

## Enhancing accounting and internal audit systems in state educational institutions

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World Journal of Advanced Research and Reviews, 2025, 26(02), 1317-1320

Publication history: Received on 31 March 2025; revised on 06 May 2025; accepted on 09 May 2025

Article DOI: <https://doi.org/10.30574/wjarr.2025.26.2.1773>

### Abstract

This study examines the current state and improvement opportunities of accounting and internal audit systems in Uzbekistan's state educational institutions. Through comparative analysis with developed countries, key gaps in accounting standards, audit independence, and technological integration were identified. Recommendations emphasize adopting international accrual accounting standards, strengthening audit autonomy, and promoting digitalization to enhance governance and accountability.

**Keywords:** Accounting systems; Internal audit; Educational institutions; IPSAS; Financial transparency

### 1. Introduction

In the contemporary socio-economic environment, state educational institutions play a pivotal role not only in the educational sphere but also in promoting sustainable national economic growth and social development. Effective accounting and robust internal audit systems within these institutions are critical for ensuring the transparency, accountability, and efficiency of public funds utilization. However, despite ongoing financial reforms, state educational institutions, particularly in developing countries such as Uzbekistan, continue to face significant challenges related to financial oversight, internal control, and compliance with international accounting standards. These challenges arise from factors such as inadequate financial reporting practices, insufficient qualifications and training among accounting personnel, limited automation and integration of accounting systems, and weak mechanisms for monitoring and evaluating financial operations.

Given the growing demands for transparency and accountability from both domestic and international stakeholders, there is a pressing need to critically analyze the existing accounting and internal audit frameworks within these institutions. Globally, developed countries have established advanced accounting systems and internal audit practices characterized by high levels of digitization, integration with performance measurement tools, and compliance with internationally recognized standards such as the International Public Sector Accounting Standards (IPSAS) and International Standards for the Professional Practice of Internal Auditing (ISPPIA). These experiences offer valuable insights and best practices that can be contextualized and adapted to Uzbekistan's specific institutional and regulatory environment.

### 2. Literature Review

Accounting and internal audit systems in public educational institutions have increasingly gained attention in contemporary financial management research. A robust accounting and audit framework serves not only as an accountability mechanism but also facilitates the efficient allocation and effective management of public resources.

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Scholarly discourse has broadly underscored the necessity of aligning these systems with international standards to enhance transparency, operational efficiency, and governance in public-sector entities.

Globally, the trend toward adopting International Public Sector Accounting Standards (IPSAS) reflects a shift towards greater accountability and comparability of financial reports across jurisdictions. According to Chan [1], the implementation of IPSAS significantly improves the quality and reliability of public-sector financial statements by promoting standardized disclosure practices and enhancing financial transparency. Moreover, Lapsley and Mussari [2] underline that public-sector accounting reforms, driven by international standards, contribute substantially to fiscal responsibility and governance efficiency. Their comparative study across European countries revealed that harmonization of accounting practices positively impacts managerial accountability and stakeholder confidence.

Within the context of internal auditing, the effectiveness of audit systems in educational institutions largely hinges on adherence to internationally recognized principles, such as those provided by the International Standards for the Professional Practice of Internal Auditing (ISPPA). The role of internal audit as a mechanism of internal control and risk management in public educational entities has been highlighted by Mihret and Yismaw [3], who assert that internal auditing significantly mitigates operational risks, reduces financial fraud, and enhances organizational governance by reinforcing compliance and ethical practices.

In developing countries, however, several challenges impede the effective implementation of sophisticated accounting and audit frameworks. In their study, Mir and Sutyono [4] identify that developing countries frequently encounter obstacles such as lack of technical expertise, insufficient training programs, limited resources, and inadequate IT infrastructure, all of which undermine the adoption of standardized accounting practices. Specifically, public educational institutions often grapple with poorly qualified financial personnel and weak institutional capacities for effective financial monitoring [5]. Such challenges exacerbate inefficiencies in public resource allocation and hinder the realization of strategic educational objectives.

Experiences from developed economies provide critical insights into overcoming these barriers. For example, the public-sector accounting reform initiatives in Australia and New Zealand, which emphasize comprehensive accrual accounting systems and systematic internal audits, demonstrate tangible improvements in fiscal accountability, managerial efficiency, and financial sustainability [6]. Similarly, in European contexts, countries such as the United Kingdom and Finland have successfully implemented digitalized accounting systems integrated with automated internal audit procedures, significantly enhancing financial transparency and institutional governance [7]. These nations' experiences illustrate that systematic digital transformation coupled with rigorous internal auditing substantially elevates institutional accountability and resource-use efficiency.

### 3. Analysis and Results

The current analysis evaluates existing accounting and internal audit practices within state educational institutions in Uzbekistan and identifies significant gaps through comparative analysis with practices implemented in developed countries. This comparative approach provides valuable insights into areas requiring immediate improvement and highlights effective strategies used internationally that could potentially be adapted to Uzbekistan's institutional environment.

**Table 1** Comparative analysis of accounting standards and practices

Criteria	Uzbekistan State Educational Institutions	Developed Countries (e.g., UK, Australia, Finland)
Accounting Standards	Modified cash basis, limited adoption of accrual accounting principles	Full implementation of accrual accounting standards aligned with IPSAS
Financial Reporting	Basic financial statements; limited disclosures	Comprehensive financial reporting with extensive disclosures
Professional Qualifications	Varies; many staff lack international certifications	High professional qualifications (CPA, ACCA, CIMA) required
Reporting Frequency	Annually, limited interim reporting	Regular interim reporting (quarterly or monthly) alongside annual statements

Source: Developed by the author

The above comparative analysis reveals substantial gaps between accounting practices in Uzbekistan and those adopted in developed countries. Specifically, the reliance on a modified cash basis in Uzbekistan limits transparency and comprehensive financial insight. Developed countries utilize full accrual accounting aligned with IPSAS, enabling more precise depiction of financial positions and performance. Furthermore, professional certification and continuous training, evident in countries like the UK and Australia, enhance financial accountability and quality reporting standards. Therefore, Uzbekistan's educational institutions could significantly benefit from adopting IPSAS accrual accounting practices and investing in professional accounting education.

**Table 2** Comparative analysis of internal audit mechanisms

Criteria	Uzbekistan State Educational Institutions	Developed Countries (e.g., Germany, USA, Canada)
Independence of Internal Audit	Often subordinated to institutional management, limited autonomy	Fully independent internal audit units reporting directly to audit committees
Audit Scope	Mainly compliance-focused, limited operational audits	Broad scope covering compliance, operational effectiveness, risk management
Audit Methodologies	Basic audit procedures, limited use of risk-based auditing	Advanced risk-based auditing, comprehensive audit methodologies
Staffing & Expertise	General audit staff with basic qualifications	Highly specialized audit teams with certifications (CIA, CISA)

Source: Developed by the author

The second table emphasizes substantial differences in internal audit practices, notably in independence, scope, methodologies, and professional qualifications. Developed countries, exemplified by Germany, the USA, and Canada, ensure internal audit independence by structuring audit units outside direct institutional management. Moreover, these countries extensively use risk-based methodologies, significantly enhancing institutional governance and proactive risk management. In contrast, Uzbekistan's audit practices remain primarily compliance-focused with limited autonomy and basic methodologies. Enhancing internal audit independence, expanding audit scopes, adopting advanced methodologies, and promoting specialized training are thus essential reforms needed in Uzbekistan.

### Recommendations

To address the identified gaps and enhance the accounting and internal audit systems in Uzbekistan's state educational institutions, several key recommendations are proposed. First, the transition towards full accrual accounting aligned with International Public Sector Accounting Standards (IPSAS) should be expedited through institutional training programs and certification initiatives for accounting personnel. Second, internal audit independence should be fortified by establishing dedicated audit committees with clear reporting channels to higher supervisory bodies, complemented by implementing advanced risk-based audit methodologies. Finally, substantial investments should be directed toward digital transformation, including integrated financial management information systems (FMIS) and specialized audit software, alongside robust cybersecurity frameworks to ensure data integrity and security.

## 4. Conclusion

This study comprehensively evaluated the current accounting and internal auditing frameworks in Uzbekistan's state educational institutions, revealing considerable gaps compared to international best practices. Key deficiencies identified included reliance on modified cash accounting, limited internal audit independence, and inadequate use of information technologies. Drawing insights from developed countries, the study emphasized adopting IPSAS accrual accounting standards, enhancing audit autonomy and scope, and prioritizing digitization initiatives. Implementing these strategic reforms will significantly improve financial transparency, accountability, and overall governance efficiency within Uzbekistan's public educational sector, ultimately fostering sustainable institutional and economic development.

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