ECONOSCITECH INTEGRATION

ISSUE 7

INTERNATIONAL SCIENTIFIC ELECTRONIC JOURNAL

TASHKENT STATE UNIVERSITY OF ECONOMICS

American University of Technology
Powered by Arizona State University®

ISSN: 3060-5075

Acceptance of articles
PUBLISHED EVERY MONTHLY

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Google Scholar
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CONTACT: +998 94 3540880 https://econoscitech-integration-journal.uz

2026

THE SCIENTIFIC-POPULAR ELECTRONIC JOURNAL **"ECONOSCITECH-INTEGRATION"** HAS BEEN REGISTERED UNDER THE NUMBER C-5669651 BY THE AGENCY FOR INFORMATION AND MASS COMMUNICATIONS (AOKA) OF THE REPUBLIC OF UZBEKISTAN, EFFECTIVE FROM OCTOBER 9, 2024.

In accordance with Resolution No. 384/6 dated April 10, 2026, issued by the Presidium of the Supreme Attestation Commission under the Ministry of Higher Education, Science and Innovation of the Republic of Uzbekistan, this journal is included in the list of recommended international scientific publications for publishing the primary research findings of doctoral dissertations in the field of Economic Sciences.

Partners: Tashkent State University of Economics / American University of Technology in Tashkent (AUT)

Electronic publication. Issue 7. 374 pages.
Approved for publication in July 2026.

Editorial Board Members:

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UOK: 657.6:658.114.45

THE THREE-STEP INTERNAL QUALITY CONTROL MODEL FOR THE PREPARATION OF FINANCIAL STATEMENTS IN JOINT-STOCK COMPANIES IN ACCORDANCE WITH IFRS AND ITS IMPLEMENTATION MECHANISMS

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Abstract

Improving the internal quality control system for IFRS-based financial reporting in joint-stock companies is examined. A conceptual three-stage internal quality control model is developed, comprehensively covering the stages of primary documentation, transformation and reclassification, and financial reporting and disclosure. The research is based on comparative analysis of the COSO framework and the Sarbanes–Oxley Act (SOX), as well as documentary analysis and expert assessment methods. For each stage, control points, responsible personnel, and a package of eight mandatory documents are substantiated. Implementation of the proposed model is expected to increase the average internal control effectiveness score from **41** to **83**, thereby improving the reliability, transparency, and quality of financial reporting.

Keywords: internal quality control, IFRS, three-stage model, transformation, primary documentation, audit committee, financial disclosure, joint-stock company.

Аннотация

Рассматриваются вопросы совершенствования системы внутреннего контроля качества финансовой отчётности, формируемой в акционерных обществах в соответствии с Международными стандартами финансовой отчётности (МСФО). Разработана концептуальная трёхэтапная модель внутреннего контроля качества, охватывающая процессы первичного документирования, трансформации и реклассификации, а также подготовки и раскрытия финансовой отчётности. Исследование основано на сравнительном анализе концепции COSO и требований Закона Сарбейнса–Оксли (SOX), документальном анализе и методе экспертных оценок. Для каждого этапа обоснованы контрольные точки, ответственные исполнители и комплект из восьми обязательных документов. Прогнозируется повышение среднего показателя эффективности внутреннего контроля **с 41 до 83**, что будет способствовать повышению достоверности, прозрачности и качества финансовой отчётности.

Ключевые слова: внутренний контроль качества, МСФО, трёхэтапная модель, трансформация, первичное документирование, аудиторский комитет, раскрытие финансовой информации, акционерное общество.

Annotatsiya

Aksiyadorlik jamiyatlarida Moliyaviy hisobotlarning xalqaro standartlari (MHXS) asosida moliyaviy hisobotlar sifatini ta’minlovchi ichki sifat nazorati tizimini takomillashtirish masalalari tadqiq etilgan. Birlamchi hujjatlashtirish, transformatsiya va qayta tasniflash, shuningdek moliyaviy hisobotni tayyorlash hamda axborotni oshkor etish bosqichlarini qamrab oluvchi uch bosqichli ichki sifat nazorati modelining konseptual arxitekturasi ishlab chiqilgan. Tadqiqot COSO konsepsiyasi va Sarbeyns–Oksli qonuni (SOX) talablari bo‘yicha qiyosiy tahlil, hujjatli tahlil hamda ekspert baholash usullariga asoslangan. Har bir bosqich uchun nazorat nuqtalari, mas’ul ijrochilar va sakkizta majburiy hujjatdan iborat hujjatlar majmuasi asoslab berilgan. Taklif etilgan modelni amaliyotga joriy etish natijasida ichki nazorat samaradorligining o‘rtacha ko‘rsatkichi **41 dan 83 gacha** oshishi prognoz qilinmoqda, bu esa moliyaviy hisobotlarning ishonchliligi, shaffofligi va sifatini yanada oshirishga xizmat qiladi.

Kalit so‘zlar: ichki sifat nazorati, MHXS, uch bosqichli model, transformatsiya, birlamchi hujjatlashtirish, auditorlik qo‘mitasi, moliyaviy axborotni oshkor etish, aksiyadorlik jamiyati.

INTRODUCTION

The quality of financial reporting primarily depends on how effectively the internal control system governing the reporting process is organized. While external audit and other supervisory mechanisms identify errors after they have occurred, a properly designed internal control system enables the prevention of such errors through control procedures implemented at every stage of financial reporting. In this regard, the internal quality control system represents the first and most important line of defense in ensuring the reliability and quality of financial reporting.

In accordance with the Resolution of the President of the Republic of Uzbekistan No. RP-4611, dated 24–February–2020, joint-stock companies are required to prepare financial statements in compliance with International Financial Reporting Standards (IFRS). This requirement has introduced new expectations for internal control systems. Internal control should ensure not only compliance with national accounting regulations but also the correctness of the transformation process from national accounting standards to IFRS, the reliability of fair value measurements, and the completeness of financial disclosures.

The results of the conducted analysis indicate that there remains significant potential for further improving internal control systems in joint-stock companies. According to the obtained findings, approximately 35 percent of joint-stock companies demonstrate a highly developed internal control system, while opportunities for enhancing the transformation process were identified in 62 percent of the examined entities. In addition, the activities of audit committees may be further strengthened in 49 percent of the organizations analyzed.

A review of current internal control practices shows that they are generally organized according to separate stages of the financial reporting process rather than as an integrated system. In many cases, control procedures primarily focus on the final financial statements, whereas the causes of reporting errors often originate during the stages of primary documentation and financial statement transformation. Therefore, there is a need for an integrated internal quality control model that comprehensively covers all stages of financial reporting, from primary documentation to the preparation and disclosure of financial statements.

The purpose of this study is to develop and substantiate the conceptual architecture of a three-stage internal quality control model that comprehensively covers the stages of primary documentation, transformation and reclassification, as well as the preparation and disclosure of financial statements in joint-stock companies in accordance with IFRS. To achieve this objective, the following research tasks are addressed: critically reviewing the international conceptual foundations of internal control (COSO, SOX, and J-SOX); developing control points, assigning responsible personnel, and defining documentation requirements for each stage of the proposed model; substantiating directions for improving the institutional role of the audit committee; developing a set of mandatory documents required for implementation; and evaluating the expected outcomes of the proposed model. The object of the research comprises joint-stock companies operating in Uzbekistan. An in-depth empirical analysis was conducted using JSC “Hududgazta’minot”, which consolidates 14 regional enterprises, as the primary case study.

LITERATURE REVIEW

The modern conceptual framework of internal control is based on the COSO (Committee of Sponsoring Organizations) framework, which presents an integrated internal control system consisting of five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring (COSO, 2013). This concept was further strengthened through the Sarbanes–Oxley Act, under which Section 404 requires the management of publicly listed companies to annually assess and certify the effectiveness of internal control over financial reporting (Sarbanes–Oxley Act, 2002). In Japan, this approach has been adapted to national conditions through the J-SOX framework, which requires that at least two-thirds of audit committee members be independent (JFSA, 2014). The International Professional Practices Framework (IPPF) of the Institute of Internal Auditors also recognizes the documentation and transformation stages as essential components of an effective internal control system (IIA, 2024).

The view that the transformation stage represents one of the most critical phases of internal control in IFRS implementation has been confirmed by a number of large-scale empirical studies. A study by H. Daske and co-authors, based on data from 26 countries, demonstrated that the economic benefits of mandatory IFRS adoption largely depend on the quality of its implementation (Daske et al., 2008). J.R. Cohen, G. Krishnamurthy,

and A. Wright argued that corporate governance institutions, particularly the supervisory board and the audit committee, should be closely integrated with the financial reporting process during its preparation stages (Cohen et al., 2002). A comprehensive review by M. DeFond and J. Zhang provided empirical evidence that the quality of internal control can be substantially enhanced through a systematic approach (DeFond and Zhang, 2014). The importance of disclosure mechanisms for improving financial reporting quality was comprehensively substantiated by P.M. Healy and K.G. Palepu (Healy and Palepu, 2001). From the regulatory perspective, IAS 1 establishes requirements for the presentation of financial statements, IFRS 13 regulates the fair value hierarchy, and IFRS 9 introduces the expected credit loss model for financial instruments (IFRS Foundation, 2018).

The national scientific literature has examined internal control from various perspectives. A.A. Karimov emphasized that an internal quality control system based solely on formal documentation cannot achieve the expected level of effectiveness in practice and highlighted the importance of a systematic, stage-by-stage approach supported by comprehensive documentation. He also noted that the quality of primary documentation directly influences the overall quality of financial reporting. Other national researchers emphasized that a substantial proportion of financial reporting information is disclosed in the notes to the financial statements and that the quality of these disclosures serves as an important indicator of overall reporting quality. They also highlighted practical issues related to the transformation process and identified opportunities for further strengthening the effectiveness of audit committee activities (Avlokulov, 2021). In addition, methodological approaches to the systematic documentation of financial reporting processes and the preparation of IFRS-based financial statements were further developed by Ilkhomov and Tuychiyev (Ilkhomov and Tuychiyev, 2023).

The literature review demonstrates the existence of a scientific gap. International conceptual frameworks, including COSO and SOX, define the general components of internal control; however, they are not specifically adapted to the individual stages of IFRS implementation in joint-stock companies. Similarly, national studies have not yet developed a comprehensive model that simultaneously integrates all stages of financial reporting—from primary documentation to financial statement disclosure—together with clearly defined control points, responsible personnel, and mandatory documentation requirements. The proposed research is intended to address this gap by developing an integrated three-stage internal quality control model.

RESEARCH METHODOLOGY

The study was conducted using a project-based constructive research design. First, the existing situation was diagnosed; subsequently, international experience was systematized through the method of comparative analysis, and, based on the obtained findings, a new model was developed and substantiated using expert assessment. The conceptual foundation of the research is based on the five components of the COSO integrated framework, the requirements of Section 404 of the Sarbanes–Oxley Act, and the audit committee standards of the J-SOX model, which were rationally adapted to the institutional conditions of the Republic of Uzbekistan.

The empirical basis of the research consisted of documentary analysis of publicly disclosed financial statements, audit reports, and internal regulatory documents of joint-stock companies, together with the results of an expert survey involving specialists in accounting and auditing. To compare the existing and the proposed models, a 0–100-point evaluation scale was applied to six key indicators: documentation, responsible personnel, audit committee performance, transformation control, risk assessment, and financial disclosure.

Within the framework of the case study strategy, the multi-level organizational structure of JSC “Hududgazta’minot” was examined to determine the applicability of the proposed model to vertically integrated joint-stock companies. In designing the model, the principle was applied that each control point should include three mandatory elements: a clearly defined process, a documented outcome, and clearly assigned personal responsibility.

ANALYSIS AND RESULTS

The diagnostic assessment conducted during the initial stage of the research clearly demonstrates the need for further strengthening and improving the internal control system (Figure 1).

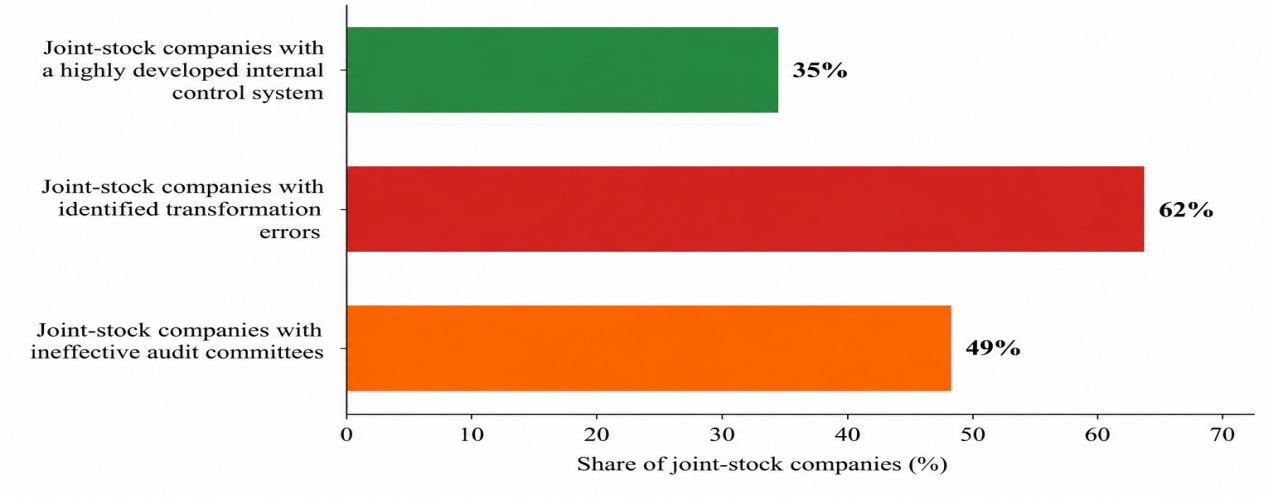

Figure 1. Diagnosis of the current state of the internal control system in joint-stock companies[1]

As illustrated in Figure 1, the proportion of companies with a highly developed internal control system is 35 percent. At the same time, opportunities for improving the transformation process were identified in 62 percent of the companies, while 49 percent of the organizations demonstrated the potential to further enhance the effectiveness of their audit committees. To address these issues systematically, a three-stage internal quality control model covering all key phases of financial reporting is proposed. The relative weight of each stage was determined according to its influence on the overall quality of financial reporting (Figure 2).

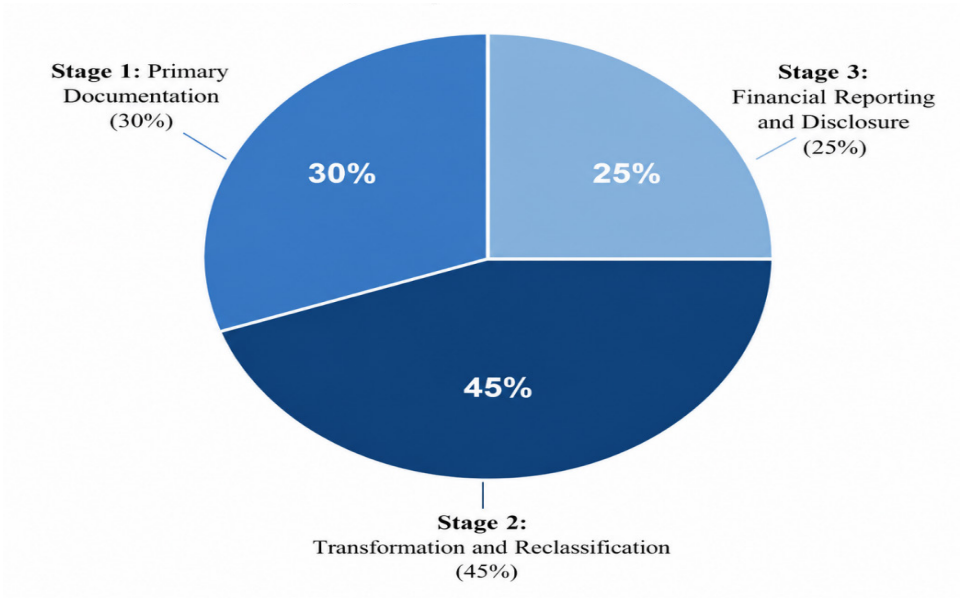

Figure 2. Distribution of stages in the three-stage internal quality control model[2]

As shown in Figure 2, the second stage—transformation and reclassification—accounts for the largest share of the model (45 percent). This reflects the fact that this stage represents the most complex part of IFRS-based financial reporting, including the transition from national accounting standards to IFRS, the application of fair value measurement principles, and compliance with specific standards such as IFRS 9, IFRS 15, IFRS 16, and IFRS 17. Large-scale empirical studies have also demonstrated that the transformation stage requires the greatest attention within IFRS implementation processes (Daske et al., 2008). The first stage—primary documentation—accounts for 30 percent, while the third stage—financial reporting and disclosure—accounts for 25 percent of the proposed model. The principal characteristics of each stage are summarized in Table 1.

1 Source: Compiled by the author based on the research findings.
2 Source: Developed by the author.

Table 1. Key features of each stage in the three-stage model[3]

No.	Stage	Main processes	Control points	Responsible persons
1	Primary documentation	Preparation of primary documents and accounting in accordance with national accounting standards	Signatures, dates, completeness, consistency	Accountant, Chief Accountant
2	Transformation and reclassification	Transformation from National Accounting Standards to IFRS, fair value measurement, application of specific IFRS requirements	Methodological justification, risk assessment	Chief Accountant, Internal Auditor
3	Financial reporting and disclosure	Preparation and disclosure of financial statements and accompanying notes	Completeness, transparency, audit confirmation	Chief Financial Officer (CFO), Audit Committee

The first stage—primary documentation—forms the fundamental basis for the quality of financial reporting, as the quality of primary documentation directly determines the reliability of the entire reporting process (Khasanov and Hamdamov, 2023). Eight key control points were identified for this stage: verification of signatures and their accuracy; consistency of dates and document numbers; compliance with contractual requirements; availability of supporting documents from counterparties; accuracy of tax calculations; correctness of language and document preparation; compliance with document archiving standards; and the availability of electronic copies. The systematic implementation of these control procedures is expected to improve the reliability of primary accounting information from the current 60–70 percent to approximately 95–100 percent.

The second stage—transformation and reclassification—represents the most significant and technically complex phase of the proposed model. A four-step methodological approach is proposed, consisting of reclassification, fair value measurement, application of specific IFRS requirements, and verification. Each step should be documented separately and approved by the responsible person. In accordance with Article 35 of the Law of the Republic of Uzbekistan No. ZRU–370, dated 6–May–2014, “On Introducing Amendments and Additions to the Law of the Republic of Uzbekistan ‘On Joint-Stock Companies and Protection of Shareholders’ Rights’, the results of the transformation process should be submitted to the Supervisory Board. The principal types of transformation performed at this stage and the corresponding control methods are presented in Table 2.

Table 2. Main types of transformation at the second stage and corresponding control methods[4]

No.	Transformation type	Standard	Basic actions	Control method
1	Reclassification	IAS 1, IAS 7	Reconciliation of accounts	Account Plan Comparison
2	Fair value assessment	IFRS 13	Asset revaluation (three-level hierarchy)	Independent evaluator’s report
3	Financial instruments	IFRS 9	Reserves according to the ECL model	Auditor expertise
4	Revenue recognition	IFRS 15	Five-stage model	Analysis of contracts
5	Leasing	IFRS 16	Entering the right of use into the balance sheet	Confirmation of contracts
6	Consolidation	IFRS 10, IFRS 11	Merger of subsidiaries	Participation Hierarchy Analysis
7	Preparation of comments	All SSNs	Full disclosure	Checklist

The institutional foundation of the second stage is the Audit Committee, which plays a central role in ensuring the effectiveness of the internal control system. The research findings indicate that further opportunities exist to strengthen the performance of audit committees in a number of companies (Avlokulov, 2021). Accordingly, the proposed model establishes specific parameters for improving their effectiveness. The Audit Committee should consist of three to five members, with at least two-thirds being independent members, following the principles applied in the J-SOX framework. In addition, at least one member should possess professional accounting qualifications (JFSA, 2014). The Committee performs four key functions: financial reporting oversight (quarterly reviews and annual evaluations), internal audit supervision (approval of audit plans and evaluation of audit

3 Source: Compiled by the author.
4 Source: Compiled by the author based on IFRS requirements.

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results), coordination of external audit (selection of the external auditor and assessment of the audit opinion), and risk management (risk assessment and determination of appropriate mitigation measures). The importance of integrating corporate governance institutions with the financial reporting and audit process at this stage has also been emphasized in international studies (Cohen et al., 2002).

The third stage—financial reporting and disclosure—constitutes the final phase of the proposed model, in which the information prepared during the previous stages is integrated into a complete set of financial statements. This stage comprises three principal components: the structure of the financial statements, the notes to the financial statements, and financial disclosure. The financial reporting structure includes the six principal financial statements prepared in accordance with the requirements of IAS 1. Particular attention is devoted to the notes to the financial statements, as approximately 70 percent of reporting information is presented through disclosures, making their quality an important indicator of the overall quality of financial reporting (Khamdamov, 2023). At the disclosure stage, compliance with the established deadlines for publishing financial statements on the Unified Corporate Information Portal is also monitored.

For the successful implementation of the proposed model, it is essential to clearly define the functional relationships among all levels of management within the company. The proposed structure requires the preparation of specific documents at each management level. The General Meeting of Shareholders is responsible for approving the external auditor; the Supervisory Board approves the annual report and the methodological plan; the Audit Committee prepares quarterly analytical reports and audit protocols; Management develops current performance reports and risk matrices; and the Executive Level prepares audit assignments, financial statements, and internal regulatory documents. These documents function as an integrated system, and their mandatory composition is presented in Table 3.

Table 3. Mandatory internal control documents to be introduced in a joint-stock company[5]

No.	Document	Approving authority	Update frequency	Responsible person
1	Accounting Policy	Supervisory Board	Annually	Chief Accountant
2	Internal Audit Regulations	Supervisory Board	Every **2** years	Internal Auditor
3	Audit Committee Charter	General Meeting of Shareholders	As required	Chair of the Audit Committee
4	Risk Map	Management	Quarterly	Risk Manager
5	Internal Control Procedure (ICS)	Supervisory Board	Annually	Chief Financial Officer (CFO)
6	Documentation Regulations	Management	Every **2** years	Chief Accountant
7	Responsibility Matrix	Supervisory Board	Annually	HR Department and CFO
8	Disclosure Policy	Supervisory Board	Annually	CFO and Investor Relations (IR) Service

The set of eight documents presented in Table 3 forms the normative foundation of the internal quality control system. International empirical studies indicate that companies maintaining these documents in a complete and regularly updated manner tend to achieve financial reporting quality indicators that are 25–30 percent higher (Healy and Palepu, 2001). An important feature of the proposed system is that each document is assigned a clearly defined approving authority, update frequency, and personal responsibility. This approach promotes the effective implementation of documentation procedures in practice and supports the consistent functioning of the internal control system.

The case study examined the application of the proposed model under the operational conditions of JSC “Hududgazta’minot.” As the company integrates 14 regional gas supply enterprises and more than 190 district branches, primary control plays a particularly significant role. The flow of primary documentation originates within regional divisions, and its proper classification directly influences the quality of consolidated financial reporting. Accordingly, for vertically integrated companies, the proposed model recommends introducing a unified accounting policy and standardized reporting formats across all regional divisions, conducting periodic sample-based verification of control procedures by the internal audit unit of the parent company, and performing comparative monitoring among regional divisions. Furthermore, the gas supply sector provides extensive opportunities for verification because financial reporting data can be directly reconciled with subscriber metering information generated by the ASKUG system, thereby significantly strengthening the effectiveness of primary control procedures.

5 Source: Compiled by the author based on international experience.

To ensure consistency with internationally recognized conceptual frameworks, the three stages of the proposed model were aligned with the five components of the COSO integrated framework. The resulting compatibility matrix is presented in Table 4.

Table 4. Compatibility matrix between the three-stage model and the COSO framework[6]

COSO component	Stage 1: Documentation	Stage 2: Transformation	Stage 3: Financial Reporting and Disclosure
Control environment	Documentation Regulations, Responsibility Matrix	Audit Committee Charter	Disclosure Policy
Risk assessment	Primary documentation risks	Transformation risk map	Disclosure timing risks
Control activities	Eight control points	Four-stage methodology and seven transformation types	Three-block control structure
Information and communication	Electronic document management	Reporting to the Supervisory Board	Disclosure through the Unified Corporate Information Portal
Monitoring	Sample-based internal audits	Quarterly Audit Committee reviews	Annual evaluation and external audit

As shown in Table 4, the proposed model complements each of the five components of the COSO framework with practical instruments tailored to every stage of the financial reporting process. This alignment provides two important practical advantages. First, the model is presented in a conceptual framework that is widely recognized in internal control assessments conducted by international audit organizations, including the Big Four audit firms. Second, should a formal management certification requirement for internal control effectiveness—similar to Section 404 of the Sarbanes–Oxley Act—be introduced in the future, the proposed model could serve as a comprehensive methodological foundation for its practical implementation.

The effectiveness of the proposed model was evaluated through a comparative assessment of the current and the proposed internal control models based on six fundamental indicators (Figure 3).

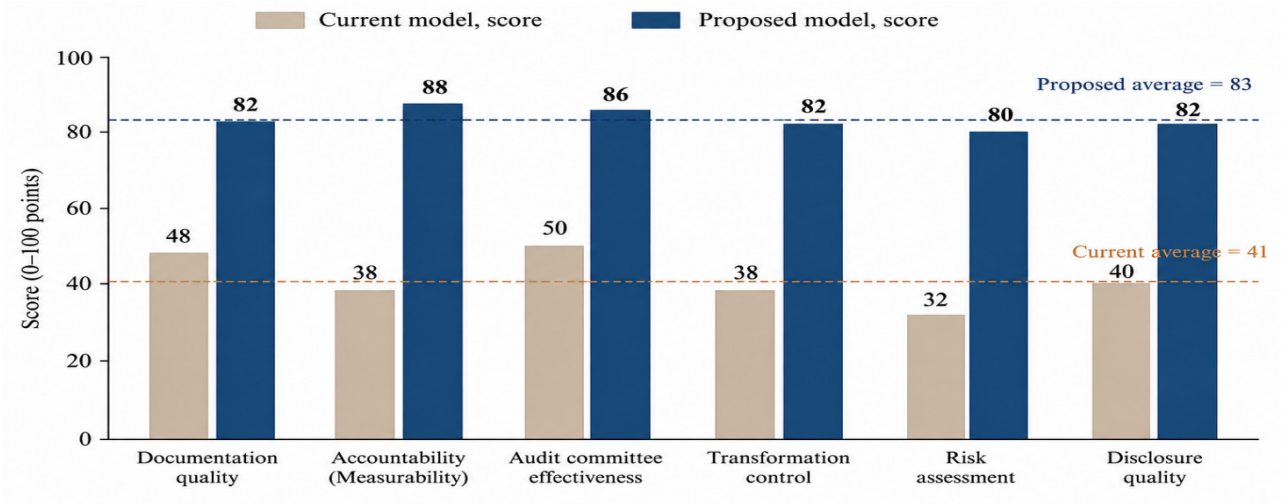

Figure 3. Comparative analysis of the current and proposed internal control models[7]

As illustrated in Figure 3, the proposed model demonstrates substantially improved results across all six evaluation indicators. The documentation score increases from 48 to 82 points, accountability from 38 to 88 points, audit committee effectiveness from 50 to 86 points, transformation control from 38 to 82 points, risk assessment from 32 to 80 points, and disclosure quality from 40 to 82 points. Overall, the average evaluation score increases from 41 to 83 points, representing more than a twofold improvement. International empirical

6 Source: Compiled by the author based on COSO (2013).
7 Source: Compiled by the author based on the results of the expert assessment.

studies similarly indicate that the quality of internal control can be enhanced to the 80–90-point range through the application of a systematic and comprehensive approach (DeFond and Zhang, 2014). Consequently, the overall quality score of financial reporting in joint-stock companies is projected to increase from 52 to 83 points, while the functional effectiveness of the audit committee is expected to improve from 49 percent to 87 percent.

A consistent implementation sequence for the proposed model at the level of individual joint-stock companies is recommended. During the preparatory stage, the existing internal control system should be diagnosed, identified gaps should be mapped, and the package of eight mandatory internal control documents should be developed and approved by the relevant governing bodies. During the implementation stage, control procedures should first be introduced at the primary documentation stage, since reliable primary documentation constitutes the foundation for effective control throughout the subsequent stages. This should be followed by the implementation of transformation control procedures and the enhancement of audit committee activities. Finally, the financial reporting and disclosure stage should be implemented in full. During the consolidation stage, all elements of the proposed model should be monitored over at least two complete reporting cycles, identified deviations should be addressed through corrective actions, and the internal control procedures should subsequently be reviewed and reaffirmed in their improved form.

The successful implementation of the proposed model largely depends on the professional competence of the personnel involved. Transformation control requires advanced knowledge of IFRS, particularly practical expertise in applying the fair value hierarchy, the expected credit loss (ECL) model, and the five-step revenue recognition model. Accordingly, the model is accompanied by a three-track professional training programme. The first track is intended for accounting personnel and focuses on primary documentation standards and control procedures. The second track is designed for chief accountants and internal auditors and covers transformation methodologies together with the application of specific IFRS requirements. The third track is aimed at members of the Audit Committee and the Supervisory Board and focuses on the effective performance of oversight responsibilities and the evaluation of financial reporting quality. The results of the training programme should be confirmed through professional certification and reflected in the responsibility matrix.

At the same time, several limitations of the proposed model should be acknowledged. First, comprehensive implementation requires additional resources, including the development of internal documentation, personnel training, and expanded control procedures. These requirements may represent a relatively greater challenge for smaller joint-stock companies. Therefore, a simplified version of the model, incorporating a reduced number of control points, may be appropriate for such entities. Second, the projected effectiveness of the model is currently based on expert assessment and should be further validated through practical implementation in pilot companies. Third, the model is specifically designed to strengthen the internal control system and is intended to complement, rather than replace, external assurance mechanisms such as independent external audit and state supervision.

An important advantage of the proposed model is its natural compatibility with external control mechanisms. The three-stage internal quality control system establishes a solid foundation for evaluating the six principal qualitative characteristics of financial reporting—relevance, faithful representation, comparability, auditability, timeliness, and understandability. The first stage primarily strengthens auditability, the second stage enhances faithful representation and comparability, while the third stage directly supports timeliness and understandability. Consequently, the integration of internal and external control mechanisms forms a comprehensive financial reporting quality assurance system in which both components effectively complement one another.

CONCLUSIONS AND SUGGESTIONS

As a result of the research, the conceptual architecture of a three-stage internal quality control model, comprehensively covering all phases of financial statement preparation in joint-stock companies in accordance with IFRS, together with its implementation mechanisms, was developed and substantiated. The main scientific and practical findings are summarized as follows.

First, the financial reporting process was divided into three sequential control stages—primary documentation (30 percent), transformation and reclassification (45 percent), and financial reporting and disclosure (25 percent). For each stage, specific processes, control points, and responsible personnel were identified. The allocation of the largest share to the transformation stage is supported by the research findings, which indicate that opportunities for improving transformation procedures were identified in 62 percent of the analyzed companies.

Second, a system consisting of eight control points was developed for the first stage. Their systematic implementation is expected to increase the reliability of primary accounting information from 60–70 percent to 95–100 percent. For the second stage, a control matrix covering seven transformation types together with

a four-step methodological approach was developed. For the third stage, a three-block control procedure covering the preparation of financial statements, notes to the financial statements, and financial disclosure was established.

Third, institutional parameters for strengthening the effectiveness of the Audit Committee were developed as the foundation of the proposed model. These include a committee consisting of three to five members, with at least two-thirds of the members being independent and at least one member possessing professional accounting qualifications. The Committee is assigned four principal functional responsibilities: financial reporting oversight, internal audit supervision, external audit coordination, and risk management.

Fourth, a package of eight mandatory internal control documents—ranging from the Accounting Policy to the Disclosure Policy—was developed to support the implementation of the proposed model. For each document, the approving authority, update frequency, and responsible person were clearly specified. According to the expert assessment, comprehensive implementation of the proposed model is expected to increase the average internal control effectiveness score from 41 to 83 points, while improving the overall quality score of financial reporting from 52 to 83 points.

Based on the research findings, the following practical recommendations are proposed. It is advisable to approve the Internal Control System (ICS) Procedure, based on the proposed three-stage model, through a resolution of the Supervisory Board of joint-stock companies. The composition and functions of Audit Committees should be aligned with the proposed institutional parameters. The package of eight mandatory internal control documents should be introduced through a phased implementation process. For vertically integrated companies, it is recommended to establish a unified accounting policy across all regional divisions and introduce a system of comparative inter-divisional monitoring.

As a direction for future research, it is recommended to investigate the automation of the proposed three-stage internal quality control model through the application of digital technologies, including the XBRL reporting format, artificial intelligence-based anomaly detection tools, and blockchain technology.

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Proofreader: Xondamir Ismoilov

Layout and Designer: Hasan Maqsudov

2026. № 7

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