

## **MECHANISMS FOR IDENTIFYING FINANCIAL RISKS AND IMPLEMENTING EFFECTIVE REMOTE CONTROL**

***Abdullaev Mehriddin Razzoqovich***

*Doctor of Philosophy in technical Sciences(PhD)  
The Accounts Chamber of the Republic of Uzbekistan*

[\*m.abdullayev@ach.gov.uz\*](mailto:m.abdullayev@ach.gov.uz)

***Fayziev Shavkat Ismatovich***

*doctor of technical sciences (DSc), docent  
The Account Chamber of the Republic of Uzbekistan*

[\*shavkatfayz@gmail.com\*](mailto:shavkatfayz@gmail.com)

***Atoev Asliddin Ekhtiyorovich***

*The Account Chamber of the Republic of Uzbekistan*

[\*asprouz@gmail.com\*](mailto:asprouz@gmail.com)

**Abstract:** This article proposes an effective information systems architecture for identifying and managing financial risks in remote monitoring of budget spending.

**Keywords:** budget funds, risk analysis, information systems, artificial intelligence technologies, big data.

**Introduction.** Effective spending of state budget funds and establishment of strong financial control over them is considered a priority for every country, and for developing countries, this direction is highly relevant, because their economic and social development in many cases depends on how budget funds are managed. By ensuring financial transparency and certainty, these countries will be able to effectively channel domestic resources.

Budgetary funds are of great importance in developing countries for the development of infrastructure, improving the quality of social services, and financing projects in the fields of education and health. However, insufficiently functioning financial control mechanisms or corruption in these countries can lead to the misuse of funds. Therefore, the introduction of digitalization and remote risk detection technologies is an urgent task for developing countries.

In developing countries, effective management of budget funds is particularly important, as there are limited financial resources, and their misuse can slow down the overall development of the country. Ensuring financial transparency in these countries also helps to increase the confidence of external financiers (international organizations and donor countries).

Financial control and transparency are also important in developed countries. Proper management of budget funds, through their effective use, not only improves the quality of life of citizens of the state, but also allows to maintain a strong position in global economic processes. Also, a strong system of financial control plays an important role in preventing corruption in developed countries.

The mechanism of financial control and remote risk management is of common importance for developed, developing and underdeveloped countries and serves for the economic development, social stability and welfare of society of each country.

**Targeted spending of budget funds and strengthening of financial control are based on the following reasons:**

1. Increasing economic efficiency

If public funds are properly directed, they will have a positive effect on the economy, creating the basis for domestic currency circulation, job creation and investment growth. Effective financial control prevents misallocation of resources.

#### 2. Reducing corruption

Fighting corruption and ensuring financial transparency is one of the important factors in increasing the efficiency of public administration. Reliable control of budget funds significantly reduces the risk of corruption.

#### 3. Transparency and accountability of state resources

The fact that the public has information about the spending of state budget funds strengthens trust in the state. This serves to strengthen the social agreement between society and the state.

#### 4. Identify and prevent risks

Timely identification and prevention of risks to state budget expenditures is a key part of effective financial management.

#### **Appropriate to carry out the following activities in connection with the identification and management of remote risks :**

##### 1. Strengthening financial control through digitization

It is necessary to fully digitize the budget management processes in state institutions. By this:

- Complete and automated control of financial transactions is provided.
- An opportunity to analyze data in real time is created.
- Errors and intentional illegal actions will be detected quickly.

##### 2. Improvement of financial monitoring system

It is proposed to use artificial intelligence (AI) technologies to monitor the spending of state budget funds:

prediction through machine learning algorithms .

- Reduce human errors by automating manual processes.
- Automatic analysis of illegal foreign financial access.

##### 3. Introduction of remote control mechanisms

Creation of remote control capabilities based on private information technologies:

- Transfer all financial reports of government institutions to a unified electronic platform.
- Controlling the process of any financial transactions through blockchain technologies.

##### 4. Improvement of the legal and regulatory framework

- Creation of modern legislation regulating financial control processes.
- Establishing specific requirements to increase the accountability of bodies using state budget funds.

##### 5. Education and training

It is necessary to develop and introduce special educational programs to improve the skills of employees working in the field of state financial control. It helps promote not only technical knowledge but also ethical standards.

Digitization of financial control, development of remote risk detection mechanisms and improvement of public funds management will serve to strengthen financial discipline in society, increase transparency and ensure economic stability. Effective cooperation between the state, the public and the private sector is important in this regard.

the above , in order to ensure the effective management and transparency of state budget funds, it is necessary to develop an integrated, unified control and management mechanism between the

existing databases of ministries and agencies. Through this system, transparency of financial processes will be increased, deficiencies will be eliminated in time and law violations will be prevented.

**To develop a single control and management mechanism:**

1. Creating a single control and management platform

- It is necessary to connect the financial databases of each ministry and office to a single electronic system.
- This system creates the possibility of centralized control and analysis of data.
- The transparency and reliability of each data source is automatically checked.

It is important to pay attention to the fact that, in order to compare the financial databases of the ministry and the office, it is necessary to agree on the common keys that connect this information to each other, and it is necessary to clearly define the owners of the collected information, thereby preventing the repeated collection of the same type of information in 2 or more ministries and offices that are not compatible with each other.

2. In order to control the completeness and reliability of the data, it is necessary to constantly implement the following actions.

- In the process of receiving data from ministries and departments via API, monitor the provision of agreed data in the prescribed manner.
- Checking the completeness and correctness of information during internal audit activities conducted in ministries and agencies.
- Identify gaps and errors in the data provided by automatically comparing data collected from ministries and departments in a centralized manner.

The implementation of these proposals will not only increase the efficiency of the financial control mechanism in terms of digitization, but also help to strengthen the general transparency of public administration and public trust.

In addition, "Risk management" committees should be established in ministries and departments, and the following should be defined as the main tasks of these committees.

**The purpose and main tasks and functions of the committee**

The purpose of the Committee's establishment is to establish and improve the effectiveness of internal control systems in the activities of the Ministry, to prevent financial and other risks, to assist in the management, review, identification, elimination and control of risks (risks), to create a risk management system in the Ministry and ensure its effective functioning.

**The committee performs the following activities:**

- Makes recommendations on approaches to the development of the Ministry's activity and risk management strategy, financial risk standards;
- controls the implementation of risk and financial management strategy, compliance with risk standards;
- prepares reports on compliance with risk management culture;
- Organizes work in collaboration with the Ministry's internal audit service and supervises the work of the head of the internal audit service.

**The main tasks of the committee:**

ensuring that internal audit services develop and update a list of identified financial, operational, and internal control risks related to the system's operations and the achievement of target indicators;

ensuring compliance with legal requirements on public procurement and eliminating identified risks;

effective organization of internal audit services to identify and eliminate risks;

Analyze the causes of risks at the end of each quarter and discuss in detail the work carried out by internal audit services to prevent and eliminate their consequences;

preparation of proposals for the elimination of conflicts that allow the emergence of risks in normative legal documents and the practice of law enforcement, and the improvement of relevant norms;

setting forward-looking directions to prevent risks;

**The main functions of the committee:**

- Considers the main goals and strategy of the Ministry, implementation of indicators, financing procedures;
- discusses the risk acceptance strategy for certain types of general and specific risks and develops recommendations to the minister on these issues and issues of determining risk standards;
- The Ministry constantly monitors the risk management system;
- examines the proposals of supervisory bodies, external audit companies regarding the improvement of internal control and ministry risks;
- reviews the quarterly reports of the Ministry and internal audit and internal control (compliance) services in its system;
- annually revises and updates the policy of the Ministry in the field of risk management;
- Monitors compliance with the Ministry's risk management policy by the heads of the Ministry and all departments and all employees of the Ministry.
- Control over the implementation of the risk and financial management strategy of the Ministry, control over compliance with the requirements of the internal documents of the Ministry, which regulate the management of certain risks of the Ministry (*for example, payment, loan, foreign debt, market, operational, reputation risk, etc.*)

**Rights and obligations of the committee**

**The committee has the following rights:**

- To request the necessary information and documents from the Ministry and its system organizations in order to fulfill the tasks assigned to the Committee (*based on a written request*);
- if necessary, to invite the internal audit service of the Ministry and other responsible employees, supervisory bodies and independent experts to the meetings of the Committee.

The Committee regularly receives information and reports from the heads of the internal audit service and other departments on the current state of risks, compliance with risk standards, and mechanisms for reducing the level of risks.

**The committee performs the following duties:**

- Reporting to the Minister on the activities of the Committee at least twice a year;
- Timely notify the Minister of deficiencies in the Ministry's risk management and work to be done, risks that are likely to affect the Ministry or exist in its activities, and the status of their elimination;
- to perform the tasks assigned to the Committee by these Regulations;
- Maintain the confidentiality of information and documents obtained in the course of the Committee's activities and prevent their dissemination;

- Comply with the requirements of the Law of the Republic of Uzbekistan "On Personal Data", not to disclose personal data and to provide such data in accordance with legislative acts. It should be noted that the above proposals were reflected in the Decree of the President of the Republic of Uzbekistan No. PF-100 dated July 10, 2024 "On additional measures to strengthen financial control over the use of budget funds" based on the mechanism presented below.

Ўзбекистон Республикаси Президентининг  
2024 йил 10 июлдаги ПФ-100-сон  
Фармониغا

4-ИЛОВА

**Ўзбекистон Республикаси Ҳисоб палатаси томонидан «Масофавий аудит» ахборот тизими орқали тақдим  
этилган хавф (риск) таҳлилларни бошқариш**

СХЕМАСИ			
Босқичлар	Субъектлар	Тадбирлар	Муддатлар
1-босқич	Ҳисоб палатаси	Аниқланган риск-таҳлилларни «Масофавий аудит» ахборот тизими орқали тегишлича вазирлик ва идораларга юбориш	Уч кун муддатда
2-босқич	Вазирлик ва идоралар	«Масофавий аудит» ахборот тизими орқали юборилган риск-таҳлилларни қабул қилиб олиш ва ўрганиш юзасидан ижрога қаратиш	Уч кун муддатда
3-босқич	Вазирлик ва идоралар	Риск-таҳлилларни ўрганиш натижалари юзасидан «Масофавий аудит» ахборот тизимига ва ўрганиш якунлари тўғрисида маълумотларни «Давлат аудити» дастурий комплексига юклаш ва Ҳисоб палатасига юбориш	Ўн кун муддатда
4-босқич	Ҳисоб палатаси	Вазирлик ва идоралар томонидан юборилган риск-таҳлиллар бўйича ўрганиш натижаларини кўриб чиқиш (қабул қилиш ёки қайта ишлашга юбориш)	Бир ҳафта муддатда
5-босқич	Вазирлик ва идораларнинг «Хавфларни бошқариш» қўмиталари	Риск-таҳлиллар юзасидан ички аудит хизматлари томонидан амалга оширилган ишларни қўмиталар йиғилишларида муҳокама қилиш ва Ҳисоб палатасига ахборот бериш	Ҳар чоракда

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