

Ways to Strengthen Financial Control over the Use of State Budget Funds

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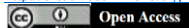
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ABSTRACT

This study investigates contemporary approaches to strengthening financial control over the use of state budget funds, with particular attention to improving the efficiency, transparency, and effectiveness of public financial management. The research examines the dynamics of state budget revenues and expenditures, the results of financial control activities, major financial risks, and the application of digital technologies in monitoring the use of public funds. Particular attention is given to the transition from traditional post-expenditure verification toward a preventive, risk-based, and results-oriented model of financial control. The study analyzes the potential of preliminary risk assessment, digital monitoring, remote auditing, artificial intelligence, and Big Data technologies for identifying high-risk transactions and preventing inefficient or illegal expenditures. The findings indicate that the effectiveness of financial control should be assessed not only by the number of identified violations but also by the volume of prevented losses, optimized expenditures, recovered funds, and identified additional revenue sources. The study also emphasizes the importance of strengthening risk-based control in public procurement, integrating financial auditing with performance auditing, and establishing continuous post-audit monitoring. Based on the findings, practical recommendations are proposed for improving the digitalization of financial control, strengthening preventive mechanisms, enhancing public procurement monitoring, and shifting the assessment of financial control toward measurable financial and socio-economic outcomes.

Introduction

In the modern world, sound management of public finances plays a key role in ensuring the socio-economic development of the country. A significant part of the financial resources accumulated by the state are redistributed through the state budget. These funds are used to stimulate economic growth, raise the standard of living of the population, finance the social sphere, develop regions and provide public services. In this regard, along with effective management of the processes of formation and use of budgetary funds, an important requirement of modern public administration is the organization of effective financial control over the legality, expediency, economy and effectiveness of the use of budgetary funds.

In the process of using public funds, the task of financial control should be aimed not only at identifying errors and deficiencies, but also at monitoring the entire process from budget planning to its allocation, financing, spending, reporting and evaluation of results. In the Budget Code of Uzbekistan, State financial control is also associated with ensuring compliance with budget legislation, preventing and detecting financial violations, as well as improving the efficiency of using budget funds. In the context of the economic transformations underway in Uzbekistan, the relevance of this issue is becoming even more obvious. Due to the increase in government spending, there is a need to develop new tools for monitoring the use of financial resources [1].

President of Uzbekistan Shavkat Mirziyoyev focuses on improving the effectiveness, optimization and transparency of the use of public funds. In particular, he emphasizes the need to increase the efficiency of using the state budget, analyze the effectiveness of expenditures and improve the external audit system [2]. This approach, proposed by the head of state, involves the transformation of financial control from a traditional verification function into a management tool aimed at achieving concrete results. The main purpose of control is not to identify errors after spending, but to pre—assess financial risks, prevent inefficient spending, and maximize the efficiency of using available resources.

In this context, the development and implementation of innovative methods such as risk-based monitoring, performance analysis, verification of compliance with standards and strategic analysis are of particular importance in the scientific and practical field. Part of the problems that arise when using budget funds is due to the fact that the control system is not always effectively integrated into the process of using them. In some cases, additional time and resources are required to eliminate deficiencies found during financial control after expenses are incurred. In addition, there are issues related to the uneven development of internal control mechanisms in budget organizations, insufficient improvement of criteria for evaluating the effectiveness of expenditures and incomplete use of control results in making managerial decisions.

Literature Analysis

The problem of improving financial oversight of the use of public funds is a complex and interdependent aspect of public financial management. It is inextricably linked to budget execution, financial discipline, internal controls, auditing, transparency, and accountability. This issue has been the focus of research by domestic and international experts, who have examined it from a variety of theoretical and methodological viewpoints. The integration of their research findings forms a crucial methodological basis for the creation of efficient systems for monitoring public spending.

The scholarly works of Uzbek researchers A.V. Vahobov and T.S. Malikov have played an important role in developing the theoretical foundations of public finance, the state budget, financial management, financial planning and forecasting, as well as financial control. In their textbook Finance, financial control is considered one of the key functions of public financial management and is examined in close connection with state budget revenues and expenditures, the budget system, and the budgetary process [3]. Based on this approach, control over the use of state budget funds should not be limited to the verification of expenditures; rather, it should be organized as an integrated system covering the entire process, from the formation and allocation of funds to the assessment of their final results.

B. Nurmukhamedova's educational and methodological works on the state budget and public finance focus on the economic essence of the budget, the structure of revenues and expenditures, the budget system, and public financial management [4]. This approach provides a theoretical basis for identifying the principal objects of control over the use of state budget funds. In particular, the coordination between the planning and execution of budget expenditures is one of the important factors determining the effectiveness of financial control.

Studies conducted by S.U. Mehmonov examine the organization of budget accounting and reporting, the reliability of financial information, and its importance in the management process. His works on Budget Accounting have subsequently been used as an important source for developing the information base of financial control [5]. From this perspective, the effectiveness of public financial control depends not only on the powers of control bodies but also on the timeliness, completeness, and reliability of accounting and reporting information generated by budgetary organizations.

The research of A. Ostonokulov, devoted to improving the methodology of accounting for and reporting on extra-budgetary funds of budgetary organizations, provides an opportunity to examine more deeply the formation and use of financial resources in the public sector [6]. This research direction

demonstrates the necessity of developing comprehensive control mechanisms not only over state budget funds but also over other financial resources managed by budgetary organizations.

Recent studies by Uzbek scholars have increasingly focused on the digitalization of public financial control, strengthening monitoring mechanisms, and expanding the role of public and non-governmental oversight. In particular, Sh.A. Sharapova and B.Sh. Mirzayev analyzed the legal foundations of public financial control in Uzbekistan and the activities of the Accounts Chamber and public financial control bodies, emphasizing the need to improve the institutional and legal mechanisms of the control system [7].

E. Odilov examined the expansion of non-governmental financial control in ensuring the effective use of budget funds and emphasized that independent auditing, public oversight, and the participation of civil society institutions can contribute to greater transparency and accountability in public finance [8]. This approach makes it possible to develop public financial control beyond purely administrative inspections toward a multi-stakeholder control system based on cooperation among government institutions, audit organizations, and the public.

O. Sultanov investigated ways to improve the use of state budget funds and highlighted the need to strengthen mechanisms for targeted expenditure, financial control, budget discipline, transparency, and monitoring [9]. This study is particularly relevant to the present research because it considers strengthening financial control as an important condition for improving the efficiency of state budget fund utilization.

M. Erkinova's study examines the role of financial control in ensuring the efficient use of state budget funds, the management of public expenditures, the strengthening of financial discipline, and the prevention of corruption [10]. An important contribution of this research is its demonstration of the interrelationship between control, economic efficiency, financial discipline, and transparency.

G. Shavkatov studied the scientific and practical aspects of incorporating state budget revenue and expenditure indicators into the organization of public financial control. The author argues that systematic analysis of budget indicators is an important condition for improving the effectiveness of control, ensuring the targeted and rational use of funds, and strengthening financial discipline [11].

Foreign academic literature examines public expenditure control on a broader methodological basis. In particular, R. Allen and D. Tommasi consider the management of public expenditures as an integrated system encompassing budget preparation, budget execution, cash management, internal control, internal audit, and external audit [12]. From their perspective, public financial control is not merely an inspection conducted at the final stage of the budget process but a continuous management mechanism extending from budget formulation to its execution and evaluation of outcomes.

In developing the modern concept of public expenditure management, A. Schick identifies three major objectives: maintaining aggregate fiscal discipline, allocating public resources in accordance with strategic priorities, and ensuring the efficient delivery of public services [13]. This concept demonstrates the need to shift the focus of control over state budget funds from the question of "Were the funds spent legally?" toward the broader question of "Did the use of these funds contribute to the intended socio-economic outcomes?"

S. Pattanayak analyzed the main stages and institutional actors involved in expenditure control and emphasized that appropriate control mechanisms should be established at every stage of the expenditure chain [14]. Based on an examination of the experience of more than 32 countries, the author demonstrates that weaknesses in expenditure control may be associated with reduced reliability of budget execution and an increase in expenditure arrears. In addition, the introduction of financial management information systems based on modern information technologies is regarded as an important direction for modernizing expenditure control.

J. Diamond and B. Potter substantiated the close relationship between budget preparation, budget execution, and cash-flow planning in public expenditure management [15]. Their approach demonstrates that control over state budget funds should not be limited to the verification of completed transactions; it should also include the assessment of expenditure planning and the forecasting of cash flows.

The PEFA methodology also occupies an important position in international practice for assessing the effectiveness of public financial management. This framework enables a comprehensive assessment of budget reliability, transparency of public finances, asset and liability management, policy-based budgeting, budget execution control, accounting and reporting, and external audit [16]. According to World Bank findings, budget preparation performance is often stronger than budget execution performance globally, while strengthening internal control and improving the allocation of resources in a predictable manner throughout the year remain important areas for improvement [17].

A comprehensive analysis of the reviewed national and international literature reveals that a contemporary framework for financial oversight of government spending should be founded on the following principles: legal scrutiny, purpose assessment, performance evaluation, performance monitoring, proactive risk identification, and accountability through auditing and public scrutiny.

While national research has primarily focused on the legal and institutional aspects of public financial administration, budgetary accounting, and the activities of oversight bodies, international literature highlights the entire expenditure process, results-oriented budgeting, integrated internal control and auditing, digital financial management, and fiscal accountability.

Research Methodology

To determine the organizational, methodological, and practical aspects of strengthening financial control over the use of state budget funds, this study utilized methods such as a systems approach, comparative analysis, statistical and dynamic analysis, risk assessment, analysis, synthesis, and generalization. The methodological basis of the study is the principle of organizing state financial control in close connection with the formation, distribution, expenditure, and evaluation of the results of the use of budget funds.

Results

In modern conditions, improving the efficiency of using state budget funds requires not only checking the legality of spending allocated funds, but also a preliminary determination of their intended purpose, economic efficiency, effectiveness and potential fiscal risks. In particular, the increase in budget expenditures and the scale of financing of government programs and infrastructure projects requires a transition from the traditional model of financial control based on verification to a model based on data, risk analysis and digital monitoring.

By the end of 2025, state budget revenues amounted to 359.8 trillion soums, and expenditures amounted to 383.9 trillion soums. The total expenditures of the state budget and state trust funds reached 447.8 trillion soums. This indicates the need to improve the coverage and quality of control over the use of budgetary funds.

Table 1

Updated dynamics of the main fiscal indicators by means of the State budget

Indicators	2025 plan	2025 performance	1st half of 2026*
State budget revenues, trillion soums	308,5	359,8	207,4
State budget expenditures, trillion soums	344,8	383,9	158,2
Consolidated budget revenues, trillion soums	431,0	502,6	287,2
Consolidated budget expenditures, trillion soums	—	541,7	288,7
Expenditures of the State Budget and targeted funds, trillion soums	407,6	447,8	229,0

*Note: indicators for 2026 are presented as of the first half of the year.

The data in the table show that the volume of funds in the budget system is significant. In 2025, state budget revenues were higher than the approved plan, while expenditures also exceeded the planned indicator. In this situation, the task of financial control should consist not only of determining the compliance of expenditures with existing norms but also of assessing which directions the financial opportunities formed through additional income were directed and what economic and social results these funds yielded.

In the first half of 2026, state budget revenues amounted to 207.4 trillion soums, and expenditures to 158.2 trillion soums, which also indicates the need for constant improvement of control mechanisms. In particular, the presence of areas such as wages, social payments, goods and services, subsidies, grants, social assistance, and capital investments within the expenditure structure allows for the formation of separate risk indicators for each type of expenditure.

When evaluating the effectiveness of financial control, it is advisable to focus not on the number of control measures, but on the financial volume of risks identified through them and the amount of damage prevented. As a result of control measures carried out in 2025, budget expenditures totaling 8.1 trillion soums were optimized, illegal expenditures totaling 1.1 trillion soums were prevented, and additional revenue sources totaling 7.6 trillion soums were identified. During this period, 93 audits and studies and 62 thematic analyses were conducted.

These results indicate that measuring the economic effect of financial control only by the amount of identified violations is insufficient. For example, an important result of financial control is the prevention of inefficient spending that may occur in the future through cost optimization. Therefore, it is proposed to use the following indicators in the control system:

Financial control efficiency = prevented losses + optimized costs + recovered funds + identified additional income / control costs.

This approach makes it possible to assess the effectiveness of control activities not only by the number of inspections conducted, but also by the level of timely identification of financial risks, limitation of their negative consequences, and prevention of inefficient use of budget funds.



Figure 1. Modern model of financial control over state budget funds

The main difference of this model is that the control process begins before the funds are spent, not after the expenditure is made. At the same time, the budget organization's expenditure estimates, public procurement, contracts, payment orders, previous audit results, and other financial data are evaluated within a single analytical environment.

By the end of 2025, as a result of using digital control mechanisms, 259 databases of 75 ministries and departments were integrated through the "Remote Audit" system, and more than half of the audit activities were carried out remotely. This, along with expanding the scope of control, creates the opportunity to reduce the human factor and analyze large volumes of data in a short time.

The results of the first half of 2026 show that this direction is gaining further strength. During this period, 55 audits were conducted, 33 of which were conducted remotely. Through the remote control center, risks worth 27.1 trillion soums were identified, and risks worth 8 trillion soums were eliminated. Additionally, five areas of artificial intelligence use have been automated, preventing violations worth 107 billion soums.

These indicators show that the digitalization of financial control is not a simple technical process. Its primary economic significance lies in directing control resources toward high-risk operations. For example, instead of checking all budget organizations with the same intensity, the system can automatically detect high-value purchases, recurring expenses, drastic changes in planning, unjustified increases in contract costs, payments for uncompleted work, or deviations in expenditures from approved limits.

Table 2.

Main problems of financial control and directions for their improvement

Problem	Improvement mechanism	Expected result
Direction of control to the next stage	Premonitoring and preliminary risk analysis	Detection prior to the commission of an offense
Manual verification of large amounts of data	Analytics powered by AI and Big Data	Increased control speed and accuracy
Financial risks in public procurement	Automatically compare e-purchase data	Reducing unjustified and illegal expenses
Weak link between cost and outcome	Performance audit	Assessment of the socio-economic effect of funds
Insufficient follow-up monitoring of audit results	Post-audit monitoring	Reduce the frequency of identified deficiencies
Information system fragmentation	Interdepartmental integration	Control in the Unified Database
High human factor	Automated control indicators	Reduce subjective decisions and mistakes

Practical results show that the greatest effectiveness in financial control occurs when preventive mechanisms are strengthened rather than identified. In 2025, as a result of audits and analyses, financial errors and deficiencies totaling 7.7 trillion soums were identified, and the return of more than 2 trillion soums to the budget was ensured. At the same time, the prevention of illegal expenditures amounting to 1.1 trillion soums indicates that the preventive function of control is becoming increasingly important.

Public procurement also appears as one of the important sources of financial risks. In the first half of 2026, violations of legislative requirements in the field of public procurement totaling 9.1 trillion soums were identified. Therefore, it is advisable to organize control over public procurement based on a separate risk model. In this case, parameters such as the purchase price, previous contracts with the supplier, price deviations from market value, the frequency of contracts, and the volume of work performed must be automatically evaluated.

It is also important to assess the final result of the use of budget funds in strengthening financial control. Because the lawful spending of funds does not fully mean that they were used effectively. For example, funds allocated for a state program may have been spent on time and in the prescribed manner, but if the program does not achieve the planned result, it would be incorrect to evaluate such expenditures positively only from the standpoint of legality. Therefore, it is necessary to combine financial auditing with performance auditing.

Discussion

To further develop this approach in 2026, new mechanisms are being introduced to form a budget discipline rating, create an artificial intelligence laboratory, and expand digital modules in state auditing. In the future, this will allow the control system to shift its primary focus from document verification to financial risk forecasting and evaluating the effectiveness of budget decisions.

Overall, an analysis of the new indicators shows that three important trends are emerging in state financial control. Firstly, the increase in the volume of budget funds requires an expansion of the scope of control. Secondly, remote auditing, integration of information systems, and artificial intelligence are significantly increasing the speed of control. Thirdly, the criterion for the effectiveness of financial control changes from the number of identified deficiencies to the number of avoided financial risks, optimized costs, and achieved socio-economic results.

Based on this, the most optimal model for strengthening financial control over the use of state budget funds should be based on the sequence "risk identification - preliminary control - digital monitoring - targeted audit - performance evaluation - repeated monitoring." Such a system, along with strengthening budget discipline, serves to prevent illegal and inefficient spending, increase the

transparency of public procurement, ensure the rational use of financial resources, and ensure the real effectiveness of state programs.

Conclusion

The results of the study show that strengthening financial control over the use of state budget funds in modern conditions should not be limited solely to verifying legality and eliminating identified deficiencies. It is advisable to organize the content of financial control as a single continuous process, starting from the planning of budget funds to their distribution, financing, expenditure, reporting, and evaluation of final socio-economic results. The optimization of expenditures amounting to 8.1 trillion soums in 2025, the prevention of illegal expenditures amounting to 1.1 trillion soums, and the identification of additional sources of income amounting to 7.6 trillion soums, as identified in the study, indicate the need to consider preventive results in addition to traditional indicators when assessing the economic efficiency of financial control.

The research results also showed that the digitalization of financial control serves to increase its coverage, speed, and accuracy. The integration of databases of ministries and departments through the "Remote Audit" system, the increasing share of remote audits, and the implementation of control mechanisms based on artificial intelligence allow for the redirection of control resources toward high-risk operations. Therefore, in the future, it is necessary to gradually transition financial control from a "verification-based" approach to a "risk-based and result-based" model.

Based on the research, the following scientific proposals and practical recommendations were developed to improve financial control over the use of state budget funds:

1. Strengthening the risk-based primary financial control system. It is proposed to expand the mechanism for analyzing expenditure estimates, public procurement, contracts, payment orders, and previous audit results in a unified information environment before the expenditure of budget funds. At the same time, risk indicators such as high-value purchases, recurring expenses, sharp changes in contract value, and deviations from approved limits must be automatically identified.

2. Evaluating the effectiveness of financial control based on a new integral indicator. Instead of evaluating the activities of regulatory bodies solely by the number of inspections conducted or the volume of identified violations, it is advisable to use an indicator that relates prevented damage, optimized costs, recovered funds, and identified additional income to control costs. The "Financial Control Effectiveness" indicator proposed in the article allows for the practical implementation of this approach.

3. Implementation of a separate risk model for public procurement. In public procurement, it is necessary to create a mechanism for automatic comparison of the deviation of the purchase price from the market value, previous contracts concluded with the supplier, the frequency of contracts, the volume of work performed and the dynamics of payments. This approach allows for the early detection of charges for unjustified price increases, repeated or inefficient purchases, and uncompleted work.

4. Expanding the use of artificial intelligence and Big Data technologies. In financial control, it is proposed to develop intelligent analytical modules that allow for the automatic processing of large volumes of data, the detection of unusual operations, and the forecasting of financial risks. This allows for the concentration of control resources on high-risk operations while reducing the impact of the human factor and subjective decisions.

5. Integration of financial audit with performance audit. The lawful and targeted expenditure of budget funds does not automatically imply their effective use. Therefore, it is necessary to assess the relationship between the funds allocated in state programs and investment projects and the real economic and social results achieved. In this case, along with the question "how much money was spent?," the criterion "what result was achieved with this money?" should become the main control indicator.

6. Ensuring the continuity of post-audit monitoring. It is advisable to develop a follow-up monitoring system that electronically monitors the implementation of recommendations for eliminating deficiencies identified at the end of the audit. At the same time, the recurrence of identified deficiencies, the prevention of financial losses, and the level of implementation of recommendations by responsible organizations should be evaluated as a separate indicator.

In general, the improvement of financial control over the use of state budget funds should be based on the combination of the principles of prevention, digitalization and performance assessment. At the same time, control processes should not be limited to identifying shortcomings after expenses are incurred, but should include a preliminary assessment of financial risks, the prompt identification of high-risk operations, regular monitoring of audit results, and an assessment of the final socio-economic efficiency of the allocated funds. This approach contributes to the rational use of budget funds, strengthening financial discipline, reducing inefficient spending, and increasing the transparency of public finances.

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