

**ORGANISING ACCOUNTING AND FINANCIAL REPORTING IN THE PUBLIC
SECTOR: CHALLENGES AND OPPORTUNITIES FOR REFORM.**

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Abstract

This paper examines the organisation of accounting and financial reporting in the public sector, with a particular focus on the challenges and reform opportunities facing transitional economies such as Uzbekistan. The study aims to identify how government entities can enhance transparency, accountability, and efficiency in the management of public resources through improved accounting and reporting practices.

1. INTRODUCTION

Budget accounting is a regulated system of collecting, recording and summarizing information on the state of assets and liabilities expressed in money, as well as operations that change these assets and liabilities, taken into account in the implementation of budgets of the budget system. That is, budget accounting is the accounting of the implementation of the state budget. [1].

The public sector plays a central role in delivering services, allocating resources and ensuring accountability to citizens. In this context, the design and implementation of effective accounting and financial reporting systems in government organisations is crucial. Public sector accounting is not solely about recording transactions: it is about providing reliable, timely and comparable information to support decision-making, enhance transparency, and foster stewardship of public resources.

In many countries, reforms in governmental accounting seek to shift from cash-based reporting to accrual or modified accrual accounting, adopt international standards tailored for the public sector (such as the International Public Sector Accounting Standards (IPSAS)), and leverage digital information systems. For example, the IPSAS Board publishes a comprehensive handbook of standards which serves as a benchmark for such reforms.

In the case of Uzbekistan, the government has expressed interest in aligning public financial management and reporting systems with international best-practice, including the adoption of accrual concepts and modernised chart of accounts. Within this broader reform agenda, this paper examines how accounting and reporting in the public sector can be organised more effectively, identifies key challenges and proposes strategic directions for improvement.

The research questions addressed in this study include:

1. What are the current frameworks and practices for accounting and reporting in the public sector?
2. What are the main benefits and obstacles in implementing reforms (especially IPSAS-based) in government organisations?
3. What recommendations can be made to improve the organisation and quality of accounting and reporting in the public sector?

2. Methods

This study employs a qualitative literature review methodology combined with a comparative analysis of reform experiences drawn from selected countries, as well as the context of Uzbekistan. The literature review draws on peer-reviewed articles, policy papers and standard-setting documents on public sector accounting, especially focusing on IPSAS adoption and the move from cash to accrual basis. Key sources include Scannell & Tawiah (2024) who undertake a thematic review of IPSAS literature.

Moreover, country-level reform roadmaps and implementation studies (for example for Uzbekistan) are examined to provide context-specific insight. One such source is the “IPSAS Implementation Road Map – Uzbekistan” document.

Comparative analysis examines obstacles such as human capacity, IT infrastructure, legislative alignment, and institutional readiness, as highlighted in studies of Algeria, Jordan, Nigeria and other jurisdictions.

Although this is not an empirical field survey of accounting practitioners in Uzbekistan, the synthesis of literature and comparative insights allows the derivation of recommendations pertinent to organising accounting and reporting in government entities..

3. Results

3.1 Current frameworks and standards

Globally, IPSAS represent a key benchmark for public sector entities seeking to enhance their financial reporting quality. The IPSAS are developed by the International Public Sector Accounting Standards Board (IPSASB) and are designed to improve the quality of general-purpose financial reporting by public sector entities, thereby improving resource allocation decisions, transparency and accountability.

For many governments, the move involves: transitioning from a cash-basis accounting system (recognising transactions when cash is received or paid) to an accrual or modified accrual basis (recognising transactions when economic events occur) adopting a uniform chart of accounts and integrated information systems preparing annual financial statements (balance sheet, statement of financial performance, cash flows, changes in net assets) enhancing disclosures and applying harmonised standards for public sector reporting

3.2 Benefits of reform

Literature shows that adoption of IPSAS and accrual accounting in the public sector is associated with benefits, including improved comparability of financial statements, better information for decision-making, stronger accountability, and sometimes increased access to external financing. For instance, Tawiah (2024) finds that IPSAS adoption is significantly associated. Another study indicates that IPSAS adoption can support enhanced transparency and trust in public sector reporting (in Jordan, for example).

3.3 Obstacles and implementation challenges

Despite benefits, many countries face significant obstacles. Scannell & Tawiah (2024) emphasise that a “uniform application may not be feasible at this stage of the diffusion process given the inherent limitations in developing countries.”

Key challenges include:

- Limited technical capacity and lack of trained accounting workforce adapted to accrual and IPSAS standards.

- Weak or incomplete legislative and regulatory frameworks to support accrual accounting and IPSAS adoption.
- Inadequate IT and data collection systems to support integrated accounting and reporting across government layers.
- Resistance to change — organisational culture, legacy systems, cost concerns.
- Transition costs and resource constraints, especially in lower-income countries.

3.4 Implications for organising accounting and reporting

For government entities seeking to organise their accounting and reporting function effectively, the following themes emerge:

- Establishing a clear governance framework: defining roles/responsibilities of ministries of finance, treasuries, internal audit, line ministries, accounting units.
- Developing a standardised accounting chart, policies, and procedures consistent with accrual accounting and appropriate standards.
- Integrating information systems: using an enterprise-wide financial management information system that covers budget execution, accounting, asset/liability registers, consolidations.
- Training and capacity building: continuous professional development for accounting staff, internal auditors and managers.
- Phased implementation: moving gradually from cash to accrual basis, piloting reforms, adjusting lessons. The Uzbekistan roadmap suggests a phased approach based on adapted national standards derived from IPSAS.
- Ensuring audit and external oversight: independent external audit of government accounts, publication of consolidated financial statements, making reports available publicly to support accountability.

4. Discussion

This study highlights that organising accounting and reporting in the public sector is a complex but critical endeavour. The conceptual underpinnings of public sector accounting emphasise accountability, transparency, and stewardship rather than profit maximisation (as in private sector).

One central question is the pace and sequencing of reform. Developing countries like Uzbekistan may face particular constraints: legacy systems, limited human resources, organisational inertia and competing priorities. The literature suggests that while full adoption of accrual-based IPSAS may be a long-term goal, countries should tailor their reform pathways. For example, using a modified accrual basis as an intermediate step may help build capacity while preserving comparability and transparency.

Another point concerns the role of information technology and data integration. Even when standards are well conceived, without reliable data systems the accounting information will not meet the desired quality attributes (relevance, reliability, comparability). Thus, investments in IT, data governance and reporting systems must accompany the reform of standards and policies.

With respect to Uzbekistan, the existence of an IPSAS implementation roadmap is a positive sign. However, the success of such reforms will depend on sustained leadership, cross-entity coordination, and building the domestic accounting profession's competence in public sector contexts. The roadmap approach emphasises adaptation of national standards, not simply copying IPSAS in full from the outset, which aligns with best-practice advice for transitional economies.

Finally, one should consider that reform of public sector accounting and reporting contributes not only to internal management but also to external perceptions: improved reporting may foster greater trust, help international comparisons, and support access to international financing or donor programmes. The study by Tawiah (2024) linking IPSAS adoption to external financing underscores this dimension.

5. CONCLUSION

In conclusion, organising accounting and financial reporting in the public sector is more than a technical exercise: it is a strategic reform aligning fiscal management, transparency and good governance. For governments seeking to modernise their systems (including Uzbekistan), the following recommendations are offered:

- Adopt a staged reform approach: move from cash to modified accrual, then full accrual over time, based on institutional capacity.
- Align national accounting frameworks with international standards (such as IPSAS) but adapt them to domestic context and capacity.
- Invest in integrated financial management information systems and data governance.
- Strengthen capacity of accounting staff, internal auditors and managers via training and professional development.
- Ensure external audit and public disclosure of government financial statements to enhance accountability and public trust.
- Maintain strong institutional leadership and clear governance arrangements to drive the reform process.

By implementing these steps, government entities can improve the quality of their accounting and reporting, thereby strengthening financial management, increasing transparency, and supporting sustainable public finance.

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