

Theoretical and methodological foundations of accounting and internal audit in higher education institutions

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Abstract

This article explores theoretical and methodological foundations of accounting and internal auditing practices within higher education institutions (HEIs). Through comparative analysis with developed countries, critical gaps in Uzbekistan's HEIs particularly in accounting standards, internal audit independence, and technological integration are identified. Recommendations emphasize adopting accrual-based accounting, enhancing audit frameworks, and investing in advanced financial management systems to strengthen institutional governance, transparency, and accountability.

Keywords: Accounting; Internal auditing; Higher education institutions; Accrual accounting; Audit independence; Financial management

1. Introduction

In an era characterized by rapid globalization, intensified competition, and significant transformations within the knowledge economy, higher education institutions (HEIs) have become increasingly central to national economic and social advancement. Their strategic significance extends beyond mere academic roles, encompassing the broader mandate of promoting innovation, fostering research and development, and generating highly skilled human capital. Given these expanded responsibilities, ensuring effective management, accountability, and transparency of financial resources within HEIs has emerged as a critical priority. At the intersection of these imperatives lie robust accounting systems and rigorous internal audit mechanisms, both of which underpin institutional effectiveness, transparency, and sustainability.

Accounting within HEIs is significantly more complex than traditional corporate accounting, reflecting unique organizational objectives, operational activities, funding mechanisms, and stakeholder expectations. Unlike commercial enterprises, HEIs engage in multifaceted activities—education, research, public service, and administrative functions—each possessing distinct financial characteristics and cost structures. Such complexity necessitates specialized accounting methodologies tailored explicitly to capture and report institutional financial performance and fiscal responsibilities accurately. Precise, transparent, and methodologically sound accounting practices are indispensable for HEIs, enabling comprehensive resource allocation, effective financial control, accurate budgeting, and informed managerial decision-making.

Parallel to robust accounting practices, internal audit systems in HEIs serve as essential governance tools that ensure compliance, enhance transparency, and facilitate institutional accountability. Internal audit functions extend beyond basic compliance checks to encompass risk management, operational efficiency, and strategic performance evaluations. A well-structured internal audit framework significantly strengthens institutional governance by proactively identifying

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and mitigating financial, operational, and compliance-related risks. Furthermore, internal audit systems contribute directly to institutional resilience and credibility, enhancing stakeholder confidence, including that of government agencies, funding bodies, accrediting institutions, and the broader public.

International experience reveals that HEIs in developed countries have progressively adopted sophisticated accounting frameworks and comprehensive internal auditing standards, often aligned with International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), and International Standards for the Professional Practice of Internal Auditing (ISPPA). These frameworks enable institutions to deliver high-quality, reliable, and comparable financial information, promoting robust governance, efficient resource management, and enhanced transparency. For instance, institutions in Europe, Australia, and North America have successfully implemented advanced cost accounting methods, accrual-based accounting practices, and rigorous audit standards, thus significantly improving financial oversight and institutional accountability.

However, despite the evident advantages and international trends toward adopting such advanced standards and methodologies, HEIs in developing and transitional economies, including Uzbekistan, continue to grapple with numerous theoretical, methodological, and practical challenges. Traditional, predominantly cash-based accounting frameworks, rudimentary audit procedures, insufficient professional competencies among financial staff, and inadequate technological infrastructure are common obstacles encountered in these contexts. Such constraints frequently result in limited transparency, compromised financial accountability, and suboptimal institutional performance.

Given these circumstances, there is an urgent necessity to explore and define robust theoretical and methodological foundations explicitly tailored to enhance accounting practices and internal audit mechanisms within Uzbekistan's higher education institutions. Developing an integrated, context-sensitive accounting and audit system grounded in internationally recognized standards yet adjusted to the unique institutional environment and governance structure in Uzbekistan, would significantly improve financial management, transparency, and accountability.

2. Literature Review

Higher education institutions differ markedly from commercial entities in their objectives, governance structures, and funding sources, necessitating specialized accounting methods. Cropper and Cook [1] emphasize the need for tailored accounting systems, noting that traditional commercial accounting practices do not adequately reflect the distinct activities—such as education, research, and public service—of universities. They suggest adopting specialized methodologies like Activity-Based Costing (ABC) to accurately measure and allocate institutional costs based on actual resource consumption.

Further elaborating on methodological approaches, Granof, Platt, and Vaysman [2] illustrate the successful implementation of ABC systems in prominent universities, providing enhanced transparency and resource optimization. The ABC approach allows HEIs to move beyond traditional aggregate cost reporting, ensuring more precise financial data, better managerial decisions, and improved strategic planning.

Responsibility Center Management (RCM) has also been highlighted as an effective decentralized financial management approach within higher education. Strauss and Curry [3] argue that RCM improves accountability by placing financial decision-making authority within individual departments or units, aligning their financial responsibilities closely with institutional objectives. Their comprehensive review indicates that universities implementing RCM experience increased financial transparency, enhanced budget discipline, and more strategic resource allocation.

Regarding internal auditing, Mihret and Yismaw [4] emphasize that a robust internal audit function significantly improves institutional governance by proactively managing financial and operational risks. According to their findings, effective internal audit practices in public institutions, including HEIs, reinforce compliance, mitigate financial mismanagement, and enhance organizational transparency and accountability.

International standards also significantly influence the evolution of accounting and audit practices within HEIs. Benito, Brusca, and Montesinos [5] conducted an extensive analysis of European HEIs adopting International Public Sector Accounting Standards (IPSAS), demonstrating improved comparability, accountability, and transparency across institutions. Their study illustrates how international normative standards significantly shape institutional accounting practices through institutional isomorphic processes.

Moreover, internal audit practices grounded in internationally recognized standards significantly influence institutional governance. Gustavson and Sundström [6], analyzing the role of independent internal audits in European public institutions, found a strong correlation between audit independence and lower corruption rates, indicating the essential role that auditing plays in enhancing institutional transparency and governance.

Lastly, institutional theory provides important insights into how accounting and auditing practices evolve in HEIs. DiMaggio and Powell's [7] seminal work on institutional isomorphism explains how regulatory pressures (coercive), professional norms (normative), and emulation of successful institutional practices (mimetic) significantly shape the accounting and auditing methods adopted within HEIs. Their theoretical framework has been instrumental in understanding how international practices are diffused and institutionalized within higher education contexts, particularly in developing and transitional economies.

3. Analysis and Results

Accounting and internal audit practices in higher education institutions (HEIs) significantly impact their transparency, accountability, and operational efficiency. Developed countries have adopted advanced methodologies, offering valuable insights for Uzbekistan's higher education sector.

Table 1 Accounting practices in higher education institutions: comparative perspectives

Accounting Dimensions	Current Situation in Uzbekistan's HEIs	Advanced Practices in Developed Countries (e.g., UK, Canada, Australia)
Accounting Standards and Basis	Primarily cash-based or modified cash accounting; limited adoption of international standards.	Full adoption of accrual-based accounting standards (IPSAS, IFRS) ensuring comprehensive financial recognition.
Financial Disclosure and Transparency	Basic financial statements with minimal detail; limited public disclosure and restricted transparency.	Detailed financial reporting, including disclosure of contingent liabilities, assets, and comprehensive program costs, publicly accessible.
Accounting Professional Capacity	Limited professional qualification among accounting personnel; reliance on traditional practices.	Highly qualified personnel with professional certifications (ACCA, CPA, CMA); continuous training and professional development.

Source: Developed by the author

Table 1 reveals significant differences between accounting practices in Uzbekistan's HEIs and those prevalent in developed economies. The reliance on simplified, cash-based accounting in Uzbekistan limits financial transparency and the institution's ability to accurately represent its financial condition. Conversely, developed countries employ accrual accounting methods, fully compliant with international standards (IPSAS and IFRS), significantly improving transparency, accuracy, and comparability of financial information. To enhance transparency and managerial effectiveness, HEIs in Uzbekistan should transition toward accrual-based accounting standards and prioritize professional development of accounting personnel.

Table 2 Internal auditing methodologies and approaches: international comparative analysis

Internal Audit Dimensions	Current Situation in Uzbekistan's HEIs	Advanced Practices in Developed Countries (e.g., Germany, USA, Sweden)
Audit Independence and Reporting Structure	Internal audit frequently subordinated to institutional management; limited independence.	Independent internal audit units reporting directly to governing boards or independent audit committees.
Scope and Methodology	Primarily compliance-focused audits; minimal emphasis on operational or performance auditing.	Comprehensive audit methodologies encompassing compliance, operational efficiency, risk management, and performance audits.

Professional Competencies of Auditors	Generalist auditors with basic qualifications; limited continuous training and specialized certifications.	Professionally certified auditors (CIA, CISA); specialized training programs and continuous professional education.
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Source: Developed by the author

Table 2 clearly indicates substantial variations in internal audit methodologies. Uzbekistan's HEIs generally exhibit limited independence in their internal audit functions, restricting their effectiveness in managing institutional risks and enhancing governance. In contrast, developed countries emphasize audit independence, comprehensive audit scopes, and specialized professional training, significantly improving accountability, transparency, and risk management. Strengthening audit independence, broadening audit scopes, and investing in professional competencies of auditors are critical steps Uzbekistan's HEIs must undertake to improve internal governance and accountability.

Recommendations

To strengthen accounting and internal auditing practices within higher education institutions in Uzbekistan, several targeted recommendations emerge from this study. First, institutions should transition from cash-based to accrual-based accounting methodologies aligned with international standards (IPSAS, IFRS), complemented by comprehensive financial disclosure frameworks. Second, enhancing internal audit independence and adopting broader, risk-based audit methodologies, supported by ongoing professional training for auditors, is crucial. Finally, significant investment in integrated financial management technologies and specialized audit software should be prioritized to improve transparency, accuracy, and operational efficiency.

4. Conclusion

This article critically examined the theoretical and methodological foundations of accounting and internal audit practices in higher education institutions, emphasizing comparative experiences from developed economies. The analysis revealed substantial methodological gaps within Uzbekistan's HEIs, particularly regarding accounting standards, audit independence, and technological integration. Addressing these gaps through recommended reforms accrual accounting adoption, strengthening audit frameworks, and technology upgrades will significantly enhance institutional governance, financial transparency, and accountability, thereby fostering greater stakeholder confidence and operational effectiveness in Uzbekistan's higher education sector.

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