

## IMPROVING THE INTERNAL AUDIT SYSTEM IN THE HOTEL INDUSTRY

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**Abstract.** This article describes the concept of the internal audit system in the hotel industry, ways to implement and improve it, and the importance of international standards in internal audit. Also, several ways to improve the internal audit system in the hotel industry are recognized.

**Keywords:** internal audit, integration, automation, international standard.

The diversity of services, customer segmentation, and complexity of operational activities in modern hotel industries require new approaches and methodologies for the internal audit system. The classic practice of verification and evidence collection is losing its effectiveness in the conditions of real-time operational flows, functional integration between services, and automated accounting systems. Therefore, the internal audit system should become a proactive management tool that not only detects, but also warns and promotes control.

The improvement of the internal audit system focuses on three main areas:

1. Strengthening the institutional foundations of auditing, i.e. developing a “balanced internal audit system” based on COSO, ISO 19011 and other advanced approaches;
2. Strengthening the risk-based approach, developing separate audit approaches for each segment of the hotel infrastructure;
3. Increasing the impact of audit information on management decisions, i.e. automating audit reports, integrating them with BI panels and introducing a system for monitoring recommendations.

Due to the high level of service, customer flow, service frequency and

resource utilization in hotel enterprises, it has become necessary to ensure the continuous operation of the internal audit system, along with accounting. In practice, in many hotels in Uzbekistan, the internal audit system is focused only on financial auditing, and analysis is not carried out by criteria such as service segments, service frequency, profitability and quality of service to customers. This leads to the lack of objectivity of audit control and the delay in timely detection of deficiencies.

It is advisable to improve the internal audit system based on global standards, depending on service segments, risks and operational indicators. In this regard, the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and ISO 19011:2018 standards serve as the most appropriate basis. They provide for the organization of the internal control environment, risk assessment, systematic audit planning, evidence collection and monitoring.

The ISO 19011 standard regulates all stages of the audit: developing an audit plan, selecting areas by service segments, collecting evidence and preparing a report. Based on this standard, a specific audit area, audit frequency and methodology are determined for each type of service. For example, in SPA services, the number of customers, service frequency, and income-expense variance are checked, while in catering services, product consumption and output are the main audit objects.

In 2022, an internal audit system based on COSO and ISO 19011 elements was introduced at the Hotel R. It assessed risks for services, developed separate audit plans for each segment. As a result, the number of identified deficiencies decreased by 34% within 9 months, and the level of implementation of recommendations increased from 68% to 91%. In particular, an uncontrolled increase in fuel costs in the transport service was identified, and a GPS tracking system was introduced. By designing an internal audit system based on COSO and ISO 19011, adapting it to the segmentation of services and the logic of service provision, it is possible to transform a hotel audit from a passive inspection into an active management tool. This approach significantly increases service quality,

financial stability, and the accuracy of management decisions.

One of the important approaches to improving the internal audit system in the hotel sector is to develop a “balanced audit system” appropriate to service segments. Hotel activities consist of several types of services, each of which has its own risk level, operational flow, customer segment, revenue source and cost structure. Therefore, internal audit should be organized not on the basis of a single method, but with a separate approach for each type of service.

For example, in 2023, Silk Road Hotel developed a separate revenue register and audit plans for SPA services. As a result, within 3 months, the service frequency increased by 18%, revenue by 24%, and service profitability increased from 34% to 51%. In catering services, audit reports identified discrepancies between product consumption and revenue, and an electronic reserve system and an automatic price control module were introduced.

By implementing a “balanced audit system” tailored to service segments, auditing becomes not just a verification mechanism, but a warning, analysis, and management influence mechanism. This approach is strategically important in ensuring the hotel’s financial discipline, service quality, and customer trust.

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