

## PROBLEMS RELATED TO FINANCIAL CONTROL IN DEVELOPING AND REFORMING THE ECONOMY

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Adapting to the transition period's realities has become an extremely important methodological need for government financial control. To achieve this goal Azerbaijan's Audit Chamber has been tasked to improve the budget legislation and significant successes have already been achieved in the last two years. Thus, an improved unified budget classification was approved and the State Oil Fund, General Consolidated Budget, and, basically, finances from local structures are under the control of the Audit Chamber and all so-called off-budget revenues of budget organizations have already been included in the state budget.

At present, all efforts are aimed at approving a new law on government financial control, the main task of which is to provide a single methodological authority and mutually complementary approach to various levels of financial control both vertically and horizontally to the state system for managing the economy.

The law should lay down an integrated system of government control. The main principle behind the design of this system includes separating the functions of external and internal control. The internal control system built on functional and institutional planes should be comprehensive and integrated. Internal control, having been an organic element of management at various levels of the hierarchy, has operational regulatory properties and this fact, in particular, predetermines the character of its instrumental and methodological base. Because of this, the basic methodological tool for internal control is a so-called financial audit. A number of tasks for external control should include control over the integrity and proper quality of the internal control system. In this case, the external control's efforts will be aimed at solving more complex control-related tasks, a so-called efficiency audit, the successful introduction of which in transition countries requires some additions to the economy's mechanism. First of all, a procedure for reporting on functional activities should be applied and our legislation

supposes an obligation for accounting and statistical reporting. The reporting procedure in the new law should be assigned as a legal norm of a function. In future, all state structures and enterprises will have to report on functional activities and the audit conclusion issued by the external government control structures.

It should be noted here that the main ideological line of the Lima Declaration is that the basic task for the supreme financial control includes providing "social management of finances", i.e. the economic policy conducted by governments should not be beyond the external financial control structures' field of vision.

Another important task for the new law is to ensure adequate financial and administrative management. Their convergence in Azerbaijan is considered one of the main reasons for the inefficient use of state assets and the factor that really complicates external control.

Introducing unified national standards for government control based on INTOSAI standards is one of the tasks of the new law.

An important aim of government external financial control is to provide transparency in moving all the economic resources concentrated by the state to implement functions, including economic ones, entrusted to it under the Constitution.

Inefficient use of government assets, in turn, is the main source for the notorious spread of corruption. In general, world practice confirms the belief that the corruption level is inversely and closely correlated to the degree of transparency concerning moving resources. Unfortunately, this is confirmed in transition countries. Because of this, external financial control's mission at the current stage of developing economic relations consists of strengthening transparency in moving resources and eliminating corruption in the state sector and society in general.