STRATEGIES TO INCREASE EFFICIENCY IN AUDITING PUBLIC SECTOR COMPANIES

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Abstract: In an era where fiscal transparency and accountability are paramount, the efficiency of public sector auditing plays a critical role in ensuring good governance and sustainable economic management. This paper explores strategic approaches to enhance the efficiency of auditing practices in public sector companies, with a focus on institutional reforms, technological integration, risk-based audit planning, and capacity-building mechanisms. Drawing on international best practices and empirical insights from emerging economies, the study analyses how public audit institutions can modernise their operations to detect financial mismanagement more effectively, reduce audit cycles, and improve the quality of recommendations. Special emphasis is placed on the importance of digital audit tools, the harmonisation of regulatory frameworks, and performance-based audit models. The findings suggest that increasing audit efficiency not only strengthens public financial control but also improves trust in public institutions and resource allocation outcomes. Policy recommendations are proposed to support the strategic transformation of public sector auditing systems, particularly in countries undergoing fiscal modernisation.

Keywords: public sector auditing, audit efficiency, digital audit tools, risk-based auditing, public financial management, governance, accountability, regulatory reform, audit quality, capacity-building.

Introduction

In recent years, the role of public sector auditing has become increasingly vital in fostering transparency, accountability, and efficiency in government operations. In many developing and transition economies, including Uzbekistan, strengthening the audit function of state-owned enterprises (SOEs) is not only a fiscal necessity but also a strategic reform priority. Public audits serve as a critical mechanism for detecting financial irregularities, enhancing performance monitoring, and ensuring that public resources are managed in line with national development goals. In Uzbekistan, public sector transformation has accelerated within the framework of the "Uzbekistan–2030" Strategy, which explicitly emphasises the importance of strengthening state financial control, audit independence, and digital governance systems[1]. The strategy recognises that efficient audit institutions are crucial for preventing corruption, improving fiscal discipline, and promoting evidence-based decision-making across ministries and public enterprises.

[1] Presidential Decree No. PF–158 (September 11, 2023), *On the Approval of the Strategy "Uzbekistan – 2030"*, Article 4, Section on Good Governance and Accountability.

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The importance of audit reform is further highlighted in the Presidential Decree No. PQ–4611 (February 24, 2020), which outlines the "Concept for the Development of Public Financial Management for 2020–2024". This decree stresses the need to modernise the internal and external auditing systems, transition to risk-based audit planning, and enhance the professional capacity of auditors at all administrative levels[2]. Moreover, Presidential Decree No. PQ–4751 (June 29, 2020) introduced a new model for public oversight and emphasised the role of performance audits in evaluating the effectiveness of budget spending and institutional reforms[3].

Despite the progress made in legislative and strategic terms, several systemic inefficiencies continue to hinder the effectiveness of public sector auditing in Uzbekistan. These include outdated audit methodologies, overreliance on manual processes, lack of integration between audit and financial reporting systems, and insufficient use of risk assessment in planning audit engagements. The Cabinet of Ministers Resolution No. 515 (July 28, 2022) explicitly calls for the development of a Unified Digital Financial Management System, which includes integrating real-time audit modules with state budget execution platforms.[4]. Furthermore, institutional fragmentation and limited coordination between the Ministry of Economy and Finance, the Chamber of Auditors, and sectoral regulators have created bottlenecks in audit coverage and reduced the effectiveness of audit recommendations. The State Audit Law (2019), while establishing a legal basis for independent public auditing, has yet to be fully harmonised with modern international audit standards, particularly those of the INTOSAI and IFAC frameworks[5].

Given these challenges and opportunities, this paper explores strategic approaches to increasing the efficiency of auditing public sector companies. The focus is placed on institutional restructuring, adoption of risk-based and performance-based audit models, digitalisation of audit processes, and building a professional audit workforce. By analysing both international experiences and Uzbekistan's evolving audit landscape, the study aims to provide actionable policy recommendations for enhancing the impact, speed, and credibility of public audits in the era of "New Uzbekistan."

Literature Review

The issue of increasing efficiency in public sector auditing has become a central theme in both international and domestic academic discourse. Scholars widely agree that efficient audit mechanisms play a pivotal role in promoting accountability, fiscal discipline, and sustainable public sector performance. The literature reveals a range of theoretical approaches and practical strategies focused on enhancing audit efficiency, including the

[2] Presidential Decree No. PQ–4611 (February 24, 2020), *On the Approval of the Concept for the Development of Public Financial Management for 2020–2024*.
[3] Presidential Decree No. PQ–4751 (June 29, 2020), *On Measures to Improve the Public Oversight System and Strengthen Audit Institutions*.
[4] Cabinet of Ministers Resolution No. 515 (July 28, 2022), *On the Development of a Unified State Financial Management System Based on Digital Technologies*
[5] Law of the Republic of Uzbekistan "On State Audit" No. ZRU–577 (January 4, 2019).

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adoption of digital tools, performance-based auditing, and institutional restructuring. One of the leading international scholars in the field, Christopher Pollitt, emphasises that audit efficiency should not only be measured in terms of resource savings or reduced audit duration but also in the impact and implementation rate of audit recommendations[6]. He argues that an efficient public audit system is one that actively contributes to governance improvement and public service delivery, rather than merely identifying financial irregularities.

Another international perspective is offered by INTOSAI (International Organization of Supreme Audit Institutions), which outlines several key pillars for audit efficiency: (i) risk-based audit planning, (ii) digitization of audit workflows, (iii) integration with national financial management information systems (FMIS), and (iv) continuous capacity development of auditors[7]. These principles are increasingly reflected in the reforming of audit institutions across OECD and post-Soviet countries. In the Central Asian context, Kazakhstan and Georgia have been recognised for their successful efforts to reform their public sector auditing systems. According to a 2022 World Bank report, Kazakhstan's introduction of an electronic audit portal and risk profiling tools has reduced the average audit cycle by 38% and improved implementation of audit recommendations from 45% to over 70%[8]. Similarly, Georgia's Supreme Audit Institution applies a "smart audit" model, combining financial, compliance, and performance audits through integrated software platforms.

Domestically, several Uzbek scholars have contributed to understanding the barriers and opportunities for audit efficiency in the national context. Sh.K. Karimov (2022) notes that Uzbekistan's audit system suffers from manual audit procedures, limited application of IT, and weak enforcement of audit findings, all of which reduce the timeliness and effectiveness of the audit process[9]. He emphasises the urgent need for automation and standardised procedures aligned with international norms.

Another notable contribution comes from A.U. Rakhimov, who highlights the institutional fragmentation between public audit bodies such as the Chamber of Accounts, the Ministry of Economy and Finance, and internal audit units in SOEs[10]. He argues that a lack of inter-agency coordination and inconsistent legal mandates lead to duplication of efforts and gaps in audit coverage, ultimately reducing system-wide efficiency. The theoretical foundations of audit efficiency also intersect with New Public Management (NPM) theory, which advocates for performance-oriented governance. According to this school, public auditing should evolve from compliance-based routines to value-for-money assessments that measure the actual impact of public spending. Scholars like Christopher Hood stress the need for audit bodies to adopt strategic audit planning, risk matrices, and

[6] Pollitt, C. (2013). *Context in Public Policy and Management: The Missing Link?* Edward Elgar Publishing.
[7] INTOSAI. (2020). *Auditing Efficiently and Effectively in the Digital Era: Guidelines and Case Studies*. Retrieved from www.intosai.org
[8] World Bank. (2022). *Improving Public Sector Audit Performance in Central Asia: Kazakhstan and Georgia Case Studies*. Washington, D.C.
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dynamic audit cycles, especially in transition economies[11]. In recent years, empirical studies in Uzbekistan suggest a growing interest in aligning national audit practices with global standards. The launch of pilot digital audit tools under the Unified Treasury System and the planned integration of IFRS-compliant financial reporting into audit procedures mark important milestones. However, as M.K. Yusupov (2023) argues, “technological modernisation without organisational change” may result in limited gains if structural inefficiencies persist within audit institutions[12].

In summary, the literature indicates that enhancing efficiency in auditing public sector companies requires a multidimensional strategy that includes legal reforms, technological investments, capacity-building programs, and a shift toward performance and impact-oriented auditing. While Uzbekistan has laid the foundation through strategic documents and pilot reforms, the academic consensus suggests that deeper, systemic changes are essential for sustainable improvement in audit effectiveness.

Research methodology

This research utilises a qualitative, descriptive-analytical methodology to explore and evaluate strategies aimed at increasing efficiency in auditing public sector companies. The choice of methodology is based on the nature of the research question, which seeks to understand complex institutional, regulatory, and technological factors affecting audit performance rather than measuring a single quantifiable outcome. The study applies an inductive approach by examining current practices, reforms, and outcomes in the Uzbek audit system and comparing them with international standards and successful models from other countries. Primary data for the study were obtained from a detailed review of Uzbekistan’s legal and regulatory documents, including presidential decrees, Cabinet of Ministers resolutions, and sector-specific strategic programs such as the "Uzbekistan – 2030" Strategy and the Concept for Public Financial Management (2020–2024). In particular, Decrees No. PQ–4611 and PQ–4751, and Resolution No. 515 served as foundational documents for evaluating government-led efforts toward audit modernisation. These documents provided insights into the national policy framework, institutional restructuring, and digitalisation efforts related to the audit function.

Secondary data were sourced from international organisations such as the World Bank, INTOSAI, IFAC, and OECD, which regularly publish reports and guidelines on public sector auditing standards, audit efficiency indicators, and capacity-building initiatives. These materials were essential for benchmarking Uzbekistan’s progress against global practices and identifying key success factors and gaps. Additionally, scholarly literature from both foreign and Uzbek academics was reviewed to incorporate theoretical and empirical perspectives. Works by authors such as Christopher Pollitt and Christopher

[11] Hood, C. (1995). The “New Public Management” in the 1980s: Variations on a Theme. *Accounting, Organisations and Society*, 20(2-3), 93–109.
[12] Yusupov, M.K. (2023). Digitalisation and Audit Efficiency: The Experience of Uzbekistan. Public Finance Review, 4(2), 23–35.

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Hood contributed to the conceptual understanding of audit efficiency from a New Public Management and performance-based governance standpoint. Domestic studies by Sh.K. Karimov (2022), A.U. Rakhimov (2021), and M.K. Yusupov (2023) were used to examine localised barriers such as institutional fragmentation, outdated audit tools, and human capacity constraints. The research also includes a comparative case study analysis of Kazakhstan and Georgia, two post-Soviet countries that have introduced successful audit reforms, including digital audit systems, risk-based audit planning, and centralised coordination mechanisms. These countries were selected through purposive sampling based on their geopolitical similarity to Uzbekistan, shared Soviet audit legacies, and the availability of public data on audit reform outcomes.

The analytical framework used for data synthesis includes thematic content analysis and SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. Through thematic analysis, recurring reform challenges such as inter-agency coordination failures, audit cycle inefficiencies, and implementation gaps were identified. SWOT analysis was used to structure findings around internal and external factors that impact the efficiency of Uzbekistan's public sector auditing system. Limitations of the research include the lack of access to internal audit reports of certain state-owned enterprises, which restricted empirical validation of audit outcomes. In addition, no interviews or direct surveys were conducted with public auditors or ministry officials, meaning the analysis is based entirely on documented data, secondary research, and comparative assessments. Despite these limitations, the chosen methodology provides a strong and comprehensive framework for evaluating Uzbekistan's audit efficiency reform trajectory. By integrating legal document review, literature synthesis, and international benchmarking, the research delivers a multi-dimensional understanding of current challenges and potential strategies for enhancing audit effectiveness in the public sector.

Analysis and discussion of results

The results of the study indicate that while Uzbekistan has taken significant legislative and strategic steps toward improving public sector audit efficiency, systemic and operational challenges continue to limit the full realisation of these reforms. The analysis is based on a combination of legal document review, international benchmarking, and academic insights, revealing that audit efficiency is largely dependent on four core factors: institutional coordination, technological integration, professional capacity, and audit methodology reform.

Firstly, institutional fragmentation among the Ministry of Economy and Finance, the Chamber of Accounts, and sectoral regulators undermines a unified approach to auditing. Despite Decree No. PQ–4611 outlining a roadmap for public financial management reform, overlapping mandates, absence of a centralised audit coordination council, and weak enforcement mechanisms contribute to inefficiencies in audit execution. A comparison with

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countries that have addressed this challenge through structural reform helps clarify Uzbekistan's position.

Table 1. Comparative Overview of Public Audit Efficiency Indicators[13]

Country	Centralised Audit Coordination	Digital Audit Tools	% of Risk-Based Audits	Average Audit Cycle	Implementation Rate of Recommendations
Uzbekistan	No	Partial (pilot stage)	20%	90–120 days	40%
Kazakhstan	Yes	Yes	65%	60–75 days	72%
Georgia	Yes	Yes	70%	55–70 days	75%
OECD Avg.	Yes	Advanced	80%	45–60 days	80%

As shown in Table 1, Uzbekistan lags behind Kazakhstan and Georgia in both the percentage of risk-based audits conducted and the implementation rate of audit recommendations. While Kazakhstan has institutionalised risk profiling and centralised planning, Uzbekistan's audits remain largely compliance-based and reactive, often focused on detecting procedural violations rather than assessing performance or systemic risk. Secondly, digitalisation remains at a formative stage in Uzbekistan's audit institutions. Though the Cabinet of Ministers' Resolution No. 515 (2022) initiated the development of a unified digital financial management system, audit-specific modules, such as automated risk assessments, real-time reporting integration, and electronic working papers, are still in pilot phases. The absence of scalable and interoperable audit software significantly increases the time and cost required to complete audit engagements.

Thirdly, capacity constraints are a major barrier. According to the 2023 report by the Chamber of Auditors, less than 25% of public sector auditors have received formal training in digital audit methods or risk-based audit planning. This gap contributes to inconsistent audit quality and delays in producing timely and actionable findings. In contrast, countries with institutionalised certification programs and performance-based incentive systems, such as Georgia's audit school and Kazakhstan's continuing education credit system, show much higher audit productivity and lower error rates.

[13] Author's compilation based on World Bank (2023), INTOSAI reports, national audit agencies.

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Fourth, the analysis reveals that Uzbekistan's current legal framework does not fully support modern audit practices. The Law on State Audit (2019) still lacks specific mandates for performance audits and does not include detailed provisions on follow-up mechanisms or sanctioning procedures for non-compliance with audit recommendations. As a result, many audit reports are finalised but never implemented, leading to cyclical inefficiency. Despite these issues, the study also finds signs of progress. The introduction of pilot risk-based audits in select SOEs (e.g., Uzbek Energy Company, Uzbek Food Industry Holding Company) has led to more focused and relevant audit findings. Furthermore, the growing collaboration between the Ministry of Economy and Finance and international partners (such as the World Bank and GIZ) in audit reform and digitalisation projects presents an opportunity for rapid capacity transfer and institutional modernisation.

Finally, qualitative feedback gathered from public policy papers and expert commentary suggests that efficiency gains are achievable if reforms move beyond formality and are supported by real institutional alignment and investment in human capital. The success of regional peers shows that meaningful transformation is possible through strategic planning, legal clarity, and full integration of audit practices into public financial management systems.

Conclusions and suggestions

The analysis conducted in this study demonstrates that improving the efficiency of auditing public sector companies in Uzbekistan is not only a technical necessity but also a strategic imperative in the context of broader governance and economic reforms. Despite substantial progress in recent years, particularly in the areas of legislative alignment, pilot digitisation initiatives, and international cooperation, the current audit system remains burdened by several systemic shortcomings. These include the dominance of compliance-based audit approaches, limited application of risk-based and performance-based methodologies, lack of coordination among audit institutions, and insufficient digital infrastructure to support modern audit cycles. The comparison with regional peers such as Kazakhstan and Georgia shows that countries with a centralised audit coordination structure, integrated digital audit tools, and robust auditor training systems achieve shorter audit cycles, higher rates of recommendation implementation, and greater public trust in audit outcomes. In contrast, Uzbekistan's fragmented institutional setup, partial digitisation, and underinvestment in human capital continue to slow the transition toward a more agile, responsive, and impactful audit environment.

However, the foundations for reform are in place. The "Uzbekistan–2030" Strategy, along with key presidential decrees and Cabinet resolutions, clearly prioritises strengthening state financial control, digital transformation, and institutional accountability. What remains is the effective and synchronised implementation of these reforms across the audit ecosystem. In this regard, several strategic recommendations can

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be proposed. First, a centralised national audit coordination body should be established to oversee audit planning, standardisation, and enforcement across ministries, SOEs, and oversight agencies. This would reduce duplication of efforts, close audit coverage gaps, and ensure a unified national audit strategy.

Second, the government should expand digital transformation efforts by fully integrating risk-based audit modules, performance measurement tools, and real-time reporting dashboards into the public financial management system. This requires not only software development but also interoperability between financial and audit databases. Third, capacity-building efforts must be scaled up. Nationwide certification and retraining programs focused on modern audit techniques—including digital audit tools, forensic audits, and impact evaluation—should be introduced, especially for regional and sectoral audit staff. Partnerships with international bodies like INTOSAI, IFAC, and donor agencies can accelerate knowledge transfer and ensure sustainability.

Fourth, it is essential to revise and harmonise audit legislation, particularly the Law on State Audit and related regulatory frameworks. These laws should mandate risk-based and performance audits, define responsibilities for implementing recommendations, and include enforcement mechanisms for non-compliance. Lastly, audit recommendations should be embedded into the budgeting and decision-making process, ensuring that audit findings are not only documented but also used to improve resource allocation and policy design. This requires building a feedback loop between audit institutions and budget planning authorities.

In conclusion, enhancing audit efficiency in the public sector is a multidimensional challenge that requires coordinated reforms in legal, technological, institutional, and human resource domains. Uzbekistan has laid the groundwork for such transformation, but meaningful progress will depend on the government's ability to move from pilot initiatives to full institutional integration. With sustained commitment, cross-sectoral collaboration, and strategic investment in capacity and systems, Uzbekistan can build a high-performing, transparent, and impactful public audit system that contributes directly to improved governance and public trust.

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