



WAYS OF EFFECTIVE USE OF FINANCIAL CONTROL METHODS IN PUBLIC FINANCE MANAGEMENT

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Abstract

Keywords: public finance management, financial control, objects of financial control, methods of financial control, treasury

This article describes the research on the effective use of financial control methods in public finance management. It provides scientific and practical suggestions and recommendations on the current system of public finance management, the Treasury mechanism in public finance management and financial control, methods of financial control in public finance management and their effective use.

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INTRODUCTION

In recent years, significant work has been done in our country in the organization of state financial control. However, cases of looting and misuse of budget funds are still common. Improving public financial control to prevent this, the widespread use of foreign experience in this area, the effective use of digital economy and innovative technologies in the field remain relevant.

Formation of the state budget and more efficient use of its funds at the heart of the current changes in public finance reform in order to consistently implement the third priority of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021, namely the further development and liberalization of the economy, prevention of factors influencing the growth of the budget deficit, as well as compliance with budgetary discipline in the use of budget funds and strengthening financial control, as well as increasing the role of the state budget in the socio-economic development of the country through the formation of an effective financial control system.



It is worth quoting the following statements of the Head of State (Mirziyoyev, 2016): Our main priority is to further strengthen macroeconomic stability and maintain high rates of economic growth, including ensuring that the state budget is balanced at all levels and the national currency and domestic market prices are stable. In this regard, we can only talk about the budget surplus and it is necessary. This is a strategic task that requires unconditional fulfillment, not discussion.

At the heart of the changes in public finance reform is the formation of the state budget and more efficient use of its funds, prevention of factors affecting the growth of the budget deficit, as well as strengthening compliance with budget discipline and financial control in the use of budget funds, as well as effective financial control. issues of increasing the role of the state budget in the socio-economic development of the country through the formation of the system.

This, in turn, necessitates the effective use of financial control methods in public finance management and requires research on this topic.

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Control is an important part of any system of public administration and an objective reality of the economic and financial life of society. Management of social financial resources, public finance, is based on responsibility to society. As a result, there is a natural need to control the state, as well as financial activity as an element of governance at any level.

Methods such as induction and deduction are widely used in the process of public financial control. Inductive methods of research are used in the control of the internal economy (primarily in accounting). In departmental and external control, deduction methods designed to draw substantiated conclusions by moving from generalized synthetic indicators to specific and unique evidence are relatively effective. Here, the regularity of control actions looks different: it involves reviewing all or part of the primary documents from the generalized indicators of accounting and statistical reports through synthetic and analytical accounting registers. The use of deduction methods in the audit allows for a comprehensive study of the effectiveness of economic management and compliance with legal norms.

Taking into account the above, a comprehensive, interrelated study of the legality, accuracy, expediency and cost-effectiveness of economic and financial operations and processes based on the use of accounting, reporting, regulatory and other economic data in conjunction with the study of the actual state of control of public financial control can be described as.

An analysis of the literature on the nature of control methods by Stepashin-led scientists (Stepashin, Stolyarov, Shokhin, and Zhukov, 2004) allows us to distinguish two groups:

- nationwide methods;
- specific control methods.

Nationwide methods include analysis and synthesis, deduction and induction, similarity and modeling, systematic analysis, and functional-quantitative analysis.

In economically developed countries, financial control is divided into two areas, on the one hand, interactive and, on the other hand, independent:

- state financial control;
- non-financial control.

Public financial control is a complex and goal-oriented system of economic and legal action of specific bodies of government, based on the basic laws of the state.



Non-state financial control is divided into two: internal (within the firm, corporate) and external (audit) (Matskulyaka, 2007).

Public finance management is a set of measures taken by the state to achieve a certain efficiency in attracting financial resources to ensure the fulfillment of its functions, the distribution and use of financial resources on a systematic basis, and finally to create conditions for economic stabilization and social development. In other words, public finance management is an economic system in which, in order to achieve a certain result, the subjects of government (public authorities and administration, the financial apparatus) have a clear focus on the objects of management (local finance, enterprise finance, self-government). is the sum of the measures.

Public finance management bodies can be divided into three groups:

- a) general public financial management bodies;
- b) public financial management bodies;
- c) sectoral bodies of public finance (Kasimova, 2008).

According to Ibragimov and Sugirbaev, leading scholars of our country (Ibragimov, Sugirbaev, 2010), the bodies of state financial control carry out the following types of control within their competence:

complex control - inspection and evaluation of the objects of control on all issues for a certain period;

thematic control - inspection and evaluation of the objects of control on certain issues for a specific period;

alternative control - third-party control, in the context of the question under consideration, only the issues of interaction related to the main object of control are considered;

joint control - control carried out by state financial control bodies in cooperation with other state bodies.

Financial control consists of state and non-state financial control according to the scope.

Public financial control is a complex and goal-oriented system of economic and legal action of specific bodies of government, based on the basic laws of the state. The Constitution of the country plays a decisive role in the organization of financial control. Its legal regulation depends on the type of state, its socio-political orientation, level of economic development, forms of ownership.

According to Malikov and Khaydarov's research (Malikov, Khaydarov, 2012), state financial control is aimed at monitoring the value proportions of GDP distribution. It is noted that this control applies to all channels of movement of monetary resources associated with the formation of public financial resources, their complete and timely fall and their targeted use.

Blocks of the financial control system are divided into three types: financial and budgetary control, internal financial and economic control and independent audit.

Financial and budgetary control - checks the revenues and expenditures of the state budget estimates. This is done by the State Financial Control Department of the Ministry of Finance.

Financial and economic control, internal control - checking the accuracy of business activities and financial statements of enterprises, organizations and associations. This is done by the control and audit departments or divisions of higher organizations or the internal audit system.

Hamdamov and Ostonokulov (Hamdamov, Ostonokulov, 2018) "Independent audit -



determining the accuracy of financial statements. This is done by specially licensed independent audit firms.

RESEARCH METHODOLOGY

As a research paradigm, positivist approaches are used as tools and methods of financial control in the formation and analysis of information on the budget execution process in public finance management. In turn, the study and assessment of the accuracy of this information depends on the status of the use of financial control methods. Effective use of financial control methods requires identification and detailed explanation of their direct relationship with the state budget. Because the data was expressed in numbers, mainly quantitative and qualitative methods were used.

The research used grouping, comparative analysis, horizontal and vertical analysis, systematic approach, induction, deduction, comparative comparison, observation, theoretical and practical study, statistical analysis, factor analysis and other methods.

ANALYSIS AND RESULTS

Public financial control is carried out by the state financial control bodies in order to identify, eliminate and prevent violations of the budget legislation by the objects of state financial control, as well as to prevent corruption in the budget sphere.

Financial control is the practical manifestation of the objective nature of control as an economic category. In general, financial control is considered in the following two areas:

- strictly regulated (regulated) activities of specially established supervisory bodies on compliance with financial legislation and financial discipline of all economic entities;

- an integral element of financial and cash flow management at the macro and micro levels to ensure the efficiency and expediency of financial transactions.

Although both areas of financial control are interrelated, they also differ according to the purpose, method, and subjects of control. If in the first case the legal and quantitative aspects of control prevail, in the second case much attention is paid to the analytical side of financial control.

Control over the financial activities of all economic entities (state, enterprises and organizations) by different levels of legislative and executive authorities, as well as by specially established institutions is called financial control. We can see the methods of public financial control in Figure 1.

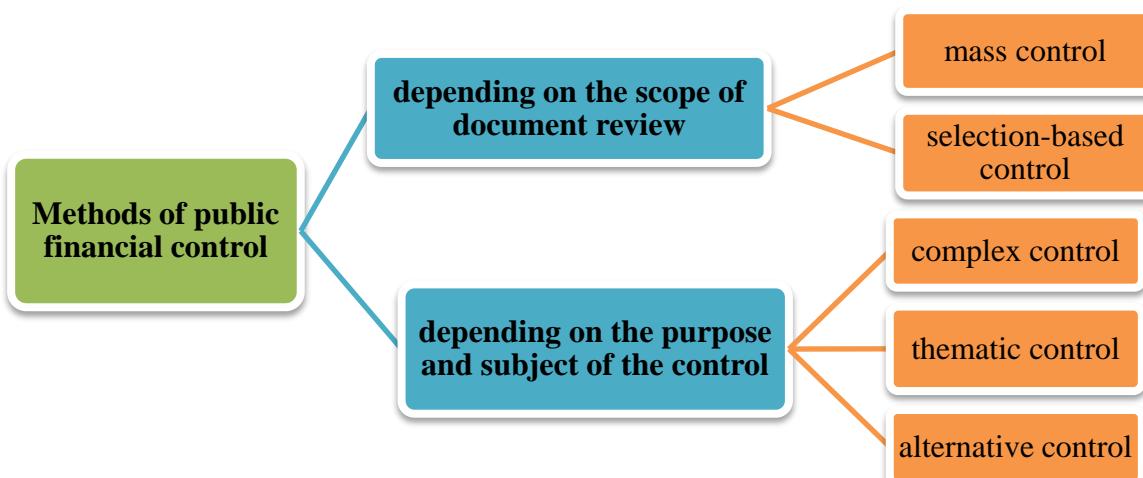


Figure 1. Methods of public financial control¹

Mass control - control of all accounting, financial, statistical, banking and other documents for the period under review;

Competitive control - control over certain parts of accounting, financial, statistical, banking and other documents for a certain period;

Complex control - control of all directions of financial and economic activity of the object of the state financial control for a certain period;

Thematic control - control over the activities of the object of state financial control on certain issues for a certain period;

Alternative control is an inspection that involves the comparison of documents that are interrelated with the uniqueness of transactions and located in different public financial control facilities.

The audit is carried out on the basis of reports, balance sheets and expenditure documents on specific issues of financial and economic activities. During the inspection, violations of financial discipline are identified and measures are taken to eliminate them.

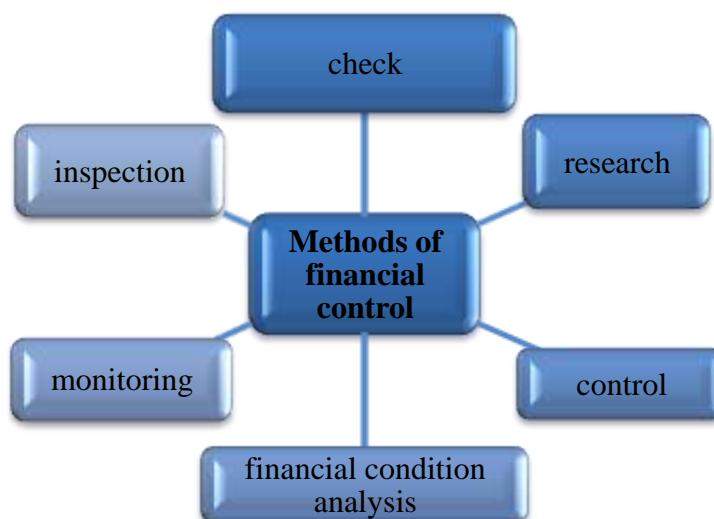
Depending on the place of inspection, inspections carried out by tax and customs authorities, financial control carried out by state and extra-budgetary funds and other bodies are divided into in-house and on-site inspections.

In-house control is a type of documentary inspection performed on the basis of submitted reports and documents without visiting the object to be inspected at the location of the subject of financial control.

On-site inspections are carried out at the location of the inspected object and are carried out using documentary and real control methods in the implementation of financial and economic control.

The study covers some aspects of the activities of enterprises and organizations. The amount of work, materials, fuel and energy consumed during the study is measured in a control manner. Research can also be done through interrogation, observation and inspection.

The following methods are used in the process of financial control (Figure 2):

**Figure 2. Methods of financial control²**

¹Compiled by the author in accordance with Article 170 of the Budget Code of the Republic of Uzbekistan

²Compiled by the author



Supervision (supervision) refers to the control exercised by regulatory authorities over economic entities licensed for a particular type of financial activity (for example, insurance, investment, banking and other activities). It provides for control over compliance with the established (established) rules and regulations, the violation of which leads to the revocation of the license.

Financial condition analysis as a method of financial control involves a detailed study of periodic or annual financial and accounting reports in order to assess the results of economic activity, the general assessment of the financial condition and the possibility of their effective use.

Audit is the most common method of financial control, which consists of a comprehensive examination of the interconnected financial and economic activities of enterprises, organizations and institutions, carried out using real and documentary methods of control. The audit is carried out to identify deficiencies and irregularities in the activities of the audited entity to determine the appropriateness, validity, cost-effectiveness, compliance with financial discipline, reliability of accounting and reporting data.

Depending on the completeness of the coverage of the business activities of the entity may be the following types of inspections:

complete;
partially;
themed;
complex.

The object of full inspection involves the inspection of all aspects of financial and economic activities.

Partial inspection is carried out to inspect certain parts or aspects of the financial and economic activities of the business entity. Thematic inspections are conducted on a specific topic of the activities of the same type of enterprises, organizations and institutions, which allows them to identify typical shortcomings and violations and take appropriate measures to eliminate them.

Comprehensive audit is the most comprehensive and comprehensive inspection of the activities of the audited enterprise, organization and institution, which covers issues such as economic and financial activities of the controlled entity, the integrity and effective use of material, labor and financial resources, the status and quality of accounting and reporting. includes Relevant specialists will be involved to investigate narrow technical and technological issues.

This, in turn, plays an important role in ensuring the completeness and effectiveness of the comprehensive audit results.

According to the level of coverage of financial and economic operations, audits are divided into the following three groups:

mass inspection;
selective inspection;
combined inspection.

A comprehensive audit requires that all transactions in a particular part of the activity be audited throughout the audited period.

Selective inspection consists of examining a portion of the primary documents at one time or another. Typically, the results of a quarterly month are checked, and if deficiencies are identified, a mass inspection is conducted.

Combined inspection involves the inspection of one part in bulk and the other part by a selective method. This allows you to inspect the activities of entities that are characterized



by the circulation of high-level documents and carry out large business operations. An act is drawn up on the basis of the inspection. It sets out measures to eliminate shortcomings, compensate for material damage and bring the perpetrators to justice.

Enhancing the role of the state in the performance of key tasks before society requires the creation of a modern financial system capable of providing effective control over public expenditures and financial flows in accordance with applicable law. In turn, the financial system, using existing methods, ensures a high degree of clarity and transparency of public financial processes to stabilize the economy. In the current period of economic growth and financial stability, strengthening the stability of public finances, and especially the budget system, is an important strategic task.

Public financial control is carried out in the form of inspections, audits (including inspections to eliminate violations of budget legislation identified in previous audits or inspections) and studies. In the course of financial control, the state of financial discipline, violations are identified and the basis for improving the future performance of public finance is created.

CONCLUSION

As a result of the research, we consider it appropriate to make the following suggestions on how to effectively use financial control methods in public finance management:

development of internal audit service in budget organizations, which are the lower level of budget control. This is because the internal audit service is in constant contact with the object of control. In addition, the internal audit service has the ability to make recommendations to eliminate errors and omissions in accounting and financial reporting as a preventive control;

further expansion of the mechanism of remote (camera) control by regulatory authorities. This, in turn, reduces the costs associated with carrying out inspections, reducing the work involved in conducting inspections.

formation of methodological bases for internal audit services in budget organizations, which are the main consumers of budget funds;

more emphasis on independent control in the implementation of budget control in the public sector based on the requirements of a market economy;

introduction of a system of cooperation of control bodies from the transferred control materials.

The implementation of this work is to promote the implementation of public fiscal policy by ensuring compliance with budget legislation, fiscal discipline, prevention of misuse of budget funds. At the same time, budget control serves to ensure the development and effective implementation of optimal budget and tax policies, as well as the maximum growth of revenues to the state budget and economic development.

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