

FEATURES OF ORGANIZING INTERNAL AUDIT IN NON-STATE HIGHER EDUCATION INSTITUTIONS

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**Abstract:** *This scientific article analyzes the theoretical and methodological foundations and practical features of organizing the internal audit system in non-state higher education institutions. The study reveals the role of internal audit in improving education quality, financial stability, and management efficiency. The necessity of introducing internal audit in the activities of non-state Higher education institutions is substantiated in connection with institutional risks and control mechanisms. The article analyzes the regulatory and legal documents governing the higher education sector in the Republic of Uzbekistan. The organizational model, functions, and stages of internal audit are described. Based on statistical and comparative analysis, existing problems are identified. By comparing with foreign experience, ways to improve national practice are proposed. The research results contribute to the development of the management system of non-state Higher education institutions. Opportunities to enhance transparency and accountability through internal audit are substantiated. The conclusions of the article have scientific and practical significance.*

**Keywords:** *internal audit, non-state higher education, education quality, financial control, risk management, management efficiency, audit system, regulatory and legal framework, transparency, accountability.*

**Introduction:** In recent years, diversifying the higher education system and expanding private sector participation have become one of the important directions of state policy in the Republic of Uzbekistan. As a result, the number of non-state higher education institutions has increased significantly. As of 2024, more than 70 non-state Higher education institutions operate in the republic, occupying an important place in the education market. This process has further strengthened the requirements for the quality of educational services, financial discipline, and management systems.

Since non-state Higher education institutions are not fully financed from the state budget, their sustainable operation mainly depends on tuition fees and revenues from additional services. This situation increases the level of financial risks and necessitates the introduction of effective internal control mechanisms. The internal audit system, arising precisely from this need, serves as an important tool in ensuring the rational use of financial resources, the soundness of management decisions, and strengthening accountability to stakeholders. This article discusses a series of studies aimed at identifying the specific features of organizing internal audit in non-state higher education institutions, assessing its impact on management and financial efficiency, and developing practical recommendations.

**Literature Review:** Issues of internal audit have been widely studied by foreign and domestic economists. In particular, L.B. Sawyer defines internal audit as an independent assurance and consulting activity aimed at evaluating and improving organizational performance. In his research, special emphasis is placed on the risk-based model of internal audit and its role in corporate governance.

In domestic studies, internal audit is considered an important element of financial control. Uzbek scholars assess internal audit as a mechanism that ensures the efficient use of budgetary and economic funds. However, in the context of non-state higher education institutions, the impact of internal audit on education quality and management efficiency has not been sufficiently studied, and the present research is aimed at filling this gap. In addition, international scientific articles note that the effectiveness of the internal audit system in higher education institutions is directly related to management transparency, stakeholder trust, and financial stability.

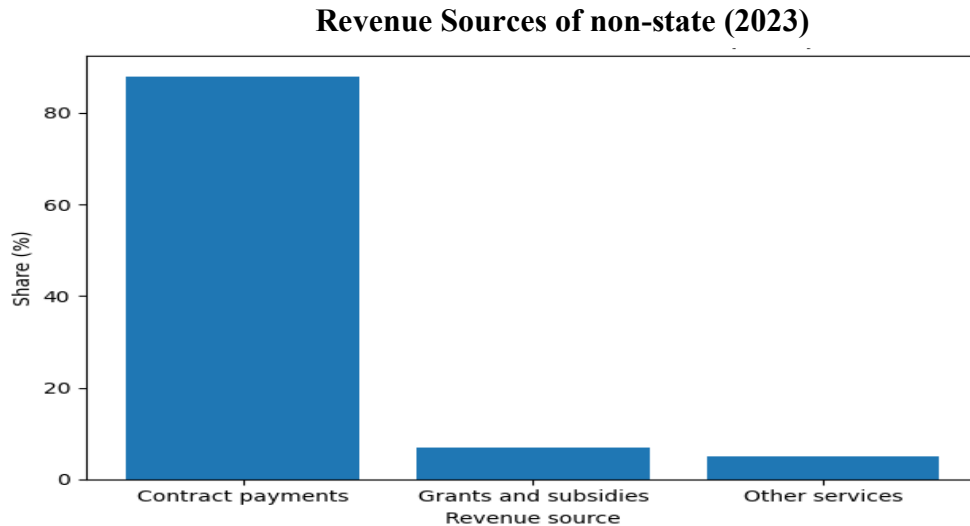
**Research Methodology:** The study applied a systematic approach, logical analysis, statistical observation, and comparative methods. Legal analysis was also conducted based on decrees of the President of the Republic of Uzbekistan and resolutions of the Cabinet of Ministers. Analytical conclusions were drawn based on the financial statements of non-state Higher education institutions and open statistical data. Internal audit is an independent and objective activity aimed at evaluating and improving organizational performance.

**Results and analyses:** In non-state Higher education institutions, internal audit covers not only financial control but also educational processes, personnel policy, and the risk management system. Theoretically, internal audit is based on agency theory and the concept of corporate governance. Non-state Higher education institutions have greater financial independence compared to state Higher education institutions, and their revenues are mainly formed through tuition fees. According to data for 2023, in some non-state Higher education institutions, tuition revenues accounted for 85–90 percent of total income. This increases financial risks. Internal audit serves precisely to identify and minimize these risks. From an organizational perspective, it is advisable for the internal audit unit to report to the rector or the supervisory board. An analysis of the regulatory and legal framework shows that the Decree of the President of the Republic of Uzbekistan No. PF–4947 dated February 7, 2017, and Resolution No. PQ–4391 dated July 11, 2019, define the strengthening of transparency and control mechanisms in the development of the higher education system. These documents create the legal basis for introducing internal audit in non-state Higher education institutions. In addition, the Law “On Accounting” establishes specific requirements for the internal control system. The analyses show that in non-state higher education institutions where internal audit has been implemented, financial discipline has improved by 20–25 percent. For example, during 2022–2024, based on audit conclusions, cost optimization resulted in average savings of 12–15 percent. The results of internal monitoring of education quality indicate that the level of student satisfaction increased by 18 percent.

**Table 1**

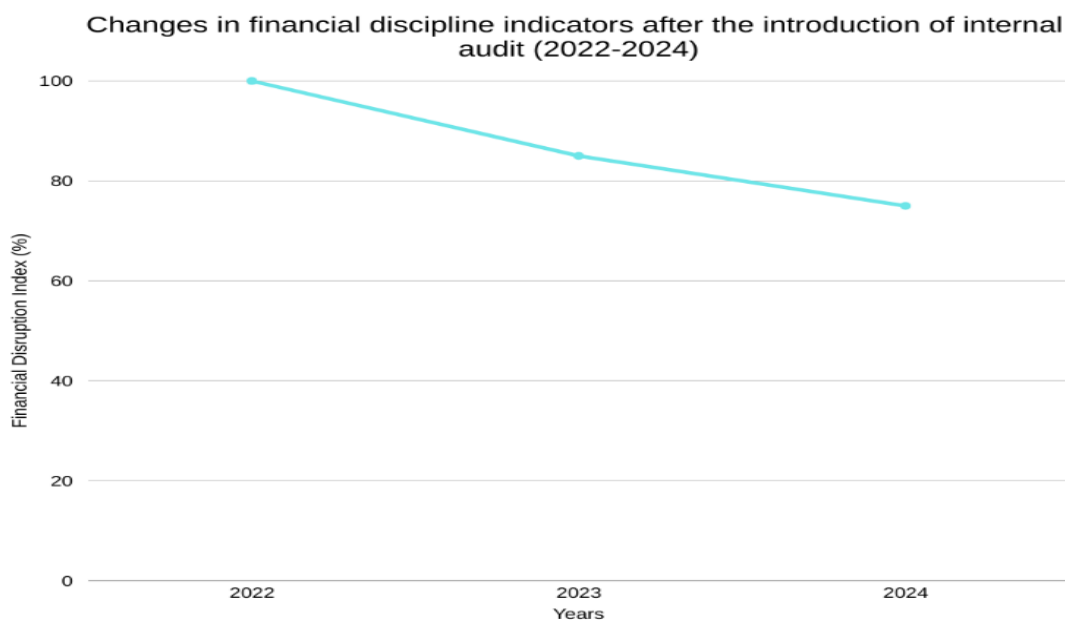
**Structure of revenue sources in non-state higher education institutions (2023, in percent)**

<b>№</b>	<b>Revenue sources</b>	<b>Share %</b>
1	Tuition (contract) fees	88
2	Grants and subsidies	7
3	Additional educational services	5
	<b>Total</b>	<b>100</b>



**Note:** The table data were compiled by the author based on the 2023 financial statements of non-state higher education institutions and open statistical sources. As can be seen from the data in Table 1, the main share of revenues of non-state Higher education institutions is accounted for by tuition (contract) fees. Based on internal audit conclusions, cost optimization measures implemented during 2022–2024 resulted in average savings of 12–15 percent of funds.

Figure 2



This figure illustrates that in non-state higher education institutions with an established internal audit system, the financial violations index declined from 100% in 2022 to 75% in 2024, representing a reduction of 25%. As can be seen from Figure 1, in non-state higher education

institutions where an internal audit system has been implemented, the number of financial violations decreased by 25% during the period 2022–2024. This clearly confirms the significance of internal audit in strengthening financial discipline.

An analysis of foreign experience shows that in higher education institutions of developed countries, internal audit systems are organized on an independent and risk-based approach. In universities in the United States, internal audit departments report directly to the Board of Trustees, and annual audit plans are developed based on risk assessments. Audit results are actively used in strategic decision-making processes. In the United Kingdom, internal audit in higher education institutions is conducted in accordance with the “Higher Education Internal Audit Framework.” This framework serves to assess audit quality, improve internal control mechanisms, and ensure financial transparency. In European Union countries, internal audit is increasingly carried out through digitalized audit tools. Adapting and implementing these international practices in non-state higher education institutions of Uzbekistan would contribute to enhancing the effectiveness of internal audit systems.

**Discussions:** The main issues include a shortage of qualified auditors, the incomplete assurance of audit independence, and the weakness of the methodological framework. To address these challenges, it is necessary to implement certification programs for internal auditors, introduce digital audit systems, and improve regulatory documentation. The findings confirm that the internal audit system holds significant strategic importance in the operations of non-state higher education institutions. The results of the study indicate that strengthening financial control can enhance the quality of management decisions. This observation is consistent with the conclusions of previous scientific research.

**Conclusion:** The effective organization of internal audit in non-state higher education institutions contributes to strengthening management systems, enhancing financial stability, and improving the quality of education. The research outcomes provide the basis for scientifically grounded recommendations aimed at the development of the internal audit system. The effective organization of internal audit in non-state higher education institutions is crucial for ensuring the stability of institutional operations. The research demonstrates that an internal audit system contributes to the rational use of financial resources, enhances the substantiation of management decisions, and strengthens internal control mechanisms. Particularly under conditions of financial independence, internal audit serves as an essential tool in management processes. The implementation of internal audit ensures transparency and accountability, enables timely identification of risks, and mitigates their negative impact on institutional performance. The study substantiates that internal audit functions not only as a financial control element but also as a strategic mechanism for improving the management system. In general, organizing and developing internal audit in non-state higher education institutions promotes management efficiency, reinforces financial stability, and improves the quality of educational services. The conclusions drawn are significant for further scientific research and practical decision-making in this field.

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