



THE BENEFITS OF EXTERNAL AUDIT BASED ON AN INTERNATIONAL STANDARD

Babayeva Guzal Yashinovna

Tashkent State University of Economics, Associate Professor of the Department of Banking Accounting and Auditing
babaeva-guzal@mail.ru

+99893 563 40 83

Sagdiana Doniyor qizi Namozova

Tashkent State University of Economics, 4th year, BIA-40/21r group

19wolf30@gmail.com

+998 90 067-19-10

Article history:		Abstract:
Received:	26 th March 2025	In the context of globalization and increasing demands for financial transparency, the adoption of International Standards on Auditing (ISA) plays a crucial role in improving the quality of external audits. This paper examines both theoretical and practical aspects of implementing ISA in Uzbekistan, with a particular focus on the banking sector. It highlights the regulatory framework, audit procedures, and the economic benefits of applying international standards. Using the audit of the National Bank for Foreign Economic Activity of Uzbekistan as a case study, the paper identifies key challenges and provides recommendations for enhancing audit practices in line with global standards.
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INTRODUCTION

In the context of rapid globalization and increased cross-border economic activity, transparency of financial information is becoming the basis for sustainable development and effective functioning of capital markets [8]. The International Standards on Auditing (ISA), developed by the International Federation of Accountants (IFAC), ensure comparability, reliability and objectivity of financial statements [1]. This is especially true for countries with emerging market economies, such as Uzbekistan, where the banking and corporate sectors are being reformed, and investor confidence is still being formed [10]. The purpose of this study is to identify the advantages of introducing ISAs into the audit practice of Uzbekistan using the example of the banking sector, as well as to identify existing barriers and suggest ways to overcome them.

METHODOLOGY

The study is based on a comparative legal analysis of national and international auditing standards, the study of the regulatory framework of Uzbekistan, theoretical sources and a practical case study - the audit report of the National Bank of the Russian Federation, prepared according to the ISA [5]. Analytical methods were used: comparative, normative, substantive and visual analysis. To substantiate the conclusions, a table of comparative characteristics and a graph of the dynamics of the development of the audit sector in Uzbekistan from 2018 to 2023 are presented.

RESULTS

An analysis of the process of implementing International Standards on Auditing (ISA) in Uzbekistan shows significant positive changes in the country's auditing practices, especially in the banking sector. Since 2021, the provisions of the updated law "On Auditing" have entered into force, providing for the mandatory application of ISAs when conducting external audits of large organizations. This has become an important step in reforming financial reporting and increasing confidence in audit reports from international partners and investors.

A comparison between the National Standards on Auditing (NSA) and the ISA revealed significant differences in a number of key parameters:

- ISAs apply a risk-based approach, while the NSA until 2018 relied mainly on formal and legal verification;
- ISAs are structured according to logical blocks (ISAs 100-899), which simplifies application and control;
- ISAs place high demands on audit evidence, which increases transparency and reliability of conclusions;
- Standards enhance the role of external control and reduce the likelihood of conflicts of interest;
- ISAs encourage the use of modern digital technologies such as data analysis, AI and blockchain, which is especially important in the context of global digital transformation [7].



Table 1
Comparative characteristics of NSO and ISA in the context of external audit in Uzbekistan

Criterion	National Standards on Auditing (NSA)	International Standards on Auditing (ISA)	The advantage of an ISA
Methodology	Formal legal review of financial statements	Risk-based audit approach	Flexibility and precision
Structure	Unsystematic facts before 2018	Logically constructed blocks (ISA 100-899)	Ease of use
Documentation	General requirements without detailed regulation	Standardized requirements for audit evidence	Increased transparency
Audit quality	Depending on the auditor's subjective experience	It is provided through standardized procedures	Uniform quality in different organizations
Auditor's independence	It is mentioned, but not specified	It is subject to mandatory verification and documentation	Reducing conflicts of interest
The role of regulators	Limited, with inconsistent functions	Implies external and internal control	Increasing confidence in audit results
Technology application	Limited, basic software usage	Focus on digital methods (data analysis, AI, blockchain)	Increased efficiency and accuracy
Recognition abroad	Limited, adaptation required	Direct recognition and trust from foreign investors	Simplification of international cooperation
Examples of implementation in Uzbekistan	The audit is conducted by the NSO in part of the organizations	Mandatory for banks, insurance companies and large enterprises from 2021.	Growth of international competitiveness

Source: compiled by the author

In practice, the positive effects of the introduction of ISAs have manifested themselves in improving the quality of audits, including in banks. An example is the audit of the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan (NBED

RU), conducted in accordance with the ISA. This audit made it possible to identify and minimize risks, improve internal controls and ensure a higher level of trust from foreign investors.

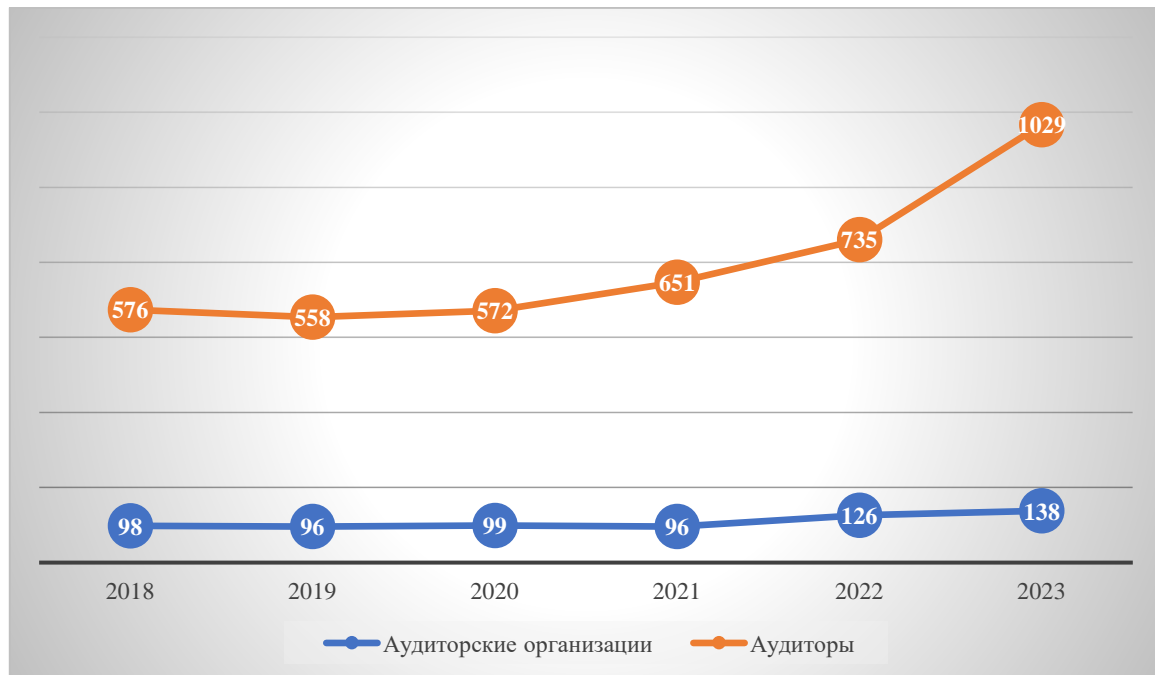


Figure 1. Dynamics of the number of auditors and audit organizations in Uzbekistan (2018-2023)

Source: compiled by the author based on the data www.uzaudit.uz

Additionally, the analysis of statistical data showed an increase in the number of certified auditors and audit organizations in Uzbekistan. While their number was limited in 2018, by 2023 the number of industry professionals exceeded 1,000, and the number of licensed audit organizations increased significantly. This confirms the formation of a stable professional environment and the growing attractiveness of the auditing profession. It should also be noted that after the introduction of the ISA, there has been an increase in international activity: foreign audit companies are entering the country, new contracts are being signed with international financial institutions, and the interest of foreign investors in the transparency of Uzbek companies' financial statements is increasing. Coordination between the Central Bank, the Ministry of Finance, and professional associations has increased. Training programs are being developed, staff is being retrained, and platforms for the exchange of experience are being created. All these steps demonstrate the country's progress towards meeting global standards.

An analysis of the audit report prepared by Marikon Audit on the financial statements of NBU INVEST GROUP JSC for 2023 showed that Uzbekistan is making steady progress in applying International Standards on Auditing (ISA). Globally recognized standards are increasingly being implemented in the practice of Uzbek audit organizations, especially those

that serve large public and private enterprises. This report has a clear structure that meets the requirements of the ISA: the financial statements contain the auditor's opinion, information on the principles applied, disclosure of significant aspects of the company's financial condition, as well as a description of the audit methods used. This indicates that the audit company has qualified specialists who know the methodology of the international level.

Discussion

The results of the analysis show that in recent years Uzbekistan has been consistently implementing international auditing standards, which indicates the country's desire to integrate into the global economic system. This is especially important in the context of open financial markets, attracting foreign investment, and the need to increase confidence in corporate reporting. The auditor's report on NBU INVEST GROUP JSC demonstrates a formal and structural transition to ISA standards, including compliance with the requirements for independent opinion, disclosure of information, and description of the scope of audited procedures. This indicates the growing professionalism of audit organizations and the strengthening of internal discipline in conducting audits.

The adaptation of international auditing standards in Uzbekistan is not yet comprehensive. One of the most important problems remains the level of



personnel training, especially in regional audit firms. Many auditors still have difficulty interpreting the complex provisions of the ISA, and the lack of practical cases at the national level makes it difficult to train. This indicates the need to reform the educational system in the field of auditing and accounting, introduce specialized advanced training courses, as well as the active participation of foreign experts and international organizations in the training process.

An important factor hindering the effective application of ISAs is the limited technical and digital resources of audit organizations. Modern auditing requires the introduction of information systems that allow for detailed analysis, processing large amounts of data, and ensuring transparency of procedures. However, a number of audit firms, especially private and small ones, are still dominated by outdated approaches and manual document processing, which significantly reduces the effectiveness of audits and increases the risk of a human factor.

An additional problem remains the lack of harmonization of national legislation with international auditing practices. Despite the official recognition of the ISA, in practice auditors often face legal contradictions and uncertainty in the regulation of individual procedures. This indicates the need to review a number of regulations, as well as to create a unified strategy for the implementation of ISAs, including taking into account the views of practitioners.

Despite these challenges, the overall picture remains positive. The use of ISAs in auditing contributes to the growth of investor confidence, increased transparency and responsibility of business, as well as strengthening the image of Uzbekistan as a reliable economic partner. Audit reports that comply with international standards are becoming not only a financial control tool, but also an important element of corporate governance and strategic development.

Conclusion

The analysis confirms the importance and relevance of the implementation of International Standards on Auditing (ISA) in the auditing practice of Uzbekistan, especially in the financial and banking sectors. ISAs contribute to improving the quality of audit services, strengthening investor confidence and ensuring comparability of financial statements with international requirements. The use of these standards, as shown by the example of the audit of NBU INVEST GROUP JSC, allows for greater transparency, objectivity and legal protection for both companies and external stakeholders.

To increase the effectiveness of the implementation of ISAs in Uzbekistan, a systematic and integrated approach is needed, covering all levels of the audit system. First of all, educational programs focused on the practical application of standards should be strengthened. This includes the development of certified courses for auditors, regular trainings and internships, as well as cooperation with international professional organizations.

The second key area is the development of digital infrastructure. It is necessary to introduce automated systems for the collection and analysis of audit data, which will improve the accuracy, efficiency and reliability of audits. Government support in the form of grants, concessional financing, and tax incentives for the digitalization of small and medium-sized audit businesses will be an effective tool in this process. It is also recommended to review and unify the regulatory framework, eliminating contradictions between national norms and international standards. This will provide legal certainty and protection for auditors and audited entities. Strengthening interagency cooperation between the Central Bank, the Ministry of Finance, educational institutions and professional associations will allow for more effective coordination of efforts to modernize the audit environment. Finally, it is important to develop a culture of corporate transparency among companies, especially in the non-governmental sector. Increasing management awareness of the benefits of implementing ISAs, including risk reduction, improved reputation, and access to foreign investment, will be an important factor in sustainable economic development.

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