



(RESEARCH ARTICLE)



Improving the procedure for compiling and submitting reports on the public sector of Uzbekistan

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Abstract

This study focuses on aligning financial management in Uzbekistan's public sector with International Public Sector Accounting Standards (IPSAS) to enhance transparency, accountability, and efficiency. Emphasis is placed on the scientific basis for implementing IPSAS, ensuring openness in financial processes, and leveraging modern technologies to automate financial reporting. Improved compliance with international standards, resource optimization, and economic stability are key objectives. The research examines technical and organizational challenges in IPSAS implementation and explores best practices from foreign countries for application in Uzbekistan.

Keywords: Automated Systems; Public Sector; Financial Reporting; Efficiency; IPSAS

1. Introduction

Enhancing public sector financial management and aligning it with international standards has become increasingly important in today's globalized economy. Given the significant role of the public sector in Uzbekistan's economy, the efficiency of financial management is a key factor in ensuring economic stability. In this context, efforts are underway to develop concepts for further improving the internal control systems in the public sector, focusing on the rational and effective use of state budget funds [1].

The alignment of financial statements with International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) offers numerous advantages. It enhances public administration efficiency, ensures transparency, and fosters reliable relationships with international financial organizations. By adopting these standards in public sector organizations, Uzbekistan can achieve greater accuracy and transparency in financial management, provide reliable and internationally accepted reports, and promote the openness of public sector financial activities.

Adapting public sector financial management to international standards and learning from foreign experiences is an urgent priority for Uzbekistan's economy. This adaptation process requires understanding the scientific foundations and advantages of applying IPSAS to public sector organizations. Moreover, identifying and addressing the challenges faced during this transition is crucial for achieving the intended results. Overcoming these difficulties will facilitate the alignment of public sector financial management with international standards, automate financial processes, enhance international cooperation, and increase the overall efficiency of financial management in the public sector.

The compilation and improvement of state budget financial reports are central to public sector management. The relevance, content, and compliance of these reports with international standards are becoming globally significant issues. High-quality financial reporting in the state budget not only supports better public administration but also

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ensures the reliability of financial information and fulfills all necessary requirements for its accuracy. By adopting IPSAS, public sector organizations can provide transparent, comprehensive, and trustworthy information about their activities.

Public sector accounting aims to accurately and transparently reflect financial information related to state activities. To this end, international financial reporting standards, particularly IPSAS, have been designed specifically for public sector organizations. These standards enable governments and state entities to produce financial reports that meet international benchmarks, ensuring transparency and accountability. For Uzbekistan, there is an increasing need to implement IPSAS-based financial reporting to improve the reliability and transparency of state organizations' financial data.

The adoption of IPSAS is widely recognized as a critical component of public financial management reforms. It enhances the effectiveness of state organizations by introducing a unified reporting and control system, ensuring compliance with global standards. IPSAS fosters transparency and efficiency in budget organizations and the public sector, providing a strong foundation for the successful implementation of financial reforms. Key benefits include:

- **Improved Transparency:** IPSAS enhances the clarity and reliability of financial reports, ensuring that stakeholders can trust the information provided by public sector organizations.
- **Alignment Across Entities:** The standards enable consistency in reporting across governments and non-governmental organizations, facilitating better coordination and benchmarking.
- **Evaluation of Financial Position:** IPSAS provides a solid basis for assessing the financial position and performance of public sector entities, aiding resource allocation and policy decisions.

The transition to IPSAS is a transformative step for Uzbekistan's public sector, contributing to better financial management, greater accountability, and increased global cooperation. By adopting these standards, the country can strengthen its economic stability, optimize the use of state resources, and align its financial reporting practices with international norms. The successful implementation of IPSAS will not only enhance transparency but also build a robust foundation for sustainable public sector reforms.

2. Literature review

Numerous research works, scientific studies, brochures, and articles authored by foreign and domestic economists have addressed the improvement of financial reporting in Uzbekistan's public sector. These studies highlight the critical role of financial reporting in enhancing the transparency, accountability, and efficiency of public administration.

Prominent Russian scholars, including V.V. Kupina and M.V. Manichkina, in their work, emphasize that improving the quality of financial reports within the state budget significantly contributes to the efficiency of public administration. They argue that enhancing financial reporting involves ensuring the accuracy and reliability of financial data, which are essential prerequisites for public trust. Furthermore, aligning financial reports with international standards not only elevates the quality of public sector information but also facilitates global comparability for state organizations, enabling them to benchmark their performance internationally [2].

Another notable Russian researcher highlights that adapting financial reports in the public sector to international standards is an essential factor in enhancing the transparency of public organizations, improving the reliability of financial data, and fostering better management of state entities. The study concludes that international alignment of financial reporting enables effective organizational management, attracts investments, and improves the quality of public services, which is corroborated by global practices [3].

Local scholars have also contributed significantly to the discourse. S.U. Mekhmonov, for example, underscores the importance of auditing as a means of ensuring transparency and accuracy in financial reporting. He notes that an audit should begin with a thorough review of the organization's ownership structure, management, and financial documentation. Mekhmonov further highlights that the effectiveness of an auditor's opinion in assessing an organization's accounting and internal control systems depends on three critical factors: the accuracy of accounting records, the reliability of the internal control system, and the precision of audit actions. This comprehensive approach ensures a robust evaluation of financial practices within public organizations [4].

A.A. Ostonokulov, another respected local economist, delves into the specific characteristics of budget reporting in Uzbekistan's public sector. He explains that these unique features are intricately linked to the principles of state budget formation and execution, as well as the operation of state target funds. Ostonokulov emphasizes the significance of

fundamental accounting principles, such as continuity, reliability, and comparability, as outlined in Uzbekistan's Law "On Accounting." These principles form the backbone of effective financial reporting, ensuring consistency and trustworthiness in the public sector's financial disclosures [5].

3. Materials and methods

This study employed a comprehensive methodological approach to examine the scientific and practical aspects of improving financial reporting within the state budget. The research design integrates descriptive and empirical approaches alongside qualitative and quantitative methods of analysis, enabling a multifaceted exploration of the current state of financial reporting and its adaptation to international financial reporting standards (IFRS and IPSAS).

Quantitative and qualitative methods were applied in tandem to ensure a robust analysis of the research problem. Quantitative methods focused on examining the dynamics of financial indicators in the state budget, analyzing their trends and the impact of transitioning to international standards. Statistical tools were employed to evaluate the financial performance of public sector organizations and identify key changes over time. This quantitative assessment provided a clear picture of the financial outcomes and highlighted areas requiring further attention.

Qualitative analysis, on the other hand, concentrated on evaluating the measures undertaken to improve financial reporting in the public sector, addressing associated challenges, and assessing the effectiveness of these reforms. It played a critical role in examining the qualitative dimensions of compliance with international standards, analyzing the impact of implemented reforms, and identifying practical implications. This method facilitated an in-depth understanding of the successes and shortcomings of the measures, offering actionable insights for further improvement.

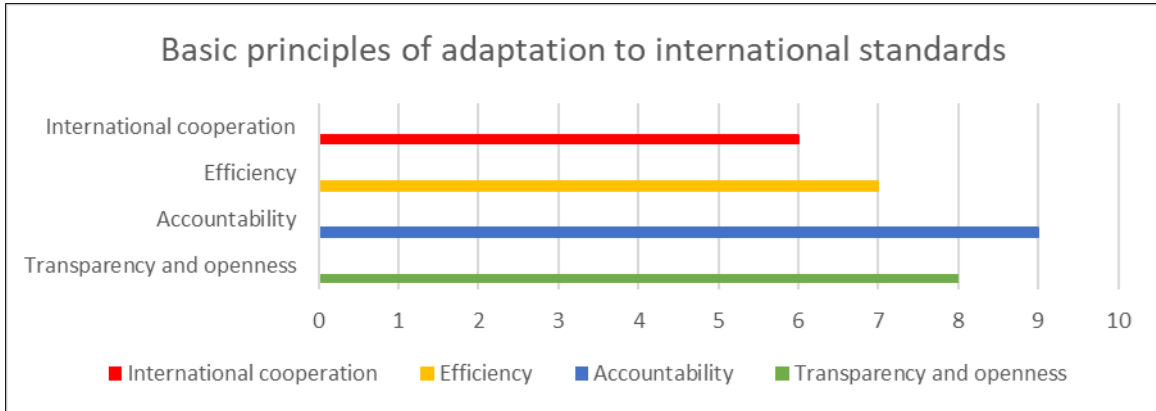
The combination of these methods ensured a balanced approach, allowing the study to draw both empirical and theoretical conclusions. Quantitative analysis provided measurable evidence of progress, while qualitative analysis offered a nuanced perspective on the effectiveness of reforms and their alignment with international financial reporting requirements. Together, these methods contributed to a comprehensive evaluation of the current state of financial reporting in Uzbekistan's public sector and proposed pathways for its enhancement.

4. Result

In the process of adapting financial reports to international financial reporting standards, there are several main principles aimed at improving the quality of reports and forming a transparent financial management system that meets international requirements.

- **Transparency and openness** are one of the most important principles in the adaptation of financial statements to international standards. Transparency ensures that the state's financial activities are understandable and open to the general public. All information presented in financial statements should be clear, understandable and complete so that the public, investors and other interested parties can easily understand and evaluate this information. The principle of transparency serves to increase the level of transparency in public administration by providing reliable and complete financial information for the public sector. This ensures transparency of information on the distribution of public resources and helps prevent wrong decisions in financial management.
- **The principle of accountability** provides responsibility for the financial activities of public sector organizations. State organizations must provide a full report on their financial activities. According to international financial reporting standards, reporting organizations need to provide accurate information about how they use financial resources, how they allocate resources and how efficiently they are spent. Through the principle of accountability, the financial activities of state organizations are controlled and they are required to use resources wisely. This, in turn, strengthens the trust between the state and the public and makes the management of financial resources in the public sector effective.
- **The principle of efficiency** is aimed at ensuring the effective use of state financial resources. Financial reports prepared in accordance with international standards help public sector organizations to ensure optimal allocation of financial resources and rational decision-making related to them. The principle of efficiency implies maximum benefit from financial resources in the economic activity of public sector organizations. As a result of increased efficiency, state organizations can use financial resources wisely and achieve a balance between revenues and expenses in the state budget. This makes the state financial management system stable and effective.

- **The principle of international cooperation** envisages the strengthening of international financial cooperation for public sector organizations. By preparing financial reports in accordance with international standards, it is easier to compare and understand financial information between countries. This will expand the opportunities of public sector organizations to cooperate with international financial institutions. It is possible to attract state financial resources and strengthen mutual trust with international financial organizations through international cooperation. In this way, public financial management becomes a transparent and efficient system that meets international requirements. The following diagram shows the importance of the main principles and their importance in the process of adaptation to international financial reporting standards:



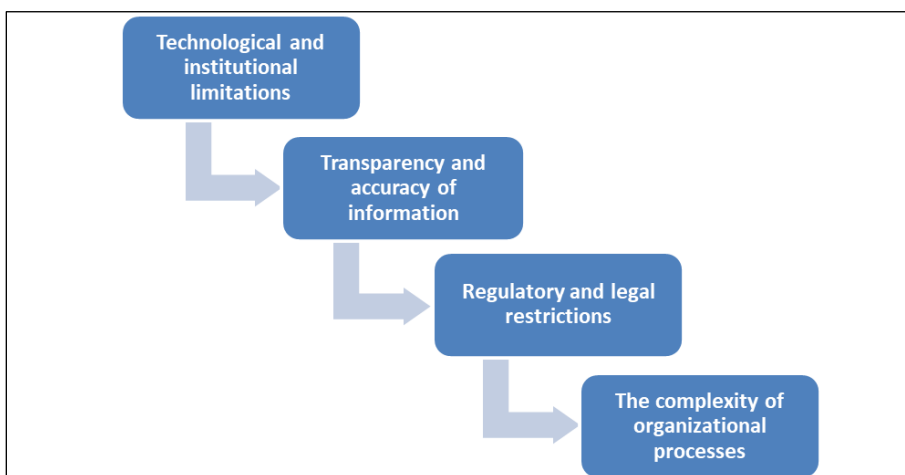
*Prepared by the author

Figure 1 Basic principles of adaptation to international standards

- Transparency and openness: 8/10 important.
- Accountability: 9/10 important.
- Effectiveness: 7/10 important.
- International cooperation: 6/10 important.

For each of these principles, their importance was visually represented with the help of a diagram. The graph shows that the principles of transparency and accountability are the most important in this process.

In the process of adapting financial statements to international standards, public sector organizations face several problems.



*Prepared by the author

Figure 2 Problems in the process of adapting financial statements to international standards

Technological limitations are one of the biggest obstacles in the process of adapting financial statements to international standards. The level of use of information technology in public sector organizations is insufficient.

Underdeveloped digital infrastructure creates technical difficulties in preparing financial statements. Modern information systems and IT technologies are necessary to prepare a report in accordance with international standards.

Technological limitations cause the following problems:

- Failure to provide accurate and timely financial information.
- Lack of automation of financial processes and thus the quality of reports decreases.
- Occurrence of errors in resource allocation due to lack of modernization of information systems.

The following table shows the impact of technological limitations on the financial statements:

Table 1 The impact of technological limitations on financial statements.

Type of technological limitation	Effect
Underdevelopment of IT infrastructure	Errors and misrepresentations in financial processes
Low level of automation of financial reports	Complexity and loss of time in the formation of reports
Lack of information technology	Reduces the quality and accuracy of reports

Transparency and accuracy of information is one of the main requirements for ensuring compliance with international financial reporting standards. In public sector organizations, the low level of transparency, sometimes missing or incomplete information causes problems. This has a negative impact on the quality of financial reports and their reliability.

A low level of transparency and accuracy leads to the following problems:

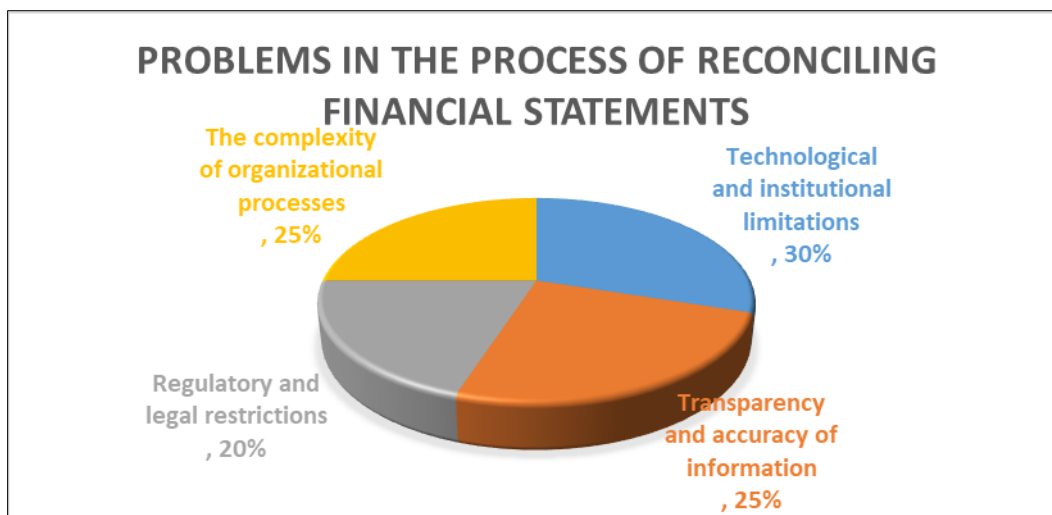
- The reliability of financial statements decreases, which reduces the efficiency of financial management.
- There are restrictions on providing financial information to the public, which affects the trust between the state and the public.

The table below shows the consequences of low data transparency and accuracy:

Table 2 Consequences of low levels of data transparency and accuracy.

Type of problem	Consequences
Non-disclosure of information	It reduces the reliability of financial management
Misrepresentation of information	Misuse of resources and wrong decisions

The chart below illustrates these challenges graphically, with technological limitations and low levels of data transparency as the main challenges. This diagram makes it easier to identify problems and understand their importance.



*Prepared by the author

Figure 3 Problems in the process of reconciling financial statements

In order to eliminate these problems, it is necessary to strengthen the use of information technologies in public sector organizations, strengthen the regulatory framework, and simplify the financial management system.

Foreign experience in the implementation of international financial reporting standards is important for Uzbekistan and other countries. For example, public sector organizations of Kazakhstan successfully implemented the process of transition to international standards, thereby increasing the transparency and efficiency of financial management. In Russia's experience, the possibilities of effective use of state resources have been expanded through compliance of state and municipal sector reports with international standards.

Table 3 Key changes in the process of adapting to international standards in public sector organizations in Uzbekistan, Russia, and Kazakhstan.

Country	Level of customization	Main changes	Results
Uzbekistan	At the initial level	Training of qualified personnel	It is required to improve the quality of financial reports
Kazakhstan	At a high level	Technological updates	Transparency and efficiency of financial management have increased
Russia	At a high level	Automation of the reporting system	Increased efficiency of resource allocation

* Prepared based on research conducted by the author.

Alignment of financial statements with international standards brings several expected results for public sector organizations. These results include:

- Increasing transparency in public administration - preparation of financial reports in accordance with international requirements ensures transparent distribution of state resources and provides the public with clear information about it;
- Effective use of financial resources - reports prepared in accordance with international standards make it possible for public sector organizations to make financial management processes more efficient, thereby ensuring the optimal distribution of financial resources;
- Development of international financial cooperation - compliance of state sector reports with international standards strengthens cooperation between the state and international financial institutions and expands opportunities for attracting financial resources.

Foreign countries apply specific practices in preparing financial reports in accordance with international standards. They follow international financial reporting standards (IFRS or IPSAS) to ensure efficiency and transparency in financial management.

European Union countries (IPSAS - international public sector accounting standards). European Union countries use IPSAS (International Public Sector Accounting Standards) for public sector organizations. IPSAS sets international standards for public sector financial reporting and ensures transparency and reliability of financial information. These standards provide an opportunity to strengthen international financial cooperation and effective use of state financial resources.

For example, Germany has widely implemented IPSAS standards in the preparation of financial statements. In Germany, reports prepared by public organizations are made available to the general public, and through this, a clear picture of public financial management can be formed. Applying this approach to Uzbekistan can help in the formation of a transparent and efficient financial management system for the public sector.

Table 4 Model financial statements prepared based on IPSAS principles.

Part of the report	Description	IPSAS requirements
Financial performance reports	Shows income, expenses and the resulting surplus or deficit during the reporting period	Revenues and expenses should be recognized on an accrual basis to accurately reflect financial results
Financial Statements	Provides information on assets, liabilities and net assets/equity during the reporting period	Assets and liabilities are accounted for on the accrual basis based on the present value during the reporting period
Cash flow statements	Provides information on cash flows from operations, investment and financing activities	Cash flows are divided into types of activities and are recognized directly or indirectly
Statements of net assets / changes in equity	Shows changes in net assets or equity, including surpluses/deficits and other adjustments	Changes in net assets/balance including surplus/deficit, revaluation should be detailed

* Prepared based on research conducted by the author.

This table reflects the structure of financial statements prepared by public sector organizations based on IPSAS principles and the information required in them. IPSAS accounting standards are aimed at increasing the reliability of financial information and providing complete financial information to the public.

5. Discussion

During the research, the importance of introducing international financial reporting standards (IPSAS) for the public sector of Uzbekistan was determined. As a scientific approach, financial reports based on international standards allow to increase the transparency of public financial management, comparability and cooperation with international organizations. This is important in increasing the efficiency of the use of state resources.

These innovations allow to improve the process of financial management in public sector organizations. By implementing international financial reporting standards, the effectiveness of public administration and accountability to the public will increase.

During the research, the financial reporting practices of developed countries such as Germany, Russia and Kazakhstan were analyzed in depth. The financial management system of these countries enhances transparency, accuracy and accountability for the public sector. The results of the research revealed the possibilities of applying foreign experiences by aligning financial statements with international standards by public sector organizations in Uzbekistan. Through this, it will be possible to increase the efficiency of state financial management and create a reliable environment for attracting international investments.

This approach brings practical results by improving the qualifications of personnel in public administration and mastering international financial management methods. Preparation of financial reports in accordance with

international requirements serves to establish reliable relations with international credit agencies and financial organizations.

During the research, issues of automation of financial processes and application of modern technologies in public sector organizations were analyzed. Preparation of financial reports through automated information systems allows accurate and timely data collection. These systems effectively control, process and analyze financial data. This practical innovation will cause great changes in increasing the efficiency of financial management in public sector organizations.

Digitization reduces the number of errors in financial management, as a result of which public funds are effectively managed and public resources are saved. The results obtained through automated systems increase the transparency of the financial activities of the public sector and ensure the accuracy of reports.

6. Conclusion

- It is necessary to introduce international financial reporting standards (IPSAS) in public sector organizations of Uzbekistan. By introducing these standards, the state financial reports will be able to be accurate, transparent and comparable in accordance with international requirements. Implementation of international financial reporting standards ensures complete and reliable information for the public. For this purpose, it is appropriate to implement international standards on a legal basis in order to prepare financial statements in accordance with international standards in public sector organizations, and to widely introduce public sector accounting standards (IPSAS) based on established principles to improve financial management.
- It is important to use automated information systems in the preparation of financial reports. By automating financial processes in public sector organizations, reports are prepared quickly, accurately and efficiently. This makes it possible to increase the efficiency of public administration and rational use of resources. For this, it is recommended to widely introduce modern information technologies to automate financial processes in public sector organizations and to use modern software in the process of preparing financial reports based on information technologies.
- Providing information to the general public about the activities of public sector organizations through financial reports ensures transparency in public administration. During the research, it was found that the transparency and relevance of financial information for the public increases trust in public administration. This is an important factor in increasing public confidence in government. It is proposed to strictly monitor the processes to ensure the relevance and timely presentation of information in the preparation of financial reports, and to use information resources and open platforms to make the reports available to the general public, thereby increasing public participation.
- Through the implementation of international financial standards, public sector financial reports are prepared in accordance with international requirements, creating a reliable environment for foreign financial organizations and investors. This is important for the public sector of Uzbekistan in attracting foreign investments and developing international cooperation. In order to strengthen cooperation with international financial organizations and attract investments, it is possible to introduce the preparation and presentation of reports in accordance with international standards, as well as to develop reliable cooperation with international credit organizations and establish mutually beneficial relations in the processes of public sector financial management.

The recommendations based on the results of the research are aimed at adapting the financial management of the public sector of Uzbekistan to international standards, automating it and strengthening public trust. These proposals serve to make the public administration system efficient and transparent, to develop cooperation with international financial organizations, and to expand opportunities for rational use of public resources.

Compliance with ethical standards

Disclosure of conflict of interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential of interest.

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