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IMPROVING THE AUDIT SYSTEM IN PUBLIC UTILITY ENTERPRISES OF UZBEKISTAN

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Abstract

This research focuses on analyzing the theoretical and methodological foundations for improving the audit system in public utility enterprises of Uzbekistan. The study examines the financial operations, accounting policies, and audit mechanisms of homeowners' associations and managing organizations, while exploring ways to enhance them based on international experience.

Audit practices in Germany, France, Russia, and the European Union are studied in detail, and a conceptual model adapted to Uzbekistan's context is proposed. The research emphasizes the need to strengthen the integration between internal and external audits, expand public participation, and introduce “digital audit” technologies to ensure transparency and accountability.

The findings of this study contribute to the development of a more transparent, efficient, and socially responsible auditing environment in Uzbekistan's housing and communal services sector, thereby improving financial discipline and public trust.

Keywords: audit system, homeowners' associations, managing organizations, public utilities, transparency, digital audit, public control, financial discipline.

Introduction

In Uzbekistan, the housing and communal services sector is one of the key components influencing citizens' quality of life and social welfare. Ensuring service quality, economically justified tariffs, and financial transparency largely depends on the efficiency of the audit system.

In developed countries, auditing is not limited to financial inspections — it serves as a strategic management and decision-support tool. However, in Uzbekistan, homeowners' associations (HOAs) and managing organizations still face challenges such as weak financial control mechanisms, low transparency, and insufficient public accountability.



Therefore, improving the audit system in public utility enterprises is vital to strengthen financial management, prevent misuse of resources, and build trust between service providers and the population.

The main objective of this study is to develop scientifically grounded recommendations for enhancing the audit system in Uzbekistan's housing and communal services sector by analyzing international experiences and adapting best practices to national conditions.

Literature Review

The role of auditing in public utilities has been extensively studied by international scholars such as G. Loudon, R. Simons, J. Ridley, and M. Spencer, who emphasized the transformation of auditing into a management-support function rather than a mere control tool [1].

Russian researchers including V.P. Lazarev, I.V. Smetanin, and A.S. Yarullin explored the legal and methodological aspects of auditing in public services, highlighting the integration of social accountability and community oversight [2].

Uzbek scholars such as M.Sh. Mamatkulov, N.B. Abdusalomova, and R.D. Dusmuratov have examined the methodological framework of auditing in the national context and the role of homeowners' participation in ensuring financial transparency [3].

Nevertheless, research gaps remain in areas such as risk-based auditing, integration of internal and external audit systems, and the application of digital tools in the housing and communal services sector. This dissertation seeks to bridge these gaps through a structured analytical approach.

Methodology

The research methodology is based on:

System analysis – to determine the interdependence between legal, financial, and organizational aspects of audit;

Comparative approach – to assess international audit practices relevant to Uzbekistan's context;

Expert evaluation – to identify key challenges and opportunities through professional assessments;

Risk-based audit modeling – to evaluate financial inconsistencies and operational risks;

Indicator-based assessment – to establish relationships between service costs, quality, and consumer satisfaction.

Additionally, elements of mathematical modeling, statistical analysis, and digital monitoring were used to design a step-by-step framework for audit implementation in managing organizations.

Analysis and Results

1. Current State of HOAs and Managing Organizations in Uzbekistan



Although thousands of HOAs operate nationwide, many lack financial autonomy and qualified staff. The absence of unified accounting policies and audit regulations hinders efficiency and transparency. Tariff structures often do not reflect actual costs, resulting in consumer dissatisfaction. Internal audit systems are either underdeveloped or absent, leading to financial risks and reduced accountability.

2. International Experience

In Russia, the activities of HOAs are legally regulated, with mandatory annual audits and public disclosure of results. Audit reports are discussed at homeowners' meetings, ensuring accountability and citizen engagement.

In Germany, professional property management companies operate under the "Wohnungseigentumsgesetz," which grants every homeowner the right to review and vote on annual financial reports. Audit results are published digitally for public access.

In France, public opinion plays a central role in assessing service quality and pricing through an official rating system. This ensures high social responsibility and quality assurance.

Across the European Union, digital audit platforms allow open access to audit results, contracts, and payment data, ensuring transparency and reducing corruption risks.

3. Model Proposed for Uzbekistan

The research suggests adapting foreign best practices rather than directly importing them. The proposed model includes:

- Licensing and registration of managing organizations;
- Introduction of a unified accounting and audit standard;
- Establishment of digital audit and reporting platforms;
- Recognition of citizen feedback as audit evidence;

Implementation of a Social Impact Coefficient (SIC) to evaluate the effectiveness of services.

Tashkent city is identified as the most suitable pilot region for implementing this model, considering its developed infrastructure and digital readiness.

Conclusion and Recommendations

1. The legal framework for auditing in Uzbekistan's public utilities must be reformed to ensure comprehensive coverage of homeowners' associations and managing companies.

2. Annual mandatory audits should be conducted and publicly disclosed.

3. An "Open Audit Portal" should be established to enhance public access to audit results.

4. The introduction of digital audit systems will automate the monitoring of costs, tariffs, and expenditures.



5. A Social Impact Coefficient should be used to measure service quality and citizen satisfaction.

6. Regular training programs should be implemented to improve the financial literacy and professional competence of HOA employees.

7. Pilot projects should be organized to test and adapt international best practices under local conditions.

Implementing these measures will help establish a transparent, efficient, and socially responsive audit system in Uzbekistan's public utility sector, ultimately strengthening citizens' trust and service quality.

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