



# IMPROVEMENT OF ACCOUNTING AND INTERNAL AUDIT IN HIGHER EDUCATION INSTITUTIONS

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## -----ABSTRACT-----

*This paper explores the enhancement of accounting and internal audit practices in higher education institutions, with a specific focus on financial management, internal control, risk management, and governance. It emphasizes the importance of improving these practices to foster integrity, transparency, and accountability. A comprehensive literature review and detailed analysis inform the conclusions and recommendations of the study.*

**KEYWORDS:** *Higher Education, Accounting, Internal Audit, Financial Management, Risk Management, Internal Control, Governance*-----

## INTRODUCTION

Effective accounting and internal auditing practices are indispensable for the management of financial resources within higher education institutions. These practices act as the backbone of the financial health of these establishments, providing necessary oversight, controlling risks, and fostering the efficient use of resources. However, in recent years, higher education institutions have found themselves in increasingly complex environments, both operationally and financially.

One of the main complexities faced by these institutions is escalating operational costs. Factors such as the modernization of educational infrastructure, increasing research and development expenditures, rising staff salaries, and the growing need for advanced technology have significantly elevated the cost of operation (Bowden, 2019). These rising costs, coupled with mounting pressure to maintain tuition fees at a reasonable level, have exacerbated the financial strain on institutions, underscoring the need for more efficient accounting and auditing practices.

Higher education institutions are also grappling with stringent regulatory requirements. The modern educational environment is heavily regulated, with various local, national, and international standards to abide by. These regulations pertain to areas such as financial management, data privacy, research ethics, and staff and student rights. Compliance with such a broad and complex regulatory landscape necessitates robust accounting and auditing systems.

Simultaneously, there has been an escalating demand for transparency and accountability in the administration of higher education institutions. This demand emanates from various stakeholders, including students, parents, staff, governments, and the general public. These parties expect clear disclosure of financial information, justification of expenditure, and evidence of sound financial management. Consequently, the need for effective accounting and internal auditing, capable of providing this transparency and accountability, has become more compelling than ever.

Given these complexities and demands, it is clear that traditional accounting and auditing practices may not suffice. Therefore, this study aims to explore the need to improve and innovate in these areas within higher education institutions. It will provide an in-depth analysis of the current state of accounting and auditing in these establishments and potential strategies for enhancement, drawing upon scholarly works and current best practices. Ultimately, the paper seeks to contribute to the discourse on strengthening financial management in higher education, potentially guiding policy and practice towards more sustainable and accountable institutions.

### Literature Review

Several scholars have probed the subject of accounting and auditing in higher education. Broadbent and Guthrie (2008) highlighted the increasing adoption of corporate-style accounting and auditing practices in higher education institutions. According to the authors, these practices could potentially improve accountability and financial management.

In a study by Chapman and Kihn (2009), they focused on the role of internal audit in risk management in universities. They found that an effective internal audit function could contribute to better risk management, enhancing the institution's ability to meet its objectives.



Lapsley (2018) pointed out the significance of strong internal controls in higher education institutions, suggesting that they could help mitigate the risks associated with fraud and financial mismanagement. Moreover, Coy and Dixon (2004) explored the relationship between governance and the effectiveness of accounting and auditing in universities, emphasizing the need for good governance practices to support the functioning of these processes.

## **ANALYSIS AND RESULTS**

Our analysis, based on these scholarly works, revealed a profound need for higher education institutions to improve their accounting and internal audit practices. Essentially, the adaptation of corporate-style accounting and auditing, as suggested by Broadbent and Guthrie (2008), seems viable and can significantly enhance financial management.

In terms of risk management, the internal audit function's role, as elaborated by Chapman and Kihn (2009), is critical. Institutions should strengthen their internal audit function, enabling them to better manage risk and work towards their objectives effectively.

Moreover, the arguments presented by Lapsley (2018) and Coy and Dixon (2004) highlight the significance of robust internal controls and good governance in bolstering accounting and auditing functions. Strengthening these areas could, thus, help prevent fraud, ensure compliance, and improve overall accountability.

The analysis is further complemented by the studies of Blackwell, Carnes, and Kruse (2018), who examined the changing role of higher education in a globalized world, suggesting that increased financial transparency is a necessary response to this evolution. They assert that the complexity of higher education's financial management calls for sophisticated accounting systems that provide a high degree of transparency. This transparency allows institutions to gain trust from stakeholders and enables better decision-making processes.

Another critical source comes from Enders, Kottmann, and Westerheijden (2016), who explored the issue of resource allocation in higher education institutions. The authors found that efficient accounting and auditing practices could lead to better allocation of resources, thereby maximizing the potential of funds and contributing to the institution's overall performance.

Further analysis also draws on the work of Tysiac (2017), who highlighted the role of technology in enhancing accounting and auditing practices. As per Tysiac, the integration of technology, such as automated data processing and advanced analytics, can drastically improve the efficiency and accuracy of these functions.

Finally, the work of Leung, Cooper, and Robertson (2014) deepens our understanding of the impact of cultural aspects on accounting and auditing in higher education institutions. The authors underline that an open and ethical organizational culture can foster the successful implementation of accounting and auditing improvements.

## **RECOMMENDATIONS**

Based on the analysis, the following recommendations can be proposed:

1. Adoption of corporate-style accounting and auditing practices: This would streamline processes and enhance transparency and accountability.
2. Strengthening the internal audit function: A more potent internal audit function would improve risk management and contribute to the institution's financial health.
3. Enhancing internal controls: By reinforcing internal controls, institutions can mitigate risks related to fraud and mismanagement.
4. Improving governance: Good governance practices can support effective accounting and auditing, ensuring compliance and accountability.

## **CONCLUSIONS**

The importance of improving accounting and internal audit practices in higher education institutions cannot be overstated. Our comprehensive analysis, firmly grounded in a rich body of scholarly work, clearly demonstrates that the enhancement of these practices is crucial for effective financial management, risk mitigation, and the promotion of transparency and accountability in these institutions.

By adopting corporate-style practices, institutions can leverage the advancements and efficiencies prevalent in the business sector. This strategic move not only accommodates the increasing complexities of the financial landscape in higher education but also helps institutions align their operations with recognized standards. In turn, this alignment can enhance stakeholders' trust, facilitate regulatory compliance, and contribute to overall efficiency and effectiveness.

Simultaneously, our analysis underscores the significance of strengthening the internal audit function within higher education institutions. A robust internal audit function plays a crucial role in identifying and managing potential risks, ensuring the efficient use of resources, and fostering a culture of accountability.



Therefore, the development of a competent and independent internal audit function should be a priority for institutions striving to improve their financial health and sustainability.

Furthermore, our study highlights the need for higher education institutions to enhance their internal controls and governance structures. Strong internal controls are integral to preventing fraud and financial mismanagement and ensuring the accuracy and reliability of financial data. Meanwhile, solid governance structures, such as well-functioning audit committees and the involvement of independent external auditors, can provide an essential supportive framework for the accounting and auditing functions.

In conclusion, the need to improve accounting and internal audit practices in higher education institutions is an imperative that warrants immediate attention. The multi-faceted approach suggested in this study, involving the adoption of corporate-style practices, the strengthening of internal audit function, the enhancement of internal controls and governance, and the fostering of an ethical culture, offers a robust strategy for achieving this objective. By following this approach, higher education institutions can ensure sound financial management, thereby promoting their overall sustainability, integrity, and credibility.

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