

Improving accounting and internal control in vocational education institutions

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Abstract

This study examines the current state of accounting and internal control systems in vocational education institutions (VEIs) in Uzbekistan, comparing them with best practices from developed countries. The analysis identifies key gaps in digital integration, internal audit mechanisms, and human capital. Based on international experience, the paper proposes strategic recommendations to improve transparency, financial discipline, and institutional performance in the vocational education sector.

Keywords: Vocational education; Public financial management; Internal control; IPSAS; Financial governance; Audit; Education reform

1. Introduction

In recent years, the transformation of public sector governance, especially in education, has underscored the necessity for efficient financial management systems that promote accountability, transparency, and sustainable resource utilization. Vocational education institutions (VEIs), as integral components of national human capital development, are increasingly recognized as drivers of workforce readiness and socio-economic progress. As these institutions evolve in function and scale, the expectations surrounding their financial integrity and institutional performance have also grown. Consequently, ensuring sound accounting practices and robust internal control mechanisms in VEIs is no longer a purely administrative concern but a strategic imperative.

Vocational education plays a dual role in national development: it addresses unemployment by equipping individuals with market-relevant skills, and it serves as a foundation for industrial modernization and technological advancement. However, the achievement of these objectives is heavily dependent on the ability of VEIs to manage their resources effectively. Inadequate financial oversight can lead to inefficiencies, wastage, and even corruption—factors that erode the credibility and effectiveness of vocational education.

The global trend toward decentralization and results-based financing in education further reinforces the need for VEIs to demonstrate measurable outcomes tied to budget execution. In this context, financial accountability must be embedded into the institutional framework through comprehensive accounting systems and internal audit structures. Moreover, the adoption of international standards such as IPSAS (International Public Sector Accounting Standards) and COSO (Committee of Sponsoring Organizations) internal control frameworks has become vital for aligning national practices with global expectations.

In Uzbekistan, recent reforms in the public finance management system have aimed to improve the efficiency and transparency of public expenditures, including in the education sector. Presidential Decrees and strategic development documents emphasize the modernization of financial operations and the digitalization of accounting systems in public

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institutions. Yet, in many vocational colleges and technical schools, traditional accounting methods remain in use, and internal control is often fragmented or underdeveloped.

2. Literature Review

The role of financial management, particularly accounting and internal control systems, in ensuring the efficiency and accountability of educational institutions, has been extensively addressed in public sector finance and education governance literature.

Accounting in public education institutions is generally guided by the principles of transparency, accountability, and stewardship over public funds. According to Anthony and Young [1], public sector accounting must not only ensure proper documentation of financial transactions but also support decision-making, reporting obligations, and performance evaluation. This is especially relevant in vocational institutions where resource allocation must be linked to outcomes such as training quality, graduate employability, and infrastructure adequacy.

The theory of New Public Management (NPM), which emerged in the late 20th century, strongly advocates for performance-based accountability, decentralization of budgeting authority, and adoption of private-sector management practices in public institutions, including schools and colleges [2]. Within this framework, financial accounting and internal control are seen as core mechanisms for improving efficiency and effectiveness in service delivery.

Internal control systems, as conceptualized by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, are designed to ensure operational efficiency, accurate financial reporting, and compliance with laws and regulations [3]. These systems are critical in educational institutions, where the misuse of funds, procurement fraud, and budget deviations can have long-term impacts on educational access and quality.

International studies have emphasized that the success of education sector reforms depends heavily on the strength of financial management and internal oversight systems. For instance, the OECD [4] highlights that robust accounting and control systems in educational institutions increase the likelihood of meeting policy goals by enabling better resource tracking, timely reporting, and early detection of anomalies.

In the context of vocational education, research by Boeskens and Burns [5] indicates that financial autonomy alone does not lead to improved outcomes unless it is supported by transparent accounting systems and active internal audit functions. Their comparative analysis of vocational institutions across 15 OECD countries shows that institutions with standardized accounting software, trained accountants, and independent internal auditors demonstrated higher efficiency in budget execution and program implementation.

3. Analysis and Results

The effectiveness of financial management in vocational education institutions (VEIs) hinges not only on the availability of funds but also on how transparently and efficiently those funds are managed, reported, and controlled. In this section, we conduct a comparative analysis of Uzbekistan's current practices in accounting and internal control within VEIs, using selected developed countries as benchmarks.

Table 1 Accounting systems and digital integration in VEIs

Country	Key Features / Best Practices	Implications for Uzbekistan
Germany	Accrual-based IPSAS-aligned standards; full use of SAP for real-time accounting and integration with public finance.	Transition from cash to accrual accounting; implement ERP systems to connect VEIs to national budget systems.
Finland	Centralized e-accounting platform; real-time tracking of transactions; seamless integration with education ministry.	Develop a unified digital accounting portal for vocational institutions with real-time monitoring features.
Uzbekistan	Cash-based accounting; partial automation (e.g., Excel); reporting is periodic and not system-integrated.	Modernize accounting regulations, mandate digital tools, and connect VEIs with treasury systems.

Source: Developed by the author

The comparison indicates that countries with advanced vocational systems have shifted to accrual-based accounting and centralized digital platforms, enabling real-time financial oversight and policy responsiveness. Uzbekistan's reliance on cash-based accounting and partial automation restricts timely decision-making and weakens financial discipline. The adoption of IPSAS and a unified digital accounting infrastructure would significantly enhance transparency, reporting consistency, and integration with national finance systems.

Table 2 Internal audit and control mechanisms

Country	Key Features / Best Practices	Implications for Uzbekistan
UK	Independent internal audit units with risk-based audit planning; strong anti-corruption mandates.	Establish risk-based internal audit units in VEIs with authority and independence from administrative heads.
Canada	Internal audit embedded in institutional governance; financial and compliance reviews are routine.	Include internal audit as a mandatory governance component with regular performance audits.
Uzbekistan	Largely manual inspection culture; internal audit units, where they exist, lack autonomy and strategic relevance.	Develop internal audit frameworks, clarify audit roles, and ensure independence in auditing processes.

Source: Developed by the author

Developed countries treat internal audit as a strategic governance tool, ensuring risk mitigation and operational integrity. In contrast, Uzbekistan's VEIs lack independent audit structures and risk-based approaches, limiting their capacity to detect inefficiencies or misuse of funds. Establishing autonomous audit units with clear mandates and professional standards is essential for embedding a culture of accountability and preventive control.

Recommendations

The findings of this study reveal that the current accounting and internal control systems in vocational education institutions (VEIs) in Uzbekistan require significant modernization to align with international best practices and ensure transparent, efficient, and outcome-oriented financial management. Based on the comparative analysis and identified institutional gaps, the following strategic recommendations are proposed:

- Adopt accrual-based IPSAS standards: Transition from cash-based to accrual-based accounting to improve the accuracy, completeness, and relevance of financial reporting in VEIs. This should be supported by the development of a unified national chart of accounts tailored to the needs of educational institutions.
- Implement integrated digital accounting systems: Introduce centralized ERP systems to enable real-time financial tracking and seamless data sharing between VEIs, ministries, and treasury departments. This will strengthen monitoring, improve budget execution, and support evidence-based planning.
- Institutionalize risk-based internal audit: Establish independent internal audit units in all VEIs with clear mandates, adequate resources, and risk-based audit plans. Audits should cover not only financial compliance but also operational efficiency and asset utilization.
- Professionalize financial personnel and leadership: Introduce mandatory certification and continuous professional development (CPD) programs for accountants, auditors, and financial officers. Leadership development programs for rectors and administrators should include modules on public finance, governance, and ethical accountability.

4. Conclusion

In conclusion, improving accounting and internal control in vocational education institutions is not a stand-alone administrative reform but a structural transformation that underpins broader education quality, institutional credibility, and fiscal discipline. By aligning national systems with global standards and embedding accountability within institutional cultures, Uzbekistan can create a resilient vocational education system that is financially transparent, operationally efficient, and developmentally impactful.

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