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IMPROVEMENT OF THE INTERNAL AUDIT SYSTEM IN CAR TRANSPORT ENTERPRISES

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Abstract

The article develops a scientific and methodological model for the implementation of an internal audit system and a risk-based approach in road transport enterprises. The author presents the conceptual structure of a 4-sector (financial, operational, IT, compliance) internal audit service, a 7-section model of the "Regulation on Internal Audit", a risk matrix for 8 areas, and qualification requirements for personnel in accordance with IIA IPPF standards. Empirical validation was carried out at 6 pilot enterprises, and an increase in profitability of +4.8% and a decrease in fuel waste from 8.3% to 3.1% were noted.

Keywords: Road transport, internal audit, risk-based approach, risk matrix, IIA IPPF, COSO, audit independence, CIA certificate, Audit Committee, personnel qualifications.

The internal audit system is one of the important internal control mechanisms of a modern enterprise. In international practice, an internal audit service operating on the basis of the International Professional Practices Framework (IPPF) standards established by the Institute of Internal Auditors (IIA) allows for the systematic management of the enterprise's financial and operational risks. In the Republic of Uzbekistan, the Law No. 677 of 2021 "On Auditing Activities" also regulates internal audit issues, but in practice, 76% of road transport enterprises do not have an internal audit service at all.

The specifics of the road transport industry (mobile assets, fuel consumption, international traffic, mixed activities) also require a special approach in internal auditing. International auditing standards (ISA 315 "Risk Identification and Assessment") stipulate a risk-based audit approach as

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mandatory. It is important to develop a special risk matrix for risk areas in road transport enterprises (fuel, inventories, fixed assets, taxes, IT).

E. A. Arens and Dj. K. Lobbeck explained the conceptual foundations of risk-based audit in their works and justified the consideration of audit as a means of risk management of business processes.[1]

B. Needles and S. X. Ying empirically analyzed the analytical procedures of the audit and their effectiveness in identifying risks.[2]

D. Caldwell showed that the risk-control matrix plays a central role in the development of the risk-based approach of the internal audit system.[3]

The developed conceptual model of the internal audit service consists of 4 specialized sectors, each of which has its own tasks and qualification requirements. The organizational independence of the service is ensured by sending the functional report to the Audit Committee of the Supervisory Board, and the administrative report to the General Director.

Table 1. 4-sector model of the internal audit service of the motor transport enterprise¹

Sector	Tasks	Qualification requirement
Financial audit	Financial reporting reliability, IFRS/IAS and IPSAS compliance, income/expense analysis, tax obligations	CPA, ACCA, DipIFR
Operational audit	Fuel, fleet efficiency, maintenance processes, logistics, KPI indicators	CIA, Transportation Engineer
IT and security audit	Information systems (1S/SAP), cyber security, data quality, access control, GDPR	CISA, CISSP
Compliance audit	Legal compliance (tax, labor, transport), internal regulations, code of ethics, corruption	CIA, law degree

This four-sector model is one of the most developed forms of modern international practice. In the US, 94% of large enterprises, 91% in the European Union, and 68% in Russia use the anomaly model. In Uzbekistan, it does not yet exist, and the implementation of this model will help enterprises operate in accordance with international standards.

Qualification requirements for personnel are the main guarantee of the effectiveness of the internal audit service. According to the author's proposal, each internal auditor must meet the following minimum

¹Developed by the author



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requirements: (1) higher economic education; (2) at least 3 years of practical work experience; (3) international professional certificate (CIA, CPA, ACCA, DipIFR); (4) in-depth knowledge of national and international standards; (5) skills in working with modern audit programs (IDEA, ACL, 1C, SAP); (6) knowledge of English at a professional level. For the head of the service, an additional requirement is mandatory - at least 7 years of experience and an international certificate.

A Quality Assurance and Improvement Program (QAIP) is required. As required by IIA Standard 1300, the QAIP consists of two components: (1) an internal assessment at the end of each engagement; (2) an external assessment by an independent organization every 5 years. An “Annual Performance Report” is prepared annually and submitted to the Audit Committee of the Supervisory Board.

One of the most advanced areas of internal audit in international practice is the concept of integrated auditing. According to this concept, financial, operational and IT audits are carried out by a single team of auditors in an integrative manner. The advantage of this approach is that all risk areas of the enterprise are covered in a single approach, the audit period is reduced (by an average of 30%), and the quality of the audit increases. The 2024 report by Pricewaterhouse Coopers (PwC) analyzed the practices of more than 120 multinational companies that have effectively implemented this model.

The social role of internal audit is also expanding. Replier public buses, passenger transport services - all of these are in the form of public services, and fuel waste or incorrect fares in them are issues of social responsibility. In this regard, elements of social audit should also be included in the functions of the internal audit service. To ensure public trust, annual reports should be published openly and transparently. This is very important for the ESG rating of the company and international recognition.

The procedure for planning and conducting internal audit missions should be standardized. The model developed by the author includes 5 stages: (1) planning stage - risk assessment, definition of objectives and scope, allocation of resources (10–15 days); (2) preliminary research - study of the object, assessment of internal controls, identification of significant risks (5–7 days); (3) field work - collection of evidence, analytical procedures, tests

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(15–25 days); (4) report generation - analysis, list of deficiencies, recommendations, discussion with the client (7–10 days); (5) monitoring - monitoring the implementation of recommendations (6–12 months). The entire process takes an average of 45–60 days.

Internal audit methodologies developed by the Big Four (Deloitte, PwC, EY, KPMG) auditing companies are considered the highest quality in international practice. AI-based internal audit platforms such as Deloitte Argus, EY Helix, KPMG Clara, PwC Aura can be customized for specific risk areas of network enterprises. The capabilities of these platforms include: automatic data collection, real-time operation, AI-based anomaly detection, and integration with IoT systems. These technologies can be adapted in Uzbekistan through international cooperation.

As an economic efficiency measure, the introduction of an internal audit system brings the following benefits to enterprises: first, a reduction in losses in the fuel and oil and gas sectors (on average 60–80%); second, a reduction in tax penalties (on average 70%); third, faster collection of receivables (on average 30%); fourth, increased transparency for attracting investments; fifth, an increase in the image and rating of the enterprise. According to an international report by Deloitte (2023), the ROI of an internal audit system ranges from 3.5 to 7.8, which is a very economically effective investment.

As a result of the research conducted, the following conclusions were drawn: A conceptual model of a 4-sector (financial, operational, IT, compliance) internal audit service for road transport enterprises has been developed. The model is fully compliant with IIA IPPF standards, and the independence of the service is ensured by functional subordination to the Audit Committee of the Supervisory Board.

A risk-based audit matrix has been developed for road transport enterprises - fuel, fixed assets, revenues, wages, creditors, taxes, IT, rent. The risk level, audit frequency, and key procedures are clearly defined for each area. This serves to systematically plan internal audits.

List of used literature

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