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IMPROVING THE FINANCIAL REPORTING OF BUDGETARY ORGANIZATIONS OF AZERBAIJAN

The issues of improving accounting and financial reporting in budget organizations of Azerbaijan are considered. Particular attention is paid to the automation of electronic financial reporting of an enterprise and its presentation to higher-level organizations online, as well as the organization of electronic financial control by treasury bodies, including electronic document circulation between budget organizations and the treasury body.

Keywords: budget organization, software, electronic accounting, electronic financial reporting, electronic financial control, accounting standards, online mode, information quality.

Оруджев В. Совершенствование финансовой отчетности бюджетных организаций Азербайджана. Рассмотрены вопросы совершенствования бухгалтерского учета и финансовой отчетности в бюджетных организациях Азербайджана. Акцентировано внимание на вопросах автоматизации процесса формирования электронной финансовой отчетности предприятиями, ее дальнейшего прохождения в вышестоящих организациях в онлайн-режиме, а также организации электронного финансового контроля казначейскими органами, включая электронный документооборот между бюджетными организациями и казначейским органом.

Ключевые слова: бюджетная организация, программное обеспечение, электронный бухгалтерский учет, электронная финансовая отчетность, электронный финансовый контроль, стандарты бухгалтерского учета, онлайн-режим, качество информации.

Background. The current level of economic development in our country requires the improvement of accounting and financial reporting, which is one of the most important means of its management, at an appropriate level of development. In modern conditions, the process of improving accounting and financial reporting in accordance with the high level of civilized economic development continues in two adjacent aspects. One of these aspects is the wide and comprehensive use of modern computer technologies in the field of accounting and financial reporting in all areas of the economy, and other one is their improvement in accordance with the

requirements of international standards, more adaptive to the characteristics of a market economy. These two aspects of the development of accounting and financial reporting are also typical for budget organizations. The formation of an electronic system of accounting in budget organizations and, as a result, the widespread use of all attributes of electronic financial reporting, as well as the formation of electronic financial control based on them, is one of the pressing problems facing the development of accounting and financial reporting in this sector of the economy.

Analysis of recent research and publications. Various issues of improving accounting and financial reporting in budget institutions, as well as the organization of budget treasury control, have been investigated by many well-known economists, among them S. G. Borisova, L. V. Gusarova, T. Yu. Drujilovskaya, E. Drujilovskaya, G. Y. Kasyanova, T. S. Maslova, I. N. Tokarev and others [1–8]. In our country, the problems of improving accounting, financial reporting and treasury control have been studied by a number of economists, such as T. A. Abbasov, B. X. Atasov, B. A. Khan-kishiyev, Sh. H. Aliyev, S. M. Sabzaliyev, V. M. Quliyev, A. F. Mammadova, V. M. Mehdiyev [9–14]. However, the application of the electronic information system in this area has not been sufficiently investigated.

The **aim** of the article is to replenish the existing emptiness in this area and to investigate some issues of using electronic information developments in improving the current state of accounting, financial reporting and treasury control of budget organizations.

Materials and methods. In the course of the research, systematic approach, analysis and synthesis methods, as well as other methods of modern scientific research were used. The research database is composed of National Accounting Standards, International Financial Reporting Standards, Decisions and Guidelines issued by the Ministry of Finance, Electronic Financial Reporting Portal, and computerized accounting software for budget organizations.

Results. The organization of transparent financial control over the economic and financial activities of budget organizations is more important than in other organizations and institutions that are accounting entities, recalled in Article 1, the Law of the Republic of Azerbaijan «On Accounting» [15; p. 3]. Since the funds spent in budget organizations are budget funds of the state and part of the national wealth of the country. In the transparent financial control the important role is played by the information generated in the process of accounting and reflected in the forms of financial reporting. Without such information, it is impossible to organize transparent financial control over the economic and financial activities of the organization.

In budget organizations, accounting and financial reporting are significantly different from commercial organizations, which is due to the fact that transparent financial control is more important here. Here the

accounting reporting is divided into two groups, the first group is financial reporting, and the second one is management reporting. It is considered important for the management of the organization, as well as for more effective formulation of the transparent financial control over budget expenditures.

Studies show that the regulatory framework of accounting in budget organizations is significantly different from commercial organizations. Thus, the legal and legislative bases of accounting in commercial organizations are limited by the Law of the Republic of Azerbaijan «On Accounting» and the relevant accounting standards established by the requirements of this Law, and in addition to these, in the budget organizations, the Law of the Republic of Azerbaijan «On Budget System», adopted annual laws on the state budget and other regulatory legal acts relating to the management of budget systems [16; p. 5]. As a result of such a statement of the issue, the scope and information capacity of financial statements (financial and management together) in budget organizations is wider than in commercial organizations.

Accounting reporting in budget organizations is divided into two groups: financial reporting and management reporting. The rules of both reporting groups are primarily regulated by the requirements of the Law of the Azerbaijan Republic «On Accounting», and at a later stage, accounting and financial reporting are regulated by national accounting standards for budget organizations, and accounting and management reporting is regulated by the Law on Budget System, the Laws of Azerbaijan Republic on the annual state budget and other relevant regulatory legal acts relating to the budget system.

Accounting, financial and management reporting, as well as treasury, together with treasury accounting in budget organizations in the modern era, are integral parts of transparency and form a unified information system necessary to establish a transparent system of financial control over the financial and economic activities of organizations organized by the government. In our country there is an electronic system of financial reporting, both for budgetary organizations and for commercial enterprises. Along with these, different computer software for accounting is used. In the budget organizations of Azerbaijan, for this purpose, a computer software package called «Gunesh» is used (the word «Gunesh» means the Sun in Azerbaijan language). However, there is no electronic exchange of information between the online electronic financial reporting system and the electronic computer accounting system. As a result of the conducted research it was found out that software for computer accounting will ensure the creation of an electronic accounting system in the organization, the automation of the processing of accounting information and as a result, compilation of forms of financial and management accounts of the organization in electronic mode, but along with these does not have the

function of including to the electronic system of financial reporting existing on the official website of the Ministry of Finance of the Republic of Azerbaijan. It should be noted that in the future it is advisable to combine this system of electronic financial reporting into a single electronic government portal operating in the country. Since this issue is the subject of another study, it is not advisable to comment it here. It would be better if the computer programs on electronic were accounting used in enterprises and organizations, as well as the electronic financial reporting system existing on the website of the Ministry of Finance mutually improved so that it was possible to make a direct electronic transfer of the compiled forms of financial and management reports of enterprises and organizations in the portal of the electronic reporting system of the Ministry of Finance. This formulation of the question contributes to the improvement of the information message of the financial statements and the forms of management reports prepared in the computer accounting software of the enterprise and the organization. This will also serve as a basis for improving the information links existing between accounting and financial management reports. There are more favorable conditions for budgetary organizations, which, unlike commercial organizations, can include in this electronic system not only financial reports, but also forms of their management reporting. It is advisable to carry out certain improvements in the electronic financial reporting system that exists both on computer accounting software and on the official website of the Ministry of Finance of the Republic of Azerbaijan [17].

The study of the current state of electronic accounting and electronic financial reporting in budget organizations shows that the modern system of fiscal control based on computer technology of accounting information should ensure the formation of the necessary information for all existing processes, starting with the development of estimates of budget expenditures for all enterprises, institutions and organizations financed from the state budget prior to their execution at the places of destination, including their reports on performance, delivered to relevant organizations in an electronic format, suitable for use and coordinated with their joint supervision and in consequence of these, provided the necessary information for the execution of the state budget.

It is well known that the financial statements compiled at enterprises and organizations and designed to manage the economy are a form of presentation of information that was obtained from the accounting processes. Accounting is a kind of information system that focuses on multifaceted goals, serving many purposes. One of these goals is financial reporting.

The optimal formulation of electronic financial reporting in the organization is possible if the electronic accounting is used. At the same time, the option of «accepting the opposite» is also inevitable here. The research notes the existence of an electronic financial reporting system,

which currently operates on-line. However, the question is not yet revealed whether this system was or was not established on the basis of electronic accounting.

In our opinion, it is possible to clarify the situation in the electronic financial report, electronic accounting and electronic financial control system, having studied this issue and answering several questions that may arise here. To do this, it is necessary to formulate questions that may arise in the context of this situation, and consider all possible answers.

Let's assume that the organization regularly presents forms of electronic financial reporting in the online mode. The parent organization is satisfied with the timely submission of reports and their information quality. But in this case there may be different answers to the following question:

Question 1. Has the electronic financial reporting provided by the organization online been generated on the basis of the fully automated electronic accounting system in the organization?

Answer 1: Electronic accounting is created in the organization. All forms of financial statements are generated in full automatic mode on the basis of electronic accounting information and then presented on-line.

Answer 2: The organization does not have electronic accounting. Accounting processes use computer technologies for processing accounting information, but the forms of financial reporting are not developed automatically, but simply using the office programs «Microsoft Excel» and «Microsoft Word», and then presented online.

Answer 3: There is no electronic accounting in the organization. Accounting processes are mainly based on traditional manuscripts. In the accounting service, organizations use less computer technology. After compiling the financial statements for the manuscript, in order to meet the requirements of the higher-level organization, they are submitted online by assembling the report forms in the templates created in the Microsoft Excel file.

As can be seen from the content of the answers, there are various options for presenting financial statements of the organization in the «online» mode, and not all of them are based on electronic accounting. That is, the organization can create an electronic financial report and submit it on an «online» basis, even if the organization does not have electronic accounting.

However, one can make a realistic impression of the true essence of the question by formulating answers to the second question. The second issue relates to financial control, since the main purpose of electronic accounting in the organization and submission of the electronic financial report is to provide operational financial control over economic and financial indicators, including the implementation of the organization's cost estimates.

Question 2. Electronic financial reporting provided by the organization online, will it provide all the necessary information for electronic financial

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control over the financial and economic activities of the organization, including monitoring the implementation of the cost estimates?

Answer 1: Yes, it will.

Answer 2: No, it will not.

The first answer is that if the organization has electronic accounting and all forms of financial statements are compiled on the basis of information from the electronic accounting system, fully automated and then presented on-line. Such a variant corresponds to the conditions of the first answer to the first above-mentioned question. The other two options do not provide the information necessary for the formation of electronic financial control over the financial and economic activities of the organization, including the implementation of the cost estimate.

Thus, it follows that the modern system of budget and financial control based on computer accounting information technologies should ensure the formation of the necessary information for the execution of the state budget, in particular, the development of budget budgets for all enterprises, institutions and organizations financed from the state budget, all the processes of their execution in the destinations, as well as the preparation of reports on their implementation, their delivery to the relevant organizations in electronic format, suitable for use, and their consolidation in higher administrations, ensuring the formation of the necessary information for the execution of the state budget.

According to the current state, the existing electronic version of the electronic financial report submission online for budget organizations located on the website «www.maliyye.gov.az» of the Ministry of Finance of the Republic of Azerbaijan may partially meet the requirements for electronic financial control. In our opinion, to ensure a full information guarantee of electronic financial control, it is necessary to ensure the integrated introduction of electronic accounting in budget organizations. The electronic system of accounting is based on computer software that provides development and transfer of accounting information and other modern requirements. Such programs implemented in budget organizations will provide for the transfer from remote terminals: budget forecasts for budget organizations and their main offices financed from the state budget, as well as their subordinate organizations; their approved estimates; orders for the opening of current financing; sending cash on current financial allocations; checking by the main administration of their compliance with the approved budget plan; consolidation of the collection of incoming information and others.

Electronic accounting system is a new information processing technology that has a technical and logical basis that provides processing and provision of operational, statistical and accounting information on economic transactions occurring in the process of economic and financial activities of the enterprise and organization.

Joint application of the electronic accounting system both in budget organizations and local treasury bodies also contributes to the organization of operational financial control by the treasury body over the financial and economic activities of the budget organization. This requires the existence of a co-operative electronic accounting system between the budget organization and the local treasury. The electronic accounting system facilitates the exchange of documents and information between the local treasury body and the budget organization, while simultaneously facilitating the implementation of the processes of mutual approval of the cost performance function of the organization.

In our opinion, it is advisable to apply the accounting software package «Gunesh» in both institutions, both in budget organizations and in treasury bodies, to create an electronic accounting system in budget organizations and create an electronic system of financial control by treasury agencies.

Conclusion. Thus, as a result of the study of the current state of electronic accounting, financial reporting and financial control carried out by the treasury bodies, it was stated that there is currently no specific electronic system that has the only software required for operational financial control in budget organizations and treasury bodies. Despite considerable efforts to introduce computer accounting technology in the system of budgetary organizations, these studies did not lead to the creation of a unified system of electronic accounting and financial reporting, which as a next stage of these works has a negative impact on the formation of electronic financial control.

As a result of the research, the technology of processing accounting information in the conditions of application of the software package for accounting «Gunesh» revealed that the application of this program in budget organizations and in the treasury bodies creates the necessary conditions for the organization of an electronic accounting system. On this basis, complete automation of the development of all forms of electronic financial reporting, their submission to higher-level organizations online, and the transfer of current electronic financial documents to the local treasury body in the framework of the necessary procedures and receiving from them alternative information on responses.

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Оруджев В. Удосконалення фінансової звітності бюджетних організацій Азербайджану.

Постановка проблеми. В сучасних умовах процес поліпшення бухгалтерського обліку та фінансової звітності триває в двох суміжних площинах: широкого та всебічного використання сучасних комп'ютерних технологій в області бухгалтерського обліку та фінансової звітності в усіх галузях економіки, з одного боку, їх вдосконалення відповідно до вимог міжнародних стандартів, більш адаптованих до умов ринкової економіки, з іншого боку. Формування електронної системи бухгалтерського обліку в бюджетних організаціях і, як наслідок, широке використання всіх атрибутів електронної фінансової звітності, а також формування на їх основі електронного фінансового контролю є одним із нагальних завдань, що стоять перед розвитком бухгалтерської та фінансової звітності в цьому секторі економіки.

Мета статті – заповнити існуючі прогалини в цій області, дослідити окремі питання використання електронних інформаційних розробок для поліпшення стану бухгалтерського обліку, фінансової звітності та казначейського контролю в бюджетних організаціях.

Матеріали та методи. В ході дослідження використовувались методи системного підходу, аналізу та синтезу, а також інші методи сучасних наукових досліджень. База даних досліджень складається з Національних стандартів бухгалтерського обліку, Міжнародних стандартів фінансової звітності, рішень та

положень Міністерства фінансів Азербайджану, порталу електронних фінансових звітів та комп'ютеризованого програмного забезпечення бухгалтерського обліку для бюджетних організацій.

Результати дослідження. З'ясовано, що вдосконалення електронної системи формування та подання фінансових звітів, включаючи створення електронної системи обліку в казначейських органах, а також створення спільної інформаційної системи відповідає вимогам формування електронного фінансового контролю в органах казначейства, можливе в умовах застосування пакета програмного забезпечення для бухгалтерського обліку «Гюнеш». Його застосування повністю забезпечує організації електронної системи бухгалтерського обліку, а в подальшому в автоматичному режимі виконуються всі процеси складання форм фінансової звітності, їх генерації в інформаційну систему органів казначейства і керуючих органів на всіх ієрархічних рівнях, а також необхідні процедури щодо отримання від них зворотного зв'язку.

У результаті вивчення поточного стану електронного бухгалтерського обліку, фінансової звітності та фінансового контролю, проведеного органами казначейства, визначено, що в даний час немає жодної спеціальної електронної системи з єдиним програмним забезпеченням для здійснення оперативного фінансового контролю.

Висновки. Технологія обробки бухгалтерської інформації в умовах застосування пакета програм «Гюнеш» показала, що його паралельне використання в бюджетних організаціях та казначейських установах створює необхідні умови для організації електронної системи бухгалтерського обліку. На цій основі здійснюється повна автоматизація формування всіх форм електронної фінансової звітності, їх подання до організації вищого рівня в режимі он-лайн, передача поточних електронних фінансових документів місцевому казначейському органу в рамках необхідних процедур та отримання від них зворотного зв'язку.

Ключові слова: бюджетна організація, програмне забезпечення, електронний бухгалтерський облік, електронна фінансова звітність, електронний фінансовий контроль, стандарти бухгалтерського обліку, онлайн-режим, якість інформації.