



Directions of Organization of Internal Audit Service in Insurance Organizations

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ABSTRACT

This article discusses the main directions of the organization of the internal audit service in insurance companies and the resulting efficiency, the achievements. Suggestions and recommendations were made on the provision of a modern system of corporate governance in the organization of internal audit services in insurance companies, the strengths in the organization of internal audit services in accordance with international standards and the improvement of business processes.

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INTRODUCTION

At the heart of the large-scale reforms being implemented in the country, of course, is the goal of modernizing the national economy and its sectors, resulting in higher incomes. This, in turn, requires the introduction of new methods of management in the development of production and economic relations.

The need for an internal audit service is also important for large enterprises, joint-stock companies and socially significant organizations in terms of controlling the reduction of costs,

including related issues. The heads of insurance companies establish and develop the work schedule. However, for various reasons, employees do not follow the established procedure. For this reason, they are not able to identify shortcomings in the territorial divisions in a timely manner. Internal audit staff help managers to prevent various errors and abuses in the work process.

Establishment of an internal audit service in insurance companies provides an opportunity to study in depth all areas of activity, to properly assess and assess the risk, as well as to make recommendations to minimize them.

It should be noted that some requirements apply to the organization of internal audit services in organizations, and they include:

1. The book value of assets is 1 billion. in enterprises with more than UZS;
2. The book value of assets must be in joint-stock companies with a base calculation amount of more than 100 thousand times [1].

Of course, it should be noted that the internal audit service, in particular, is very important for insurance companies. Because insurance companies are multi-sectoral, widespread in the territory, there are branches in all regions of the country and have the ability to make independent decisions. In this case, the internal audit service established in insurance companies is considered as a basis for the delivery of important information to the corporate governance system and on this basis to ensure the implementation of decisions.

While the digitalization of the insurance market continues, the internal audit service is a necessary element of control, an integral part of management, as well as an assessment of the financial condition of insurance companies and the quality of services provided by them. It can be said that it serves as a practical aid.

The need and priorities for improving the internal audit activity for the management system in insurance companies are explained by the following:

- a reliable source for external audit;
- guarantee of constant observance of the legislation;
- Involvement of highly qualified specialists in the organization's departments through the internal audit;
- is a system that helps to promote the introduction of advanced technologies and methods of work.

In the context of market relations, the system of internal audit should be directed and perform two functions, depending on the method.

- Evaluation of results:
- Evaluation of performance.

The internal audit service is carried out by evaluating business transactions. The task of internal audit in this area is to assess the reliability and stability of the insurance organization, the return on equity of the owners, as well as the purposeful and systematic use of the audit, taking into account the insurance risks.

Another major goal of the internal audit service is to assess the effectiveness of this activity, which in turn is divided into:

Analysis and assessment of the economic environment in which the insurance company

operates:

The analysis pays special attention to the definition of the purpose and methods of the audit, the assessment of the financial situation and the implementation of development programs.

The main task of the internal audit is to verify the accuracy of the financial statements submitted by the management of insurance companies, as well as to analyze the risks associated with the level of profitability, to ensure the effectiveness of insurance activities and to ensure the quality of products.

Assessing the correctness of the internal audit system introduced in insurance companies affects the degree of protection against various risks and its effectiveness. The more improved the internal audit system of insurance companies, the higher the effectiveness of the implementation of decisions made by management. Disruption of this system has a direct negative impact on the financial condition of the organization.

In the process of evaluating the management activities of insurance companies, proposals are made to assess the quality of management of the organization and to improve it. The goal is to apply effective audit methods, obtain audit evidence, and develop automated audit methods. At the same time, the developed audit strategy is aimed at strict control over the activities of auditors in the organization, to control the quality of audits.

1. It should be noted that a lot of scientific and practical work is being done to develop the insurance market and increase the efficiency of insurance activities. It is no exaggeration to say that it is visible. Thus, in order to radically change the insurance business, the following scientists are compiling a collection of scientific works:

Janina Mühlnickel, Gregor N.F. Weiß (2015) Contracting activities aimed at minimizing costs in insurance companies or in all economic entities in general play an important role in the formation of consolidated financial statements. As a result, the number and type of insurance companies are closely linked to the internal audit service [2].

Economist Yigit Bora Senyigit (2012) argues that the development of harmonization of financial statements for insurance companies is closely linked to international standards. As insurance companies operating in Turkey compete in the global financial market, it is important for them to understand the latest changes in the IFRS [3].

B. Sultz, A.N. Ahmetbekov, TA Scholars such as Dubrovina (2002) have argued that internal audit is an independent activity in which an organization's work is evaluated and evaluated in its interests [4].

G.A. Yudina, MN Chernykh (2009) demonstrates the control within the farm, which is carried out when the internal audit of the enterprise, carried out by its own specialists, using external audit methods [5].

Professor Sh.I. Ilkhamov defines internal audit as one of the most convenient ways to identify opportunities for a business entity to increase its financial and economic efficiency, which in turn can ensure the competitive advantage of the enterprise [6].

Prof. Romena Sulce, Prof. A.Z. Avlokulov, PhD N.Sh. Abdieva said that internal audit is a multifunctional audit, and at the same time is the right hand of the company's management. emphasizes [7].

3. Research methodology.

Despite the fact that the organization of the internal audit service in insurance companies is always in the center of attention, it should be noted that the "strong internal audit" service, which is being established today, is practically unsatisfactory. At the same time, in order to effectively establish internal audit services in insurance companies, it is necessary, first of all, to apply international standards and to organize the implementation of economic reforms, to modernize the economy, to modernize the economy. , services, increase the volume of work in the field of industry, such as the delivery of products to world operations.

The process of establishing a proper corporate governance system, increasing the financial stability of the organization, optimal cost management, proper organization of business planning, obviously, leads to internal audit.

It is advisable to use a wide range of analytical methods in disclosing the direction of the organization of the internal audit service in insurance companies.

The methods of analysis used in the organization of the internal audit service in insurance companies, of course, serve to reveal the essence of the scientific article and improve its quality, which is important in the development of proposals and practical recommendations for this research.

1. Analysis and discussion of results.

Through the organization of the internal audit service in insurance companies, first of all, the internal structure of the insurance business, the internal environment, the management style, the decision-making process, the division of powers, the decision-making process;

Second, forms of daily, monthly, quarterly and annual controls are provided, which can be reflected in separate accounts and summarized in reports, and the management of the insurance company's assets can be monitored.

Third, the possibility of operating a department for the identification and analysis of both high-probability risks in the insurance organization;

Fourth, a single database has been formed in the system of access to information, which is considered the most reliable data for external audit and other inspection bodies;

Fifth, in order to increase the effectiveness of the internal control system in the insurance organization, the internal audit system can quickly monitor the activities of employees and periodically evaluate their performance. It can be said that the organization of the internal audit service will create all the conveniences. According to International Standards on Auditing, external audits can often refer to internal audits:

1. In order to acquaint the external auditor with the reports of the internal audit service related to this activity and the external auditor plans to use them to understand the nature and scope of the audit procedures performed by the internal auditors, the results obtained;

2. When the external auditor needs to perform sufficient audit procedures on the work of the internal audit service, in general, to determine the suitability of this work for audit purposes, including the following:

(a) The work of the Internal Audit Service is properly planned, executed, monitored, reviewed and documented;

(b) Sufficient audit evidence has been obtained by the Internal Audit Service to draw reasonable conclusions;

(c) It is used to determine whether the conclusions reached are correct in the circumstances and whether the reports prepared by the internal audit service are consistent with the results of the work performed [8].

As mentioned above, the organization of an internal audit service in an insurance company is, first of all, the study of the insurance market and the restoration of the insurance environment in order to provide quality services to customers.

In international practice, there are the following standards related to insurance activities, and internal auditors check the compliance of accounting with the requirements of the standard:

Table 1.

International Financial Reporting Standards Used by Insurance Companies and Their Scope¹

IFRS	Name of standard	Scope of use
No. 4	Insurance contracts	Used to provide insurance services
No. 7	Cash flow statement	Used in premiums and payments of the insurance company, payments for annuities, other payments under the insurance policy
No. 8	Accounting policies, changes and errors in calculated estimates	The order of calculation and payment of insurance coverage is provided
No. 18	Earnings	Used in recognizing the cost of attracting insurers
No. 19	Employee income	The basis for payment of insurance premiums for making pension payments will be considered
No. 32	Financial instruments: presentation	Includes the process of recognizing and valuing financial assets as well as financial liabilities
No. 37	Reserves, contingent liabilities and contingent assets	This Standard applies to reserves, contingent liabilities and contingent assets other than those arising from contractual obligations and rights arising under insurance contracts.
No. 38	Intangible assets	Used in the implementation of software to account for transactions related to the types of insurance in insurance, such costs are capitalized. This is because it affects the financial results of the organization and is included in the cost of the software
No. 39	Financial instruments: recognition and evaluation	Used in investment contracts, the standard considers derivative financial assets and derivative financial liabilities to be active
No. 29	Financial reporting in the context of a hyperinflationary economy	When an insurance company prepares its initial balance sheet, the foreign exchange economy assessment rate is applied to all periods of hyperinflation.

The data in Table 1 provide an opportunity for an established internal audit service to effectively use the business process in any situation and make quick decisions on corporate governance. When the work is organized using these standards, the amount of time spent by the internal auditor due to

¹ Тадқиқотлар натижасида муаллиф томонидан ишлаб чиқилган

the use of excessive analytical procedures is significantly reduced.

Table 2. The structure of the insurance market of the Republic of Uzbekistan²

	The structure of the insurance market	01.01.2020	01.01.2021	Difference in %
1	Number of insurance companies	36	40	111%
2	Including on life insurance	8	8	100%
3	General charter capital of insurance companies (in million soums)	755 220	1 439 193	191%
4	Number of insurance brokers	5	5	100%
5	Number of actuaries	5	5	100%
6	Number of insurance agents	8 657	8 870	102%
7	Including the number of legal entities	2 388	2 637	110%
8	Number of insurance companies that are members of the Payment Guarantee Fund	17	19	112%

Based on the data in Table 2, we can say that the number of insurance companies in the insurance market of Uzbekistan is growing day by day and the organizational structure is becoming more popular. It should be noted that the demand for internal audit services will increase as the organizational structure expands. As a result, various large-scale operations will take place, which will pave the way for further integration of insurance activities into the world market.

If we pay attention to the data in the table, in order to improve the solvency of insurance companies, their authorized capital is gradually increasing. But the sad side is that we can see that insurance brokers and insurance actuaries are few. If we can develop a number of areas for the organization of internal audit services in insurance companies, first of all, it will be possible to assess the risks encountered in insurance. We will be able to coordinate the activities of a small number of legal entities and increase their number.

If we analyze the data in Table 3, we can see that the percentage change in the number of active contracts and the number of concluded contracts has decreased. In some insurance companies, the figure is much higher. Of course, it is necessary to ensure balance in this regard as well. A unique solution to this problem can be achieved through the effective implementation of internal audit services in organizations. Because, as mentioned many times above, the internal audit service has a huge impact on both the efficiency of work and corporate governance of the organization.

² www.agros.uz маълумотлари асосида муаллиф томонидан ишлаб чиқилган

Table 3.
Information on current and concluded insurance contracts in the general insurance network³
(In the section of insurance companies)

№	Name of insurance companies	01.01.2020		01.01.2021		change in% (current contracts)	change in% (concluded contracts)
		Number of current contracts	Number of contracts concluded	Number of current contracts	Number of contracts concluded		
	Total	7 032 161	7 252 188	6 527 107	5 718 390	93%	79%
1	“O’zagrosug’urta” AJ	2 701 906	2 731 168	1 579 540	1 475 649	58%	54%
2	“Kafolat sug’urta kompaniyasi” AJ	1 353 557	909 743	1 115 679	662 827	82%	73%
3	“O’zbekinvest” EISK AJ	610 464	643 422	800 243	792 895	131%	123%
4	“Gross Insurance” MChJ	477 043	670 644	627 361	622 631	132%	93%
5	“Alskom” AJ SK	300 568	287 903	320 085	257 633	106%	89%
6	“Universal-Sug’urta” AJ	211 812	209 775	263 557	242 295	124%	116%
7	“Euroasia Insurance” MChJ QK SK	177 375	177 375	251 129	251 129	142%	142%
8	“Alfa Invest” MChJ ST	341 070	371 470	234 640	232 849	69%	63%
9	“Asia Inshurans” MChJ SK	183 744	174 847	179 507	162 805	98%	93%
10	“Apex Insurance” MChJ	38 995	40 924	169 507	163 834	435%	400%
11	“Xalq Sug’urta” MChJ SK	114 385	121 712	166 457	106 072	146%	87%
12	“Kapital Sug’urta” AJ	82 708	133 778	132 861	105 891	161%	79%
13	“PSB Insurance” MChJ	14 910	15 724	114 591	115 565	769%	735%
14	“Kafil Sug’urta” MChJ	100 944	334 863	96 764	55 035	96%	16%
15	“IShONCh” BSK MChJ QK	61 445	50 850	75 144	66 690	122%	131%
16	“Asko-Vostok” MChJ	52 612	30 684	63 620	24 496	121%	80%
17	“My Insurance” MChJ SK	40 167	37 939	61 744	60 646	154%	160%
18	“Imkon-Sug’urta” MChJ	3 014	3 014	58 335	55 765	1935%	1850%
19	“Temiryo’l Sug’urta” MChJ	43 827	193 742	53 739	148 484	123%	77%
20	“Ingo-Uzbekistan” SAJ	37 200	43 147	38 267	25 286	103%	59%
21	“Hamkor Sug’urta” MChJ	25 998	19 509	38 159	37 308	147%	191%
22	“DD-General Insurance” MChJ	15 034	10 939	23 725	10 983	158%	100%
23	“Garant Insurance Group”	11 936	14 564	17 340	8 553	145%	59%

³ Ўша манба.

	MChJ						
24	“INSON” MChJ SK	8 565	6 967	13 246	8 387	155%	120%
25	“Omad Sug’urta” MCHJ	3	3	10 136	13 056	337867%	435200 %
26	“Global Insurance Group” MChJ ST	14 290	14 251	8 235	3 580	58%	25%
27	“Unipolis” MChJ	8 219	2 856	7 120	936	87%	33%
28	“Perfect Insurance” MChJ	370	375	6 288	7 022	1699%	1873%
29	“ARIA SUG’URTA TASHKILOTI” MЧЖ	-	-	80	80	-	-
30	“SEMURG INSURANCE” MЧЖ ҚҚ	-	-	8	8	-	-
31	“SHARQ - SUG’URTA” MЧЖ	-	-	-	-	-	-
32	“TRUST-INSURANCE” MЧЖ	-	-	-	-	-	-

5. Conclusions and suggestions.

The organization of an internal audit service in insurance companies is one of the most pressing issues today. It should be noted that with the simultaneous development of insurance and auditing, it is possible to achieve sufficient growth in the economy. In order to develop the industry, of course, it is necessary to improve the regulatory framework. The legal framework aimed at improving insurance and auditing in recent years has helped to increase the potential of both sectors. In order to improve the quality of the insurance business, it is necessary to establish an effective internal audit service, which is a system of control. The Internal Audit Service will help stabilize the financial condition of insurance companies by improving the control system. The internal audit service of insurance companies has a number of advantages, in particular, low cost of external audit, internal auditors are aware of the management style of the organization, the ability to attract qualified professionals for the organization and development, access to new technologies, insurance effective use of available resources in the organization.

So, as a result of the above conclusions, we can make the following suggestions:

1. Features of the organizational structure should be taken into account when developing directions for the introduction of working audit services in insurance companies;
2. Widespread use of electronic software in the introduction of internal audit services in insurance companies, which will allow to control and manage the branches and divisions of the organization;
3. Development of internal audit standards and their implementation.

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