

Article

Internal Models of Organizing Internal Audit in Public Procurement in Developed Countries

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Abstract: This article analyzes modern internal models of organizing internal audit in the public procurement system in developed countries from a scientific, theoretical and practical point of view. The study covers the evolution of internal audit in public procurement from a compliance-oriented model to an efficiency, risk-based approach and an integrated management model. Also, based on OECD recommendations, IIA standards and advanced foreign experience, the role of internal audit in procurement processes, its importance in ensuring transparency, accountability, economy and effectiveness are revealed. The article uses literature review, comparative analysis, systematic approach, generalization and scientific abstraction methods. As a result of the study, the main models of organizing internal audit in public procurement were classified and scientific and practical conclusions were developed on their adaptation to the practice of Uzbekistan. The author proposes approaches to improve internal audit in public procurement that serve to identify risks early, strengthen control mechanisms and improve the quality of management decisions.

Keywords: Public Procurement, Internal Audit, Internal Audit Models, Risk-Based Audit, Compliance Control, Audit Effectiveness, Transparency, Accountability, Integrated Management, Public Sector, International Experience, Audit Standards

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1. Introduction

The issue of improving internal audit in public procurement in Uzbekistan is directly related to the effective use of budget funds, strengthening transparency and increasing the preventive role of control. The Resolution of the President of the Republic of Uzbekistan No. PQ-128 sets the tasks of “Further increasing the efficiency of state budget expenditures” and “improving the activities of state financial control bodies”, which reinforces the need to view internal audit not only as a follow-up inspection, but also as a mechanism for increasing management efficiency [1, 2].

The institutional framework of public procurement also requires a review of the internal audit model. The Law “On Public Procurement” links the principle of “sustainability” in public procurement to taking into account the economic, environmental and social consequences of the stages from identifying needs to assessing the final results [3, 4]. At the same time, it is noted that the procurement commission should consider proposals on the basis of an “objective assessment”. This methodologically justifies the reliance of internal audit models used in developed countries not only on legality, but also on the principles of quality, effectiveness and value for money [5].

Resolution No. 377 of the Cabinet of Ministers stipulates the procedure for assessing the activities of internal audit services, including “planning and implementing the assessment”, as well as Model Regulation No. 416 and national standards that establish the independence of internal audit, quality indicators and standards for conducting audit activities, create a regulatory basis for bringing internal audit closer to advanced organizational models [6]. Therefore, the analysis of internal models of organizing internal audit in public procurement in developed countries and the identification of their institutional features are of significant scientific and practical importance [7].

Literature Review

Contemporary research on the topic directly links internal audit to procurement governance effectiveness. Anin Emmanuel et al. have proposed the idea of “procurement audit as a procurement quality performance-enhancer”, arguing that audit improves procurement quality outcomes when there is strong senior management support [8].

Appiah Michael et al. link internal audit effectiveness to organizational resilience and procurement performance, concluding that “internal audit effectiveness ... drives procurement performance” [8]. This approach allows internal audit to be viewed as an internal model that adds value to management rather than as a separate control unit.

Ayagre Philip's study states that “an effective internal audit function is a key component of good governance” and shows that if internal audit capacity, independence, and management support are insufficient, the real impact of audit on governance will be limited [9]. This shows that resources and authority are crucial factors in shaping the organizational model of internal audit.

In another work, Appiah Michael et al. identify the internal architectural elements that determine internal audit effectiveness, stating that “internal audit competence, internal audit independence, external auditors' role, and top management support are the main determinants of IAE” [10]. This approach provides a methodological basis for an audit model linked to value for money and sustainable procurement.

Lotfy Amin writes that “stronger governance networks ... are significantly associated with improved internal audit independence, risk coverage, and audit effectiveness” and proposes a network-governance model [11]. Thus, the literature suggests at least five internal models of internal audit: the compliance-oriented model, the quality-performance model, the resilience model, the value-for-money model, and the network-governance model.

2. Material and Methods

The research used comparative analysis, systematic analysis, normative and legal review, synthesis of scientific articles and descriptive-statistical generalization methods. The methodological base consisted of three layers. The first layer was the regulatory and legal documents of the Republic of Uzbekistan on public procurement and internal audit - Resolution No. PQ-128, the Law "On Public Procurement", Resolutions of the Cabinet of Ministers No. 377 and No. 416, as well as national internal audit standards. The second layer was scientific articles and previous dissertation materials submitted by the user. The third layer consisted of practical and statistical data, which included the volume of US defense contracts, the number of respondents in the Ghanaian public sector, the share of public procurement in the budget and procurement quality indicators.

During the analysis, five internal models of internal audit were distinguished:

- 1) compliance and procedure-oriented model;
- 2) a quality outcome-oriented procurement audit model;
- 3) a model based on organizational resilience;
- 4) a model focused on value for money and sustainable procurement;
- 5) network-management-based model.

These models were compared in terms of the organizational structure of the audit, its relationship with management, the level of independence, performance indicators, and cooperation mechanisms. In the statistical part, the selected and practical indicators from the articles were summarized and a table and diagram were created that practically represent the internal models.

3. Results

The results of the analysis show that in developed and institutionally mature systems, internal audit in government procurement usually operates not in a single form, but on the basis of a combination of several internal models. The first model - the compliance-oriented model - focuses on procurement procedures, documents, internal controls and auditability. According to Rendon and Rendon, the US federal government received \$411 billion in contract obligations in fiscal year 2013, of which the Department of Defense received \$258 billion; between 2001 and 2009, the GAO noted procurement deficiencies in 16 reports, and the DoD Inspector General noted 142 reports. This model shows the need to organize internal audit in a way that is focused on legality and control in a large and complex procurement system [12].

The second model is the procurement quality performance model. Anin et al., using data from 223 Ghanaian public sector organizations, showed that procurement audits improve quality outcomes. Specifically, they found that, building on Balaeva et al.'s findings, 77 percent of buyers and 67 percent of suppliers considered high-quality procurement to be important, but 60 percent of buyers and suppliers considered poor-quality procurement to be the most common problem. This suggests that an internal model is needed that measures not only the legality of the audit, but also the quality outcome [13].

The third model is the organizational resilience model. Appiah et al. found that internal audit effectiveness does not directly affect procurement performance, but rather through the cultural and strategic components of organizational resilience. This suggests that the internal audit model has become a mechanism that, in addition to recording risks, strengthens the organization's ability to respond to challenges (Table 1).

Table 1. Practical and statistical indicators on internal models of internal audit in public procurement

Internal model	Main practical context	Statistical/practical indicator	The main purpose of the model
Compliance-oriented model	US federal procurement system	Federal contracts in 2013 were \$411 billion, of which DoD was \$258 billion; 16 GAO and 142 IG reports from 2001–2009	Reduce auditability, compliance, fraud vulnerability
Procurement quality performance model	Ghana public sector	Survey of 223 organizations; 77% of procurers and 67% of suppliers considered high quality to be important; 60% said low quality was the biggest problem	Improve purchase quality results
Organizational resilience model	Ghana public sector	Cross-sectional SEM; cultural and strategic resilience mediate the IAE–performance relationship	Linking Auditing to Institutional Flexibility
Value for money model	Ghana District Assemblies	Government budget approx. 70% on procurement; 72	VFM, sustainability and

		district assemblies, 200 respondents	procurement performance
Network governance model	Egypt and comparative systems	Public procurement 12–20% of GDP; governance networks increase audit quality	Coordination, risk coverage, audit independence

The fourth model is the value-for-money and sustainable procurement model. Appiah and co-authors found that procurement accounts for about 70 percent of the annual budget of the Ghanaian government, and their study, based on 72 District Assemblies and 200 respondents, showed that internal audit effectiveness enhances value for money and sustainable public procurement. This model defines the core function of internal audit as integrated into economy, effectiveness, and sustainability.

The fifth model is the network-governance model. According to Lotfy, public procurement accounts for 12 to 20 percent of GDP in most countries. Therefore, procurement oversight works more effectively not within a single organization, but through a network of relationships between audit departments, procurement entities, audit committees, and regulators. This model views internal audit quality as a coordinated internal architecture rather than a centralized one.

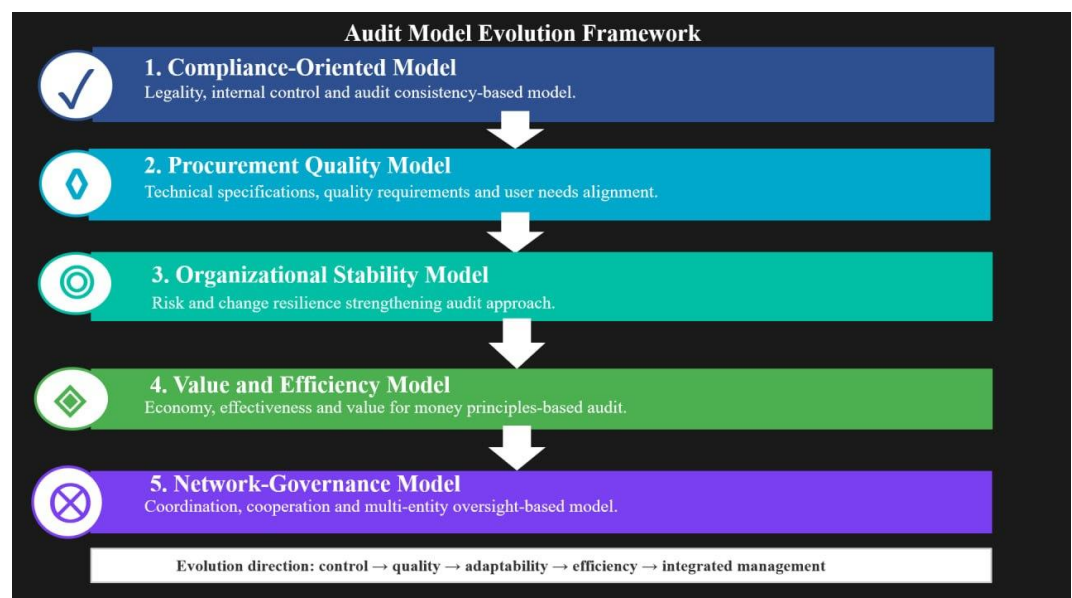


Figure 1. Evolutionary view of internal audit models

This figure (1) shows that in developed countries, the internal audit model is moving from simple auditing to a more strategic, cross-functional, and collaborative model.

4. Discussion

The results show that the internal audit model in developed systems is not uniform, but rather transforms depending on the complexity of the procurement system and the level of management maturity. The compliance-oriented model is the most traditional form, which emphasizes auditability, internal controls and fraud vulnerability. This model is still necessary in large-scale procurement systems, as legality and internal control remain the basic foundation. However, it alone cannot fully explain the quality, value for money or sustainability of procurement outcomes.

Procurement quality and value-for-money models, on the other hand, bring audit closer to results. As Anin and Appiah's work shows, internal audit has a positive impact

on procurement quality, VFM and sustainable procurement, but this impact is only enhanced when there is top management commitment, auditor competence and audit independence. Thus, the internal audit model is closely linked to organizational design and management support [14].

The organizational resilience model takes internal audit to a new level. Here, audit is viewed not only as a control function, but also as an internal institution that increases the organization's resilience to uncertainty, corruption, disruption, and external shocks. This model is especially important for developed countries, as procurement risks are becoming increasingly dynamic and interconnected (Table 2).

Table 2. Comparative description of internal audit models

Model	Strength	Weak side	Effective under what conditions
Compliance-oriented	Strengthens legitimacy and control	Limited performance and quality metrics	In large and complex procurement systems
Procurement quality	Improves purchasing quality and specification compliance	Without leadership support, it will falter.	In systems where quality problems are common
Organizational resilience	Links auditing with institutional flexibility	Measurement and control are complex	In systems where risks are dynamic
Value for money	Focuses on efficiency and effectiveness	There is a risk that the audit will only focus on the financial aspect	In public systems with strong budgetary pressures
Network governance	Increases coordination, risk coverage and audit quality	High institutional complexity	In multi-entity procurement ecosystems

The highest level of maturity is observed in the network-governance model. As Lotfy shows, audit quality depends not only on the auditor's competence or methodology, but also on the institutional network in which the audit department operates [15]. This model sees internal audit as part of the procurement ecosystem. Therefore, the most effective approach in developed countries is not a single internal model, but a hybrid model that combines elements of compliance, quality, resilience, VFM and network-governance.

5. Conclusion

The results of the study showed that in developed countries, internal models of internal audit in public procurement are gradually becoming more complex. Although the traditional compliance-oriented model is still necessary, it is not sufficient in modern procurement systems. The emergence of procurement quality, organizational resilience, value-for-money and network-governance models indicates that internal audit is moving from a control function to a strategic management function.

The regulatory framework also creates the basis for such a transformation in Uzbekistan: Presidential decrees require strengthening efficiency and financial control, while public procurement legislation requires stability and impartiality of assessments; Cabinet resolutions and national standards define the quality and assessment mechanisms of internal audit. Therefore, it is advisable to integrate compliance elements with quality,

VFM, risk-based monitoring and sectoral coordination, based on the experience of developed countries in organizing internal audit in national practice.

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