



INTERNAL AUDIT WORK BASED ON IMPROVEMENT

Elomonov Dadakhon Ozodullaevich

Tashkent State University of Economics

Abstract: The article examines the issues of improving the quality of internal audit work in the Republic of Uzbekistan based on international standards. The aim of the scientific work is to develop methodological and practical recommendations for the qualitative organization and implementation of internal audit work in the Republic of Uzbekistan.

Keywords: internal audit, work quality, efficiency, internal auditor, corporate governance, risk-oriented audit, international standards.

In the context of the digitalization of the economy, the reforms being implemented in our country serve to improve and increase the quality of each sector. As the President of the Republic of Uzbekistan Sh.M. Mirziyoyev noted: "An open market forces us to improve the quality of products, reduce costs, introduce new technologies, and accelerate the development of market reforms. Simply put, in the conditions of strong competition in all sectors of world production, improving corporate governance based on international experience is an urgent issue in order to improve the quality of products and services produced. In the effective implementation of corporate governance, internal audit plays a significant role. Therefore, today, great attention is paid to improving the quality of internal audit work based on international standards and experience.

It should be noted that in recent years, a lot of scientific research has been conducted in the world to improve internal control and auditing. Among these studies, one of the priority areas is the assessment of the quality of auditing activities and internal audit work and their improvement based on international standards.

The following foreign scientists conducted scientific research on the development of internal audit and improvement of work quality based on international experience and standards: Ann V. Phillips, W. Edwards Deming, James K. Paterson, Urton L. Anderson, Robert R. Moeller[4-8], Russian scientists O. Kryshkin, E. Menshikova, M. Stazhkova and others[9-11].

¹ Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. 20.01.2020 The scientific works of these scientists have studied issues such as improving the activities of internal audit services in business entities based on international experience, improving the quality of work based on international internal audit standards, and assessing and monitoring the effectiveness of internal audit activities . Improving internal audit based on international standards plays a major role in the qualitative organization and effectiveness of its work. Among the international standards used and



recognized in the practice of developed countries today, the following were shown for the organization of internal audit . Below, we consider improving the quality of internal audit work based on international audit standards and international standards of quality control. Among AXS, the following standards are directly reflected as standards aimed at ensuring and improving the quality of internal audit work: ISA-220 - Quality control during the audit of financial statements (Quality Management for now Audit of Financial Statements Compiled by the author based on research data. ISA-610-Using the Work of Internal Auditors (Using the Work of Internal Auditors) ³. These standards establish the following basic rules for the qualitative organization of an audit: ISA 220 requires the auditor to exercise quality control in conducting an audit. The official website of the Federation of Accountants sets out the procedures that must be followed. At the same time, this standard recommends adherence to the principles of the Code of Ethics. The standard places primary responsibility for the quality of the audit on the audit team manager, who is required to direct, control, and perform the audit based on the following requirements:

- management responsibility for audit quality;
- compliance with relevant ethical requirements;
- implementation of the audit on the basis of the principle of independence;
- accepting and maintaining relationships with clients, accepting and performing certain tasks;
- formation of a qualified audit team.

The rules for the use of internal audit information in the external audit process are given in IAS 610, and this standard is used only when an internal audit service is available.

The standard specifies the following basic requirements for involving internal auditors in performing audit activities:

- assessment of internal audit service;
- determine the scope and scope of work of the internal audit service that can be used;
- using the work of the internal audit service;
- determine the possibilities of involving internal auditors for direct participation in the audit;
- involving internal auditors to directly participate in the audit;
- documentation of cases using internal audit work.

All of these requirements are aimed at ensuring the quality of audit work and require great attention to the competence of internal auditors and the assessment of the work they perform. Accordingly, if the work of the internal audit service is assessed at a low level, or if the qualifications of internal auditors are insufficient, internal audit information and



services are not used in the audit process, which requires the high-quality organization of internal audit and maintaining the qualifications of internal auditors at a high level. In accordance with the Decree of the President of the Republic of Uzbekistan No. 6300 dated August 27, 2021 "On Measures to Further Improve the State Financial Control System", from January 1, 2022, in addition to the forms and types of control carried out by the Accounts Chamber of the Republic of Uzbekistan, financial audit, compliance audit, and performance audit have been introduced into practice.

In Figure 1 below, we can see the new types of controls introduced into practice by the Decree of the President of the Republic of Uzbekistan.

Ankara

Types of control carried out by the Accounts Chamber of the Republic of Uzbekistan ¹

Activity of the Accounts Chamber of the Republic of Uzbekistan

Financial audit. Accounting (budget) is used to assess the maintenance of accounts, the truthfulness of financial reports, the purposeful and legal use of financial resources and the completeness of income, as well as the legality of financial transactions.

Compliance audit. It is used in the use of consolidated and attracted budget funds, in the implementation of state purchases, as well as in ensuring the completeness of revenues and in business processes, in checking and assessing compliance with the requirements of regulatory legal documents and their compliance with state programs.

Performance audit. It is used to assess and analyze the effectiveness and efficiency of expenditures, subsidies, benefits and preferences in the audited object, the economy of the use of allocated funds, the achievement of set target indicators, the expediency and effectiveness of projects implemented at the expense of the consolidated budget and attracted funds, as well as the provision of state and regional programs with sources of financing.



This Decree tasked the Accounts Chamber of the Republic of Uzbekistan to become a member of the International Organization of Supreme Audit Institutions (INTOSAI) by October 1, 2022, in order to exchange experiences and apply best practices in practice.

At the 75th session of the INTOSAI Governing Council, held on November 23, 2021, the Accounts Chamber of the Republic of Uzbekistan was accepted as a full member of this organization. Membership will provide Uzbekistan with the opportunity to align public sector auditing with authoritative international standards. In the near future, the Accounts Chamber of the Republic of Uzbekistan plans to further develop cooperation with the supreme audit institutions of foreign countries that are members of INTOSAI.

In addition, by January 1, 2022, it was tasked with organizing the planning and conduct of external audit activities based on the International Standards of Supreme Audit Institutions (ISSAI), conducting financial, performance, and compliance audits within their framework, as well as developing and approving standards for implementing risk analysis in state financial control.

With a strong focus on improving the quality of audit work, in September 2020, the International Auditing and Assurance Standards Board (IAASB) issued three standards as a result of a major project to improve audit quality: International Standard on Quality Management 1. (International Standard on Quality Management 2. (ISA) 220 (Revised)

These standards are planned to enter into force in December of this year, and their application is aimed at increasing the quality of audit work, its management and control.

International Standard on Quality Management No. 1 focuses on quality management at the level of the individual audit organization, and the main components of a quality management system are shown in Figure 2 below.

This system is an integrated approach, in which each component must be involved in quality management.

Risk assessment. Risk-based auditing is the core of quality management

Compiled by the author on the basis of the studied data.

Determining the quality goals that the organization wants to achieve in the process of performing audit tasks;

- Identification and assessment of quality risks.
- Develop and implement measures in response to quality risks.

Management and leadership (*Governance and Leadership*).



New standard main attention quality to manage directed corporate to culture directed and of the world leader countries corporate management in the codes last changes to account received in case auditing organizations to the management to be placed following requirements forms : of responsibility exactly designation , quality management system annual to evaluate transfer necessary , necessary skill , influence and authority level of management himself efficiency periodic check , necessary organizational structure determination , obligations distribution , resourceful from the basics as is considered . We It is known that today on the day internal audit improved shape both exactly at risk directed internal Risk assessment consists of three main components in this new system :

Resources . In addition to human resources, this standard expresses the requirements for the application and improvement of technological resources and intellectual resources in quality management.

The information and communications component provides for the establishment of an information system that provides information exchange in the organization.

The monitoring and remediation component implies that when deficiencies are identified, they should be reported to the management of the audit organization and other members of the audit team.

International Standard on Quality Management No. 2 sets out the procedures for reviewing the quality of audit engagements performed. Such reviews are known in international practice as "Engagement Quality Reviews" ("EQR"), i.e., quality reviews of the audit engagement. This standard specifies such issues as the appointment of an EQR

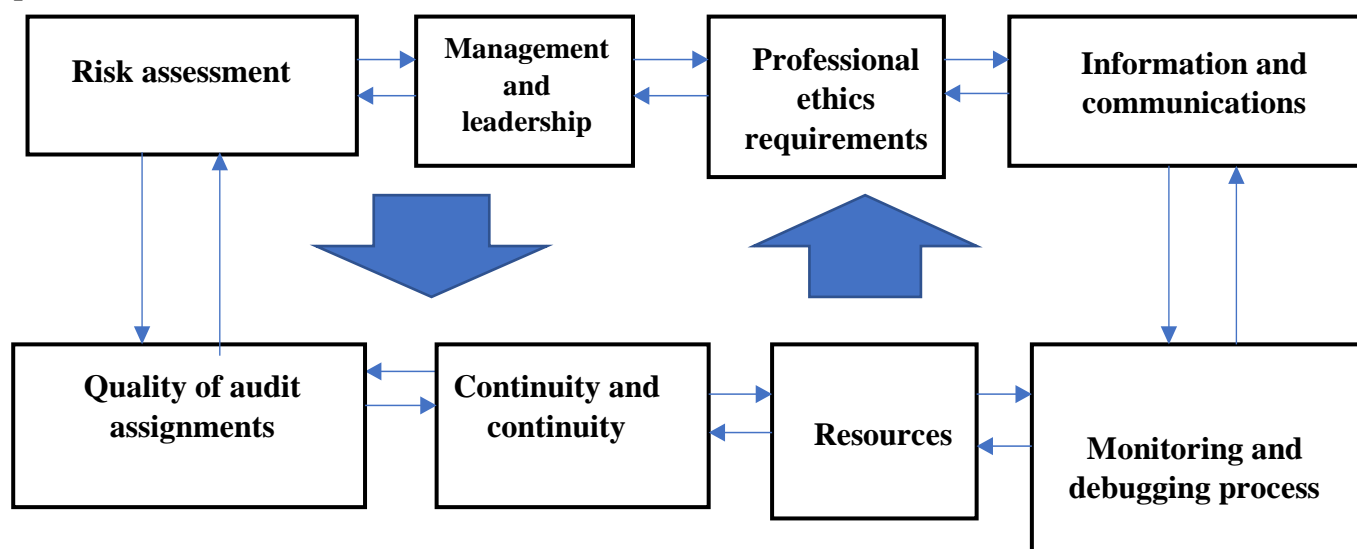


Figure 2. Components of audit quality management system at the level of individual organization



partner, i.e., the responsible person, the procedures for documenting and conducting the audit, etc. for monitoring the quality of the engagement. This is a key part of the quality control mechanism. The standard provides the auditor with the basis for an objective assessment of the quality of the engagement, and the evaluator evaluates the activities of the audit team and the lead auditor. Of course, ongoing monitoring of the engagement ensures its quality. The revised ISA No. 220 defines more clearly the responsibility for ensuring and managing audit quality. It provides for the constant active participation of audit team managers (lead auditors) in the audit process. This standard also requires that all members of the audit organization adhere to the principle of skepticism to a sufficient extent. That is, during the audit process, the auditors should approach the data and documents of the business entity with skepticism and examine them in detail, ensuring a "high level of reliability".

In conclusion, the requirements of the international standards considered in this article are closely related to the requirements of the international internal audit standards, and compliance with the procedures set out in these standards is of great importance in organizing internal audit work, determining strategic goals, and improving the quality of work.

Based on this, we believe that it is necessary to establish an internal control mechanism to improve the quality of internal audit work.

It would be appropriate to establish the internal control mechanism in the internal procedures of the business entity and review periodic reports on this by the Supervisory Board. When developing the internal control mechanism, the following main directions aimed at improving the quality of internal audit work should be taken into account:

First, the appointment of a person responsible for internal audit inspections and quality performance of tasks. The responsibility for the quality performance of audit tasks is assigned to the manager of the internal audit group, and ensures that the audit task is performed based on the requirements of the legal procedure and the code of ethics.

Secondly, in accordance with the requirements of international quality management standards, the appointment of a person to monitor and evaluate the quality of internal audit work, its objective assessment of the activities of the internal audit service, the activities of the audit team, and the quality of work of each internal auditor leads to the improvement of the quality of internal audit work. In this case, a member of the Supervisory Board or the Audit Committee may be designated as the evaluator.

Thirdly, ensuring that internal auditors operate on the basis of the principle of competence, setting and implementing requirements for continuous improvement of their knowledge and skills according to international standards is one of the main requirements for improving the quality of internal audit work.

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