's management in:

1. **coordinating and consolidating across the institution's units/departments to regularly monitor the implementation** of planned strategic priority activities and risk management mitigation and **proposing course-correcting measures if needed**
2. **verification of the achieved value of performance indicators** on which units/departments report and consolidation at the institutional level where needed
3. **drafting inputs** (or reviewing/commenting) **into the institution's budget execution reports** (quarterly, semi-annual, annual) related to the implementation of the risk mitigation measures and overall institution's achieved values of performance indicators, with explanations of any deviations

# Potential Cooperation During Post-Execution Assessments



## The IA could also assist in:

1. **conducting performance audits**
2. **assisting in conducting spending reviews**
3. **assisting in conducting impact evaluation and performance evaluations of relevant budget programs/policies**

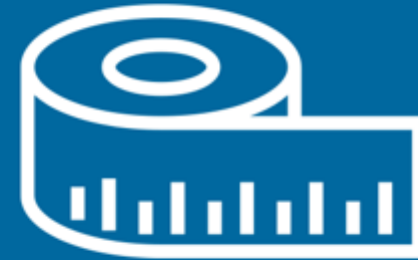
budget

**BCOP**

spending



**openness**



**quality**



**THANK YOU!**

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