

**ORGANIZATION OF BANK AUDIT BASED ON INTERNATIONAL STANDARDS  
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**Abstract:** This article explores the organization of audit in commercial banks based on International Standards on Auditing (ISA), using the case of Ipak Yuli Bank. It highlights the importance of ISA in ensuring transparency, improving financial oversight, and aligning banking practices with global standards. Internal and external audit processes are analyzed in detail, challenges in implementation are discussed, and practical recommendations for further improvement are provided.

**Keywords:** international standards, audit, ISA, financial control, internal audit, external audit, risk management, commercial banks, Uzbekistan.

**Introduction.**

In the era of global financial integration and digital transformation, the stability and transparency of financial systems are becoming more critical than ever. As global markets become increasingly interconnected, stakeholders—including investors, regulatory authorities, and international institutions—demand higher levels of trust, accountability, and transparency from financial institutions, especially banks. To meet these demands, countries around the world are adopting globally recognized frameworks that standardize and strengthen auditing practices.

One of the most important of these frameworks is the International Standards on Auditing (ISA), developed by the International Auditing and Assurance Standards Board (IAASB) under the supervision of the International Federation of Accountants (IFAC). These standards set out the essential principles and procedures that auditors must follow when conducting audits of financial statements. ISA provides guidance for planning and performing audits, evaluating risks, and forming audit opinions, ensuring that audits are conducted with professionalism, objectivity, and consistency.

For commercial banks, which deal with large volumes of financial transactions and face exposure to various types of risks (e.g., credit, operational, liquidity), applying ISA helps ensure the reliability of financial reporting and compliance with both national and international regulations. This is particularly important for banks operating in emerging economies, such as Uzbekistan, where the financial sector is undergoing significant reforms aimed at liberalization, modernization, and international integration.

Recognizing the strategic importance of reliable audit systems, the government of Uzbekistan has undertaken several legislative and institutional measures to align its national financial reporting and auditing systems with international best practices. Presidential Decree PQ-4611 (2020) and PF-198 (2022) outline the state's commitment to improving financial transparency and accountability by promoting the implementation of ISA and International Financial Reporting Standards (IFRS) across all sectors of the economy, including the banking sector.

In this context, Ipak Yuli Bank, one of the leading commercial banks in Uzbekistan, serves as a noteworthy case for studying the application of international auditing standards. The bank has made significant progress in adopting ISA by restructuring its internal audit department, enhancing staff qualifications, and partnering with independent audit firms. These efforts aim to improve the quality of financial control, build investor confidence, and minimize financial irregularities.

Thus, this paper seeks to examine how Ipak Yuli Bank organizes its internal and external audit functions in accordance with ISA, what challenges it faces during implementation, and what improvements can be made to further strengthen audit efficiency and reliability in the Uzbek banking sector.

### **Literature Review.**

In recent years, the Republic of Uzbekistan has undertaken substantial reforms to harmonize its national financial reporting and audit practices with global standards. This commitment is reflected in Presidential Decree PQ-4611 dated February 24, 2020, titled “On Additional Measures for the Transition to International Financial Reporting Standards”, and Presidential Decree PF-198 dated August 24, 2022, titled “On Measures to Ensure the Protection of Property Rights and Transparency in Financial Activities”. These decrees emphasize the importance of integrating International Standards on Auditing (ISA) into both public and private sector institutions, including commercial banks.

The Law “On Accounting” of Uzbekistan also provides a legislative foundation for introducing transparency, accuracy, and international comparability in financial statements. Furthermore, the Central Bank of Uzbekistan has issued multiple instructions and methodological guidelines aimed at aligning banking audit practices with international benchmarks. These include mandatory annual external audits for all commercial banks and internal audit reforms to improve risk assessment and compliance control.

On the academic front, several Uzbek scholars have contributed to the development of literature concerning auditing practices. Egamberdiyeva S.R. (2019), in her textbook “Financial and Management Accounting”, highlights the role of internationally recognized auditing tools in ensuring control, transparency, and accountability. She emphasizes that the implementation of audit standards helps create a sound foundation for investment and risk mitigation in financial institutions.

Similarly, Norbekov D., Misirov K., and Tashmanov G. (2018), in their comprehensive guide “Financial and Management Accounting”, outline how global standards such as ISA are applied in risk management, planning, and the evaluation of internal controls. They underline the need for professional training and institutional adaptation to achieve full compliance with these standards.

International literature also offers a broad spectrum of best practices and technical insights into ISA application. The ISA 315 standard, for example, focuses on the identification and assessment of risks of material misstatement through understanding the entity and its environment. ISA 330 elaborates on the auditor’s responsibilities in designing and implementing appropriate responses to these risks. ISA 540, which deals with auditing accounting estimates, is particularly relevant to banks given the complexity of estimating loan loss provisions and fair value assets. Finally, ISA 700 addresses the form and content of the auditor’s report, ensuring that audit opinions are communicated clearly and effectively.

In addition to core auditing standards, reference is often made to frameworks such as the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model of internal

control, which provides a structured approach to evaluating a bank's risk control and governance systems.

Globally, the World Bank and International Monetary Fund (IMF) have recommended the consistent application of ISA in developing economies as a means of improving investor confidence, facilitating access to capital markets, and reducing the risk of financial scandals. The Basel Committee on Banking Supervision also recognizes strong audit mechanisms as part of the overall prudential regulation of banks.

Taken together, both national and international sources agree that high-quality auditing—based on ISA—is vital for ensuring the credibility, reliability, and stability of financial systems, especially in the banking sector. In this context, studying the case of Ipak Yuli Bank provides valuable insights into how these standards are applied in practice and how they can be improved upon to meet global expectations.

### Research Methodology.

This study uses a mixed-method approach combining both qualitative and quantitative methods to examine the implementation of International Standards on Auditing (ISA) at Ipak Yuli Bank. First, a comparative analysis was conducted between ISA requirements and Uzbekistan's national auditing regulations. Secondly, a document review of the bank's audit reports, financial statements, and Central Bank guidelines (2019–2023) was carried out to assess actual practices and compliance.

Additionally, a case study approach was used to evaluate Ipak Yuli Bank's internal and external audit structures, with particular focus on how ISA standards are applied in daily operations. Audit performance data was also analyzed to identify trends and improvements in efficiency over the past five years.

This combined methodology allows for a comprehensive and practical understanding of ISA implementation in the Uzbek banking sector.

### Results and Discussion.

The findings of this study indicate that Ipak Yuli Bank has made significant progress in aligning its auditing practices with International Standards on Auditing (ISA). The analysis of documents and audit reports from 2019 to 2023 shows a clear trend of improvement in both audit quality and operational transparency.

#### 1. Audit Efficiency Trend

Internal evaluation scores of audit performance over the past five years reflect consistent growth:

Year	Audit Efficiency Score (out of 100)
2019	65
2020	70
2021	76
2022	83
2023	90

This progress is largely due to the adoption of ISA standards such as ISA 315 (risk identification), ISA 330 (risk response), and ISA 700 (audit reporting), as well as the bank's efforts to strengthen internal control systems and increase staff qualifications.

## 2. Internal vs. External Audit Integration

Ipak Yuli Bank maintains an effective balance between internal audits, which are ongoing and risk-based, and external audits, which are conducted annually by independent firms. Coordination between these two functions has improved, ensuring timely identification and correction of financial misstatements.

## 3. Compliance with Regulations

The bank complies with the Central Bank's audit requirements, including timely external audit submissions and risk-based internal audit planning. However, certain gaps remain in the full automation of audit processes, and staff training on complex ISA requirements is still needed.

## 4. Key Challenges Identified

- Limited number of ISA-certified auditors
- Partial integration of digital audit tools
- Dependence on manual documentation in some departments

## 5. Strategic Improvements

The bank has initiated measures such as staff development programs, risk-focused audit scheduling, and gradual implementation of audit software to address these challenges. Future steps may include full digital transformation of the audit department and deeper cooperation with international audit bodies.

## Conclusion and Recommendations.

The results of this study clearly demonstrate that the implementation of International Standards on Auditing (ISA) at Ipak Yuli Bank has had a positive and measurable impact on the bank's overall governance, risk management, and financial reporting quality. The bank's gradual transition to ISA-compliant practices from 2019 to 2023 led to a 38% increase in audit efficiency scores (from 65 to 90 out of 100), according to internal performance evaluations. This growth illustrates not only improved audit processes but also stronger internal controls and more effective identification of financial risks.

The integration of core ISA principles, including risk-based audit planning (ISA 315), responsive audit procedures (ISA 330), and transparent reporting (ISA 700), contributed to a more professional and internationally credible audit environment within the bank. In addition, the alignment of internal audit activities with Central Bank guidelines and the engagement of independent external auditors have increased regulatory compliance and investor trust.

However, the research also revealed existing gaps and challenges that need to be addressed to ensure the sustainability of these improvements. These include a shortage of ISA-trained audit professionals, the limited use of automated audit tools, and the need for greater coordination between internal and external audit units.

Based on the findings, the following recommendations are proposed to both strengthen audit systems within Ipak Yuli Bank and support broader reforms in the Uzbek banking sector:

### 1. Capacity Building and Professional Development

Introduce mandatory ISA certification programs (e.g., ACCA, CPA) for internal auditors.  
Organize regular training workshops and seminars with international audit professionals.  
Develop internal knowledge-sharing platforms to update audit staff on regulatory changes.

### 2. Technological Integration

Invest in advanced audit software such as IDEA, ACL, and AI-driven analytics tools to automate risk detection and audit trails.

Integrate audit management systems into the bank's core IT infrastructure for real-time monitoring.

### 3. Regulatory Enhancement

The Central Bank should further refine its audit supervision framework to include performance benchmarking, peer reviews, and early warning systems for audit failures.

Encourage banks to publish summarized external audit findings to promote transparency and public accountability.

### 4. Risk-Based Audit Approach

Prioritize audit resources based on risk exposure and materiality instead of equal review across departments.

Use data-driven risk assessment models to improve focus and efficiency of audits.

### 5. Cross-Sector Collaboration

Establish cooperation with international audit institutions (e.g., IFAC, IAASB) for technical assistance, staff exchanges, and adoption of global best practices.

Facilitate joint audits or external peer reviews for complex banking operations to ensure independence and accuracy.

In conclusion, the case of Ipak Yuli Bank serves as a successful example of how ISA can be implemented in a transition economy. By continuing to invest in people, technology, and risk governance, Uzbekistan's banking sector can further strengthen its financial stability and enhance its reputation in international markets. These reforms are also key to achieving the government's strategic goals of transparency, competitiveness, and foreign investment attraction.

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