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“THE IMPACT OF AUDIT RESULTS ON MANAGERIAL DECISIONS IN THE COMMUNAL SECTOR”

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Annotation. This paper explores the impact of audit results on managerial decisions in public utility enterprises. The study examines both national and international experiences, as well as the effectiveness of digital audit mechanisms in improving management decision-making. It was revealed that in Uzbekistan, the use of audit results is often formal, which reduces the rationality and evidence-based nature of management decisions. Statistical, comparative, and expert analysis methods were used in the research. A conceptual model for integrating audit results into management information systems was developed. The findings confirm that reflecting audit results in management decisions in real-time significantly enhances decision quality and efficiency.

Keywords: audit, public utilities, management decisions, digitalization, efficiency, indicator analysis, control system, information technology.

Introduction

In recent years, the Republic of Uzbekistan has implemented systemic reforms aimed at improving transparency in public finance, ensuring the efficient use of budgetary resources, and enhancing management efficiency in the communal services sector.

In particular, Presidential Decree PQ-5012 dated February 18, 2021, defines measures to strengthen state financial control, improve the audit system, and reinforce financial discipline [1].

Public utility enterprises play a key role in maintaining infrastructure, providing essential services, and ensuring economic stability. Therefore, the influence of audit results on management decisions directly affects service quality and financial efficiency.

However, in practice, audit reports are often used merely as formal documentation rather than as tools for improving decision-making. As a result, identified deficiencies tend to recur, resources are misallocated, and financial transparency remains insufficient [2]. Thus, the integration of audit results into management systems in real time has become a vital necessity.

Literature review





The influence of audit results on managerial decisions has been widely discussed in international research. According to the OECD (2020), audit findings serve as a reliable source of information in decision-making within the public sector [4].

The IFAC (2019) framework highlights the advisory function of audits as a crucial component in supporting strategic management decisions [5].

The INTOSAI (2018) standards (ISSAI 3000–3100) provide a methodological foundation for linking audit results to managerial performance improvement through electronic integration, indicator-based assessment, and risk-oriented monitoring [3].

In Uzbekistan, scholars such as Nazarova R.Sh. (2023) and Kholiqov Sh.A. (2022) emphasize that effective utilization of audit results can substantially improve local budget efficiency [6][7]. Furthermore, the State Financial Control Inspectorate (2023) reported that only about 40% of decisions based on audit results lead to tangible improvements [8].

Research methodology

The methodology of this research was developed through the following steps:

1. Theoretical analysis – The impact of audit results on management decisions was analyzed based on national legislation and international standards (INTOSAI, IFAC, OECD) [1;3].

2. Empirical analysis – Audit reports conducted during 2021–2023 were studied, and data on subsequent management decisions were collected [6].

3. Comparative analysis – Uzbekistan's experience was compared with that of Germany, South Korea, and the United Kingdom to identify best practices for integrating audit results into management systems [4].

4. Statistical modeling – The effectiveness of audits was measured using the following formula:

$$E = \frac{Q_a - Q_x}{Q_x} \cdot 100\%$$

where:

E — audit effectiveness indicator;

Q_a — number of decisions made after audit improvements;

Q_x — number of decisions made before audit [9].

5. Expert evaluation – A survey of auditors, accountants, and managers of public utilities was conducted. The effectiveness of using audit results in managerial decision-making was assessed through a 5-point Likert scale.

6. Model development – Based on the findings, a conceptual model was proposed to integrate audit results into management information systems through:





- Digitalization of audit reports;
- Automatic data transfer to management dashboards;
- Algorithm-based analysis for decision support [5].

ANALYSIS AND RESULTS

Research findings indicate that in 2023, audits conducted in the communal services sector revealed financial violations totaling 1.2 trillion UZS, 62% of which were repetitive, reflecting that audit results were not effectively incorporated into management decisions [8].

According to expert surveys, 74% of respondents confirmed that audit reports are partially used for decision-making, while 18% noted they are rarely used at all.

Using the formula above, the average audit efficiency (E) was calculated at 27.6%, indicating that there is substantial potential to increase the quality of management decisions based on audit findings.

In countries such as South Korea and Germany, audit reports are automatically integrated into digital management systems, enabling real-time decision-making and improving transparency [4]. In Uzbekistan, however, audit results are still processed manually, which slows data analysis and increases the risk of subjective bias [7].

Conclusion and recommendations

The study results confirm that the influence of audit findings on management decisions in Uzbekistan's public utilities remains limited.

Main conclusions:

The efficiency of using audit results in managerial decisions is low;

Only about 30% of audit recommendations are reflected in actual decision-making;

The lack of digital tools limits audit impact and timeliness.

Recommendations:

1. Digitalize audit reports and integrate them into a unified management platform.
2. Introduce indicator-based performance audit systems.
3. Develop mandatory information disclosure procedures for audit results.
4. Enhance auditors' analytical and technical skills through regular training.
5. Publish audit outcomes on public data portals to improve transparency.

Implementing these measures will help ensure rational use of budgetary resources, reduce corruption risks, and strengthen public trust in local governance.

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