

ECONOMIC SCIENCES

ESTABLISHING FINANCIAL CONTROL IN ACCORDANCE WITH MODERN REQUIREMENTS: IN THE WORLD AND IN AZERBAIJAN

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Abstract

Public financial control is an integral part of an effective governance system. This control mechanism ensures the transparent, accountable, and efficient use of state financial resources, strengthens fiscal discipline, and enhances citizens' trust in public authorities. As one of the key components of public administration, financial control plays a crucial role in maintaining fiscal discipline and ensuring the proper allocation of resources. This article explores the organization of public financial control in accordance with modern requirements and analyzes the main directions for its further development.

In the context of global economic challenges, the digitalization process, and growing public demands for transparency, the role of financial control has become increasingly relevant. This article analyzes reforms implemented in various countries, international best practices, and digital control tools. It emphasizes the importance of shifting financial control from retrospective audits to proactive risk-based assessment mechanisms as a critical factor in ensuring effective oversight.

Keywords: Digitalization of the financial sector, public financial management, international experience, modern challenges.

Introduction

In the modern era, financial control plays a vital role in ensuring the effective functioning of both the public and private sectors. The globalized economic environment, rapid advancement of information technologies, and increasing financial risks necessitate the adoption of new approaches and reforms in this field. It is essential that financial control is not limited to traditional auditing functions but also incorporates preventive, analytical, and strategic dimensions.

In order to establish financial control in line with modern requirements, it is essential to base the system

on the principles of transparency, accountability, and responsibility. Strengthening internal and external audit systems, as well as utilizing electronic monitoring and digital reporting tools, are important steps in this direction. Furthermore, control mechanisms aligned with international financial standards not only help reduce corruption risks but also ensure the efficient use of public funds. The formation of a qualified human resources base and the regular organization of training programs are also of great importance for the effective implementation of financial control in state institutions and large enterprises.

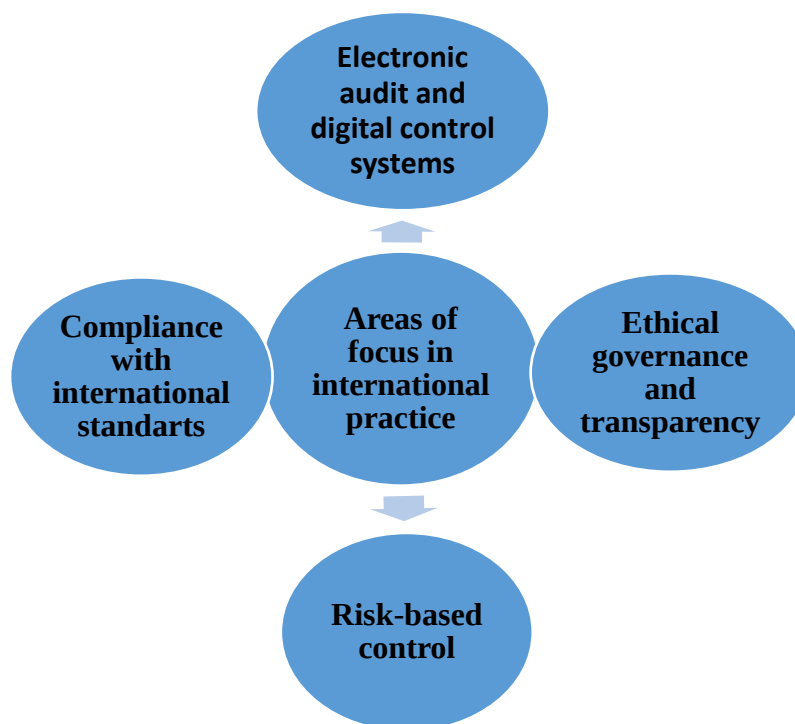


Fig:1 Source: prepared by author

Financial control is a continuously evolving field and is closely linked to the economic conditions of countries. Globally, the development of financial control has generally passed through three main stages:

- ✓ Traditional financial control
- ✓ Digital financial control
- ✓ Innovative financial control

Until the mid-20th of century financial control was primarily carried out through documentation, manual verification and the physical recording of each transaction. Government bodies and financial institutions relied on traditional methods to audit financial reports monitor budget usage, and collect taxes.

At the beginning of the 21st century, however, with the spread of the internet and the acceleration of technological advancements, digital transformation in financial control also began. The main areas of development during this period include:

- ✓ Digitalization of financial data – Financial transactions began to be tracked more quickly and accurately through digital formats.
- ✓ E-reporting and online financial management tools – Enabled faster and more transparent sharing of financial information between governments and businesses.
- ✓ Tax and budget management systems – Through digital platforms, governments began to build more efficient systems for tax collection and budget administration.

In recent years, with the accelerated advancement of technology, new approaches have begun to be applied in financial control. This period is primarily associated with blockchain technology, big data, artificial intelligence, and other innovative technologies. The characteristics of innovative financial control include:

- ✓ Blockchain technology and cryptocurrencies

- ✓ Big data and artificial intelligence
- ✓ Automation and analytics

Looking at countries around the world, the United States is one of the most advanced nations in the development of financial control. Financial oversight is primarily conducted through institutions such as FEMA and the Government Accountability Office (GAO). These organizations monitor the use of financial resources, prepare extensive annual audit reports, and adapt tax policies to modern technologies. China, on the other hand, possesses highly developed state administration systems for implementing financial control. In particular, compliance with tax legislation and electronic control systems are notably strong.

The global economic challenges of the modern era have not spared Azerbaijan. Significant reforms have been carried out in Azerbaijan aimed at structuring financial control and aligning it with international best practices. In this field, the legal and institutional framework has been partially improved, digital solutions have been introduced, and electronic budgeting systems, tax control mechanisms, and digital reporting platforms have been established. Over the years, the volume of data collected through electronic platforms has increased, and the opportunities for using analytical tools within government agencies have expanded. Recent reforms in Azerbaijan have created favorable conditions for approaching international standards in this area:

- development of the state financial control system – Oversight activities carried out by the Chamber of Accounts, the Ministry of Finance, and other institutions are being conducted in a more systematic and transparent manner
- E-government and digitalization initiatives – Real-time monitoring capabilities within government agencies have been expanded;

- improvement of the legislative framework – Updates have been made to the “State Financial Control” law and other relevant legislation;
- development of human resources and international cooperation – The involvement of experts in audit and control in international training programs is increasing.

However, analyses indicate that there are several challenges to fully establishing financial control at the level of modern requirements:

- The predominance of traditional audit approaches;
- Weak development of risk-based control systems;
- Limited inter-agency information exchange;
- Uneven levels of professional expertise among human resources.

Global experience shows that organizing the financial control system based on modern requirements plays a decisive role in economic stability, the proper execution of the state budget, and the efficient use of public funds. Technological and methodological changes in the field of financial control should also be implemented in Azerbaijan, as control acts as a guarantor of the country's economic stability and sustainable development.

Taking into account the problems mentioned above, it is deemed appropriate to undertake measures in the following directions:

Harmonization of the normative-legal framework with international standards: Legislative acts related to financial control should be updated based on the recommendations of INTOSAI and other international organizations, ensuring the elimination of legal gaps.

Strengthening integration among control bodies: Coordination between institutions should be enhanced through the integration of information systems and the creation of a unified control database.

Development of electronic control infrastructure: The implementation of artificial intelligence, analytical tools, and automated audit programs will significantly enhance the agility and effectiveness of financial control, as the adoption of advanced technologies has become not a choice but a necessity.

Professional development and human capital enhancement: It is essential to engage financial control specialists in continuous training programs, implement international certification systems, and strengthen codes of ethical conduct.

Implementation of risk-based control mechanisms: The expansion of a risk-based approach in the financial control system should be ensured to optimize resources and prioritize high-risk areas. Such an approach reduces repetitive and less significant audits, ensuring more efficient protection of state resources.

Conclusion:

Financial control is not only about monitoring financial flows but also one of the key tools supporting strategic decision-making in economic management. A financial control system that meets modern requirements, is flexible, and technologically equipped serves the sustainable development of both public finances and the business sector. Research shows that, against the backdrop of the dynamic development of the global economy, organizing financial control in accordance with contemporary standards has become a priority for every country. Digitalization, risk-based control, and regulatory mechanisms aligned with international standards, as implemented in developed countries, ensure the resilience of the financial system.

In conclusion, the application of comprehensive approaches and the study of advanced practices are of great importance for establishing financial control in accordance with modern requirements both globally and in Azerbaijan.

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