THE ROLE OF INTERNATIONAL STANDARDS IN IMPROVING INTERNAL AUDIT QUALITY: EXPERIENCE OF DEVELOPED COUNTRIES AND MODERN APPROACHES

Ergashev Olloyor Furqat o‘g‘li
Base Doctoral Student of the Samarkand Branch of
Tashkent State University of Economics
https://orcid.org/0009-0003-2654-1534
ergashevolloyor53@gmail.com

Abstract. This article analyzes the importance of international audit standards in improving internal audit quality, the experience of developed countries, and modern audit approaches. During the research, institutional and organizational mechanisms for improving the internal audit system based on international audit standards were studied. In addition, proposals and recommendations for enhancing internal audit quality were developed based on advanced audit practices applied in the United States, the United Kingdom, and European countries. The results of the study show that adaptation to international standards is an important factor in the development of the internal audit system.

Keywords: internal audit, audit quality, international audit standards, corporate governance, audit risks, internal control, audit efficiency.

Introduction

In the context of the global economy, the institution of internal audit plays an important role in ensuring the effectiveness of corporate governance systems. In particular, internal audit has become a strategic instrument for strengthening financial discipline, managing risks, and ensuring the soundness of managerial decision-making within organizations.

In recent years, the increasing complexity of corporate governance systems, the digitalization of business processes, and the expansion of risk factors have significantly increased the demand for effective internal audit systems. Therefore, organizing internal audit activities in accordance with international standards has become a pressing issue.

Improving internal audit quality is considered one of the most important directions of modern corporate governance systems. The quality of internal audit is determined not only by the technical level of audit procedures but also by the independence and objectivity of the audit function, the methodological soundness of the audit process, the practical value of audit recommendations, and the impact of audit results on management decisions. Therefore, the evaluation and improvement of internal audit quality based on international professional standards are essential from both scientific and practical perspectives.

Currently, the most important regulatory and methodological framework in this area is the **2024 International Professional Practices Framework (IPPF)** developed by the **Institute of Internal Auditors**, as well as its central component, the **Global Internal Audit Standards**. These standards were announced in 2024 and came into force on January 9, 2025. The Institute of Internal Auditors emphasizes that these standards serve as a fundamental basis for evaluating and improving internal audit practices.

Compared with the previous 2017 model, the new IPPF structure has been formed in a more systematic way and consists of three main components: **Global Internal Audit Standards**, **Topical Requirements**, and **Global Guidance**. This approach aims to support internal audit quality not only through general principles but also through specific risk areas and practical audit activities.

In particular, **Topical Requirements** were introduced to strengthen the consistency of audit services and approaches related to specific audit topics, while **Global**

Guidance provides recommendations for the effective practical application of standards. In addition, **Global Technology Audit Guides (GTAG)** provide internal auditors with specific methodological guidance on information technology audits and information security controls. These aspects are particularly important for improving the quality of digital audits, IT risk audits, and cybersecurity control assessments.

The **Global Internal Audit Standards** are structured around five domains that define the conceptual foundation for improving internal audit quality:

- **Domain I** – Purpose of Internal Auditing
- **Domain II** – Ethics and Professionalism
- **Domain III** – Governing the Internal Audit Function
- **Domain IV** – Managing the Internal Audit Function
- **Domain V** – Performing Internal Audit Services

These domains establish the fundamental principles and requirements aimed at ensuring the effectiveness, independence, and quality of internal audit activities in organizations.

This structure ensures the quality of internal audit not only at the final stage of the audit process but throughout all stages—from defining the objectives of the audit to ethical conduct, relationships with governance bodies, resource allocation, quality control, and the performance of audit services. Therefore, when discussing internal audit quality, it refers not only to the quality of the audit examination itself but also to the integration of the audit function with the entire governance system.

One of the most important features of these standards is that they are built around **15 guiding principles**. These principles represent the fundamental requirements necessary for the effective functioning of internal audit activities. Based on these principles, criteria for assessing internal audit quality can be developed. For example, internal audit quality can be measured through the

following structural elements: the auditor's integrity and ethical position, professional due care, independence from management, adequate resource provision, the existence of mechanisms for continuous quality improvement, and the methodological consistency in performing audit engagements. Thus, international standards serve not merely as a theoretical concept but as a practical model for evaluating internal audit quality.

In improving internal audit quality, **Domain II – Ethics and Professionalism** occupies a special place. This is because audit quality largely depends on the ethical behavior and professional stance of the auditor. Within this domain, requirements such as integrity, objectivity, competence, professional due care, and professional skepticism are established. In particular, the standards require internal auditors to apply professional skepticism when planning and performing audit engagements. This means that auditors should not accept information superficially but must critically evaluate its reliability. Such an approach increases the quality of audit conclusions, the sufficiency of audit evidence, and the reliability of recommendations.

The second pillar of internal audit quality is **Domain III – Governing the Internal Audit Function**. This domain ensures the institutional independence of internal audit. In particular, **Principle 6 – Authorized by the Board** states that the mandate of the internal audit function must be determined by the board of directors or an equivalent governing body. This ensures that internal audit does not become dependent on the executive management and that the audit function is supported at the strategic level. Authorization of the internal audit function by the governing body is considered a fundamental guarantee of audit quality, because without independence, audit quality may become merely formal.

Within this domain, **Principle 8 – Overseen by the Board** and its related standards—**Standard 8.1 Board Interaction**, **Standard 8.2 Resources**, **Standard**

8.3 Quality, and **Standard 8.4 External Quality Assessment**—are particularly important in improving internal audit quality. These standards require that the internal audit function maintain direct communication with the board of directors, be provided with sufficient resources, implement a quality assurance and improvement program, and undergo external quality assessments. These elements represent the core standards for ensuring internal audit quality. In particular, **Standard 8.3** requires the chief audit executive to develop, implement, and maintain a **Quality Assurance and Improvement Program (QAIP)** covering all aspects of internal audit activities. This program not only monitors internal audit performance but also ensures its continuous improvement.

The most important requirements that practically strengthen internal audit quality are reflected in **Principle 12 – Enhance Quality** and its related standards. According to this principle, the chief audit executive is responsible for ensuring that the internal audit function complies with the **Global Internal Audit Standards** and for promoting continuous improvement in its activities. In accordance with this principle, **Standard 12.1 – Internal Quality Assessment** requires the establishment of internal evaluation procedures. These include ongoing monitoring, periodic self-assessment, identification of deficiencies, and the development of corrective action plans. Therefore, audit quality is not considered a one-time control activity but rather a continuous process that is regularly measured and improved.

Another important area that directly influences internal audit quality is **Domain IV – Managing the Internal Audit Function**. This domain is related to the management of the internal audit function, the development of methodologies, annual planning, allocation of resources, determination of quality indicators, and monitoring activities. Based on this domain, internal audit is viewed not merely as an inspection body but as a professional function with its own internal management system. In practice, this approach ensures the sustainability of audit quality, because

audit quality is determined not only by the competence of individual auditors but also by the methodological robustness of the entire function.

The outcome-oriented aspect of audit quality is ensured through **Domain V – Performing Internal Audit Services**. This domain covers processes such as planning audit engagements, collecting and analyzing evidence, communicating results, and reporting the acceptance of risks. The main objective here is to ensure the reliability of audit conclusions, the sufficiency of evidence, and the practical relevance of recommendations. If the previous domains guarantee the organizational and ethical quality of the audit function, **Domain V** ensures the quality of the audit output itself. Therefore, when discussing internal audit quality in this article, it is appropriate to present the system of standards according to the logic of **"input – process – output."**

Table 1.

Domains and Key Principles of the Global Internal Audit Standards

№	Domain	Principle Name	Description
1	Domain I: Purpose of Internal Auditing	Demonstrate Integrity	Internal auditors must adhere to integrity and professional ethical standards in their activities.
2		Maintain Objectivity	Auditors should make independent and unbiased judgments.
3		Demonstrate Competence	Auditors must possess the necessary knowledge, skills, and professional

			experience.
4	Domain II: Ethics and Professionalism	Exercise Professional Care	Auditors must perform audit engagements with professional due care.
5		Maintain Confidentiality	Information obtained during the audit process must be kept confidential.
6	Domain III: Governing the Internal Audit Function	Authorized by the Board	The internal audit function must be authorized by the board of directors.
7		Positioned Independently	Internal audit should be structurally independent within the organization.
8		Overseen by the Board	Internal audit activities should be overseen by the board of directors.
9	Domain IV: Managing the Internal Audit Function	Plan Strategically	Internal audit activities should be conducted based on strategic planning.
10		Manage Resources	Resources allocated for audit activities must be

			managed effectively.
11		Communicate Effectively	Audit results should be clearly communicated to stakeholders.
12		Enhance Quality	Audit activities require continuous quality control and improvement.
13	Domain V: Performing Internal Audit Services	Plan Engagements Effectively	Audit engagements must be carefully planned.
14		Perform Engagements	Audit procedures must be carried out in accordance with international standards.
15		Communicate Engagement Results	Audit results should be presented in the form of substantiated conclusions and recommendations.

Improving the quality of internal audit cannot be limited only to the standards developed by the **Institute of Internal Auditors**. Alongside these standards, the

COSO Internal Control – Integrated Framework and the **COSO Enterprise Risk Management Framework** also serve as important scientific and practical foundations. The main objective of COSO is to provide a conceptual framework for internal control, fraud prevention, governance, and risk management. In particular, the **Enterprise Risk Management – Integrating with Strategy and Performance** approach focuses on integrating organizational strategy with risk management processes. This approach supports risk-based planning in internal audit and helps provide a scientific basis for determining audit priorities. Thus, COSO should not be viewed as a formal standard but rather as a fundamental framework that supports high-quality, risk-based internal auditing.

In addition, the **IIA Three Lines Model** represents an important methodological basis for defining the role of internal audit within the corporate governance system. According to this model, internal audit represents the **third line**, providing independent and objective assurance and advisory services alongside the first and second lines responsible for management and risk management functions.

This model strengthens two essential conditions for ensuring internal audit quality. First, it ensures the institutional separation of internal audit from other control and management functions. Second, it guarantees the provision of independent evaluations to management and the governing body. Therefore, when analyzing the institutional factors influencing internal audit quality, it is appropriate to incorporate the Three Lines Model as an essential analytical framework within the study.

The study demonstrates that improving internal audit quality is a critical component of strengthening corporate governance systems in modern organizations. In the context of increasing business complexity, digital transformation, and expanding risk environments, internal audit has evolved from a traditional control

function into a strategic mechanism that supports risk management, transparency, and effective decision-making.

The analysis shows that international professional standards play a central role in ensuring the effectiveness and quality of internal audit activities. In particular, the Institute of Internal Auditors framework—especially the International Professional Practices Framework (IPPF) and the Global Internal Audit Standards—provides a comprehensive methodological basis for organizing, managing, and evaluating internal audit functions. The five-domain structure of these standards ensures that audit quality is maintained throughout the entire audit cycle, from defining objectives and ensuring ethical conduct to performing audit engagements and communicating results. The research also highlights that internal audit quality is not determined solely by the technical execution of audit procedures but by a broader system of institutional, organizational, and professional factors. In particular, auditor competence, independence of the audit function, effective oversight by the board, and the implementation of quality assurance and improvement programs are identified as key determinants of audit effectiveness.

Furthermore, complementary frameworks such as the COSO Internal Control – Integrated Framework, the COSO Enterprise Risk Management (ERM) model, and the IIA Three Lines Model significantly contribute to strengthening the methodological and institutional foundations of internal audit. These approaches support risk-based auditing, clarify the role of internal audit within corporate governance structures, and enhance the independence and objectivity of the audit function.

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