

ENHANCING AUDIT QUALITY ASSESSMENT THROUGH THE APPLICATION OF INTERNATIONAL STANDARDS

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Abstract. This study examines the methodological foundations of audit quality control in the context of auditors' compliance with the requirements of International Standards on Auditing and other regulatory frameworks governing auditing activities. The paper analyzes key components of audit quality, including auditor independence, professional competence, integrity, and the effectiveness of internal quality control systems within audit firms. Particular attention is given to the role of audit procedures and risk-oriented approaches in ensuring the reliability of audit outcomes. Furthermore, the study explores practical challenges in implementing quality control mechanisms and highlights the importance of aligning national auditing practices with internationally recognized standards. The findings emphasize that the consistent application of International Standards on Auditing enhances the credibility of audit opinions and contributes to improving transparency and trust in financial reporting.

Key words: Audit quality, independence, audit engagement, integrity, internal control, International Standards on Auditing, audit procedures, audit opinion.

INTRODUCTION. In recent years, auditing activity has reached a high level of development in many countries around the world, driven by the increasing complexity of economic processes and the growing demand for transparency in financial reporting. To ensure the effective functioning of auditing practices, numerous legal frameworks, regulatory acts, and professional standards have been developed and implemented. In this context, audit quality control represents a fundamental stage of the audit process, serving as a key mechanism for ensuring compliance with established auditing standards and enhancing the reliability of audit outcomes.

One of the essential roles of auditing lies in providing an independent and objective assessment of the accuracy and fairness of annual financial statements. Through the issuance of an audit opinion, auditors effectively assign a form of "quality assurance label" to the financial performance of an economic entity, thereby increasing stakeholders' confidence. Moreover, auditing contributes to business analysis by enabling users—particularly investors—to evaluate investment policies and assess the likelihood of future dividend distributions. In this regard, auditors are expected not only to verify historical financial information but also to critically evaluate both short-term and long-term forecasts related to the client's business development.

Furthermore, audit firms, including those operating within consulting structures, are increasingly adapting to advancements in scientific and technological progress, as well as improvements in management practices. This evolution requires continuous enhancement of audit methodologies and quality control systems. Consequently, ensuring high audit quality has become a critical priority for both regulators and practitioners.

In the context of the Republic of Uzbekistan, significant reforms have been undertaken to strengthen the auditing profession. In particular, the Presidential Resolution No. PQ-3946, titled "On measures to further develop auditing activities in the Republic of Uzbekistan," outlines key priorities, including the introduction of modern forms of control and the enhancement of responsibility for violations of auditing legislation. Notably, the resolution emphasizes the establishment of an effective and modern system of external quality control for audit organizations. These reforms are especially relevant for entities of public interest, including state-regulated organizations, socially significant

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institutions, and publicly accountable companies, where audit quality directly affects public trust and economic stability.

ANALYSIS AND RESULTS. Following a series of financial crises and corporate scandals in the United States, the Sarbanes–Oxley Act was enacted in 2002, marking a significant shift from self-regulation within the auditing profession toward independent public oversight. As part of this reform, the Public Company Accounting Oversight Board was established to oversee the audits of public companies with the primary objective of protecting investors’ interests and enhancing public confidence in financial reporting.

At the international level, the Regulation (EU) No. 537/2014 of the European Parliament and the Council introduced specific requirements for the statutory audit of public-interest entities. This regulation underscores the critical public role of auditors, emphasizing that the reliability of audit conclusions directly influences stakeholders’ trust in audit firms and the auditing profession as a whole.

In addition, the principles of audit quality oversight have been articulated by the International Forum of Independent Audit Regulators, which объединяет regulators from more than 55 countries, including CIS member states. IFIAR’s core principles are aimed at strengthening independent audit oversight worldwide. These include, among others, the requirement that audit regulators operate independently and possess the authority to make decisions without external interference, as well as the obligation to conduct periodic inspections of audit firms, particularly those auditing public-interest entities, to ensure compliance with professional standards, independence requirements, and relevant laws.

The United Kingdom represents a well-established model of independent audit oversight, with longstanding experience in regulatory supervision. Currently, reforms are being implemented within the Financial Reporting Council to further enhance the effectiveness of audit quality control mechanisms.

The overall system of audit quality control is based on several interrelated elements, including auditors’ personal and professional attributes—such as integrity, objectivity, independence, professionalism, and competence—as well as the proper allocation of responsibilities within audit teams. It also encompasses supervision over compliance with auditing standards and the effectiveness of internal quality control policies and procedures within audit firms.

Audit quality control should be organized across three main stages: preliminary, ongoing, and subsequent control. In practice, preliminary control is implemented through the certification and licensing of auditors and audit firms. Ongoing control operates in two directions: supervision of individual audit engagements and overall quality management within audit firms. Subsequent control is primarily carried out through external oversight mechanisms.

The organization of audit quality control includes key components such as quality criteria, control directions, and forms of control. The main criteria are derived from national legislation on auditing, licensing requirements, professional ethical standards, and the International Standards on Auditing.

Audit quality control can be classified into two principal directions: control over individual audit engagements and general quality control procedures within audit organizations. The former includes ensuring auditor independence, monitoring ongoing audit work, and verifying compliance with applicable standards. The latter encompasses broader organizational aspects such as independence policies, staff assignment, consultation procedures, supervision, recruitment, professional development, promotion, client acceptance and retention, and compliance monitoring.

In practice, audit quality control is implemented in three main forms. First, supervision by the engagement partner over assistants, ensuring proper guidance, task allocation, and accountability. Second, internal quality control exercised by the audit firm’s management, including review of audit

plans and programs, adherence to ethical principles, and, where applicable, independent internal reviews of completed audit engagements. Third, external quality control conducted by state authorities on a mandatory and periodic basis in accordance with applicable legislation.

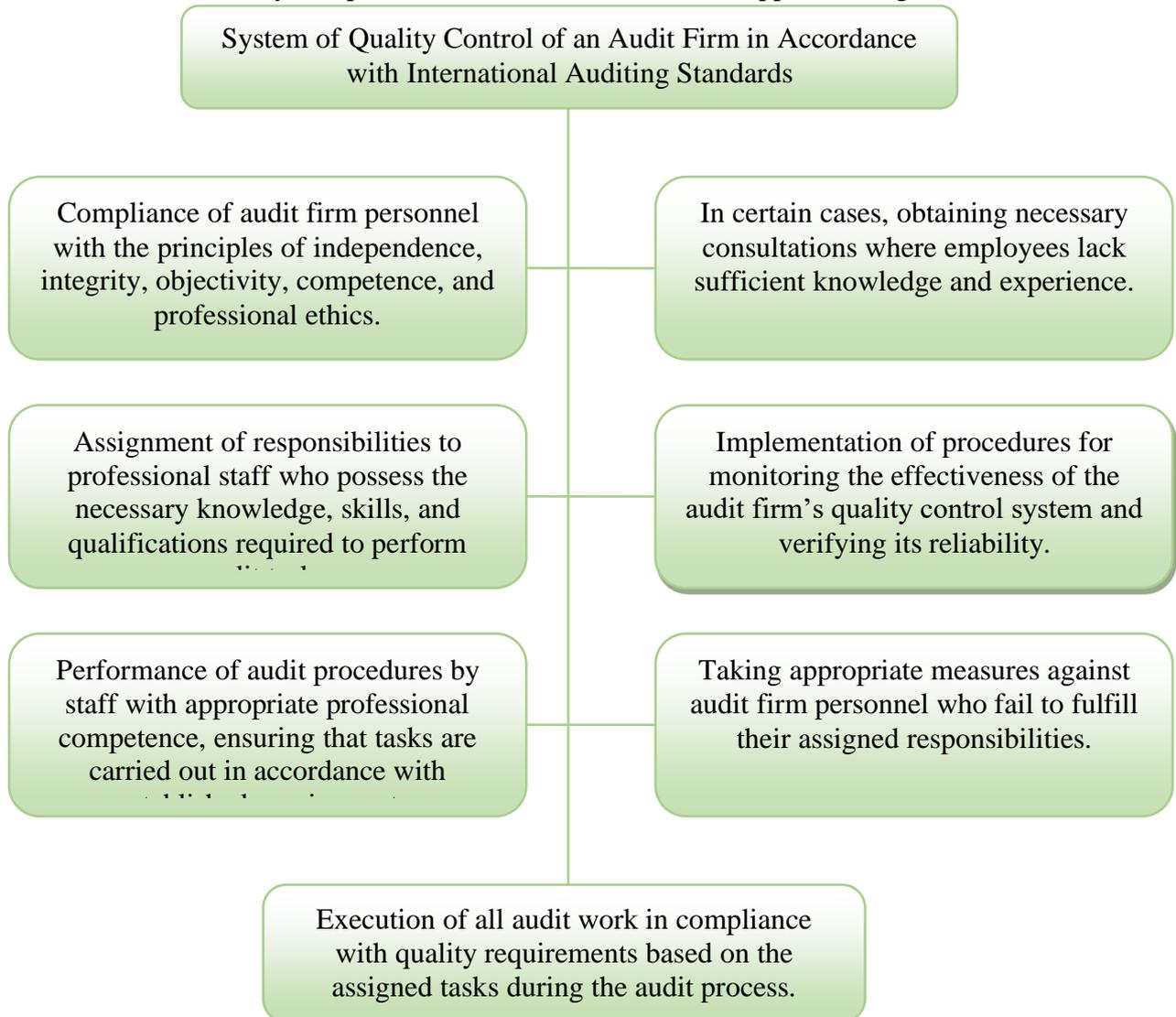


Figure 1. System of quality control of an audit firm in accordance with International Standards on Auditing¹.

The objects of external audit quality control typically include internal standards of audit firms, internal quality control systems, and individual audit engagements. Accordingly, external inspections may be grouped into three categories: (i) assessment of the existence and compliance of internal standards with ISA requirements; (ii) evaluation of the design and effectiveness of internal quality control systems; and (iii) review of individual audit engagements, including compliance with auditing standards, adequacy of audit documentation, and implementation of internal quality control procedures during the audit process.

Finally, the legal framework governing audit quality control in many jurisdictions, including CIS countries, is based on the principles of the International Standards on Auditing and the broader

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concept of audit quality. Regulatory systems typically include licensing of auditors and audit firms, standard-setting, quality assurance mechanisms, and disciplinary measures in cases of non-compliance or improper audit performance. At the national level, these functions are usually carried out by independent regulatory bodies, professional accounting organizations, or a combination of both.

Thus, current regulatory documents outline various forms of organizing audit quality control and highlight their specific dimensions and features.

Experts of the Chamber of Auditors of Uzbekistan have conducted studies on both external quality control of audit firms and the internal quality control systems applied in ongoing audit engagements. One of the primary tasks in evaluating internal quality control systems is to verify auditors' compliance with legislative acts governing auditing activities, national auditing standards, and the Code of Professional Ethics of Auditors in Uzbekistan. In this regard, particular emphasis is placed on the effectiveness and proper functioning of the internal quality control system within audit organizations.

An effectively designed and consistently implemented internal quality control system has become a key determinant in ensuring the high quality of audit engagements. Such systems contribute to enhancing the reliability of audit results, strengthening professional accountability, and increasing stakeholders' confidence in audit opinions.

CONCLUSION. Audit firms provide audit engagements and related professional services on a contractual basis. Based on the analysis of internal and external audit quality control practices and the evaluation of their implementation mechanisms, the following conclusions can be drawn:

The legal framework governing auditing activities clearly defines the procedures for conducting audit engagements and establishes safeguards aimed at preventing conflicts of interest and ensuring auditor independence. In particular, it is proposed that auditors should not conduct audits of the same economic entity for more than seven consecutive years, thereby strengthening independence and objectivity in audit practice.

An algorithm for conducting external quality control of audit firms has been developed and proposed for practical implementation. The application of this algorithm contributes to preventing inconsistencies and deficiencies that may arise during external quality inspections, thereby enhancing the overall effectiveness and transparency of audit quality oversight.

The objectives and sequential procedures of internal quality control within the audit process have been systematized and formalized. The application of this structured working document facilitates the supervision performed by the engagement partner over auditors and assistant auditors, simplifies the execution of control procedures, and ensures their effective implementation throughout the audit engagement.

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