

## METHODOLOGY OF CONDUCTING AUDITS OF INSURANCE ORGANIZATIONS

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***Abstract.** The article discusses the specific features of insurance organizations and delves into issues related to organizing their accounting. Additionally, the process of conducting audits in insurance organizations is examined. The article also covers the procedures for managing the accounting of insurance organizations, conducting analyses, comprehensively evaluating the activities of insurance organizations, and the concept of conducting insurance audits on an international scale.*

*Furthermore, the article provides comparative opinions of scholars on the formulation of financial reports in insurance organizations. It discusses the utilization of analytical practices for the purpose of conducting audits, summarizing audit results, and presenting effective audit findings. In conjunction with this, the article presents important conclusions and practical recommendations regarding the methodology of conducting audits in insurance organizations, thereby elucidating the content and significance of the academic article.*

***Keywords:** Insurance organization, audit, internal control, financial reporting, audit conclusion, international audit standards, comparative indicators, analytical practice.*

**Introduction.** In the process of modernizing and developing economic sectors, organizing accounting and conducting audits according to the specific features of each field have become imperative for the advancement of that particular sector. Currently, Uzbekistan is actively integrating international standards into the country's market, thereby enabling the application of international requirements in all aspects of auditing. It is necessary to emphasize that today, the issues related to conducting audits in compliance with international standards are of significant importance and are being discussed comprehensively from all angles. The confidence in the reliability of insurance organizations' financial reporting is closely associated with the proper handling of their accounting, as articulated in the opinions based on the results of insurance audits.

Formalizing the results of insurance audits, first and foremost, based on internationally established standards, provides valuable information for users and stakeholders, as well as serves as a crucial source of information for investors. It is essential to recognize the critical importance of formalizing the conclusions of auditing in accordance with the requirements of international standards for auditors themselves.

Moreover, the manner in which auditing reports are formalized and structured, and their generalization within the framework of international standards, holds particular significance. Ensuring the confidence and compliance with normative requirements of internationally formalized reporting is essential for the benefit of financial report users and leads to an increased level of interest in financial reporting.

In the international practice, significant scientific research has been conducted on the methodology of organizing insurance audits, evaluation criteria for the activities of insurance organizations, comprehensive assessment methods, the concept of insurance auditing, and methods of conducting audits.

Based on today's accounting practices, some customers are likely to be dissatisfied with their purchase and want a refund. Accordingly, a reserve must be created in the amount of the best estimated amount of returns [9].

It is important to emphasize that Uzbek scholars such as B. Alimov, I. Ochilov, and M. Khodjaeva have made significant contributions by announcing their scientific works in the field of analyzing and evaluating insurance activities.

In conclusion, it is worth noting that the establishment of auditing procedures in compliance with international standards in this area can lead to an increased confidence in the participation of the global capital market in our country, which has a significant share in the world market.

### **Literature review**

The Level of Confidence - Financial reporting holds significant importance for users of financial information. Each individual gains valuable information and confidence from utilizing financial reports.

The reliability of financial reporting in insurance organizations is unquestionably confirmed through the results of auditing. Janina Mühlnickel and Gregor N.F. Weiß emphasize the role of contracts in consolidating financial reporting, which aims to minimize expenses in insurance organizations and all economic entities in general. Therefore, the number and type of insurance organizations are closely related to the scope of internal audit services. [3]

Practitioner Kuzminov N.N. identifies three fundamental approaches to formalizing accounting specifics and conducting audits in insurance organizations:

1. Identifying necessary measures to mitigate high risks that may lead to significant risks and events in the future.
2. Localizing risks, proactively preventing their occurrence, and promptly mitigating potential threats.
3. Aggregating losses incurred as a result of unforeseen risks. [4]

S. Mekhmonov suggests that the final stage of the audit process, in which the auditor evaluates the quality of documents used in the accounting and internal control system of the organization, identifies potential errors influencing the accuracy of financial reporting. It evaluates the content, scope, and number of audit actions, which contribute to the accuracy of the audit results. [5]

A. Avlokulov emphasizes the importance of enhancing the quality of audit services provided, as the quality of audit work directly affects the degree of risk. Therefore, one of the significant issues is to enhance the quality of services provided by auditing organizations. [6]

M. Abduraimova views the audit of financial reporting in insurance organizations as having macroeconomic importance, highlighting the following points in the context of conducting audits:

The results of auditing the financial reporting of insurance organizations are used by decision-makers, interested parties, state bodies, and the public.

The process of conducting an audit of financial reporting in insurance organizations may fail for various reasons, including inadequate information or the failure to identify violations. For example, discrepancies in revenue recognition can lead to an inaccurate representation of income in financial reporting. [7]

In summary, if we generalize the above opinions and provide a definition of authorship, the process of formally issuing the results of auditing in insurance organizations is considered based on the professionalism of auditors, encompassing the organization of audits and the assessment of the reliability of financial reporting. The conclusion or opinion is formed based on the results of auditing, which are the outcomes of a comprehensive and lawful examination of financial reporting.

### **Research methodology.**

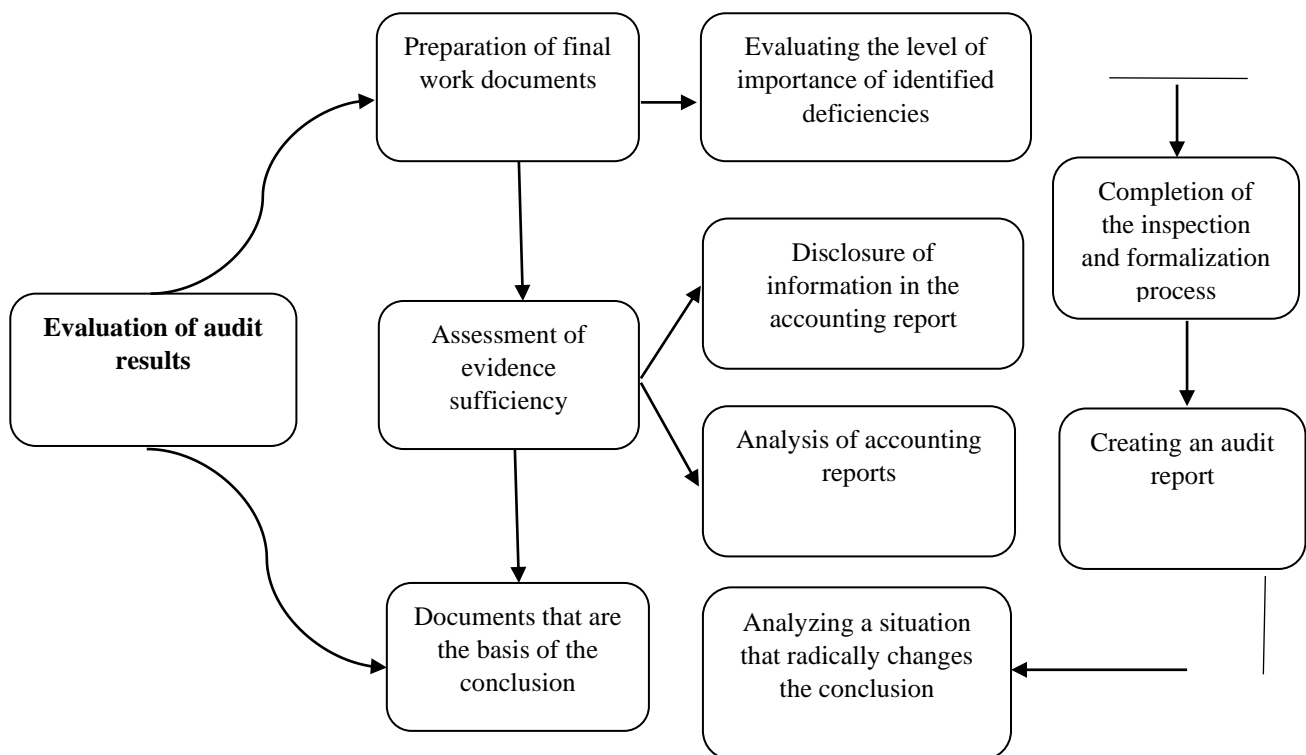
Forming the results of an audit in insurance organizations is the auditor's opinion on processing various information, gathering evidence, and forming a single basis. It is possible to achieve the effectiveness of audit results by applying mathematical methods and similar methods in addition to analytical methods for organizing and summarizing the results of audits in insurance organizations.

Analytical methods used in organizing audits in insurance organizations and revealing directions for summarizing their results definitely reveal the essence of the scientific article and serve to increase its quality, and are of great importance in the development of proposals and practical recommendations for this research.

### Analysis and discussion of results.

The process of summarizing the results of the audit of insurance organizations is considered the final stage of the work performed by the auditor, in which the work done by the auditor and the results of the audit are summarized and reflected in the auditor's conclusion.

The results of the audit are summarized and evaluated before the auditor issues a conclusion. Evaluation of audit results is carried out in the following sequence:



**Figure 1. Metagram of evaluation and generalization of the results of the audit of the accountancy of the insurance organization<sup>1</sup>.**

The report based on the results of the audit reflects the company's activity and its results, the general condition, the state of keeping and creating accounting accounts, and the account structure of the company.

When summarizing the results of the audit, the auditor should also indicate his suggestions for eliminating the shortcomings mentioned in the report:

<sup>1</sup> Developed by the author as a result of research

during the audit of insurance organizations, the auditor gets to know, first of all, the internal structure of the insurance organization, the internal environment, the decision-making process, the system of distribution of powers;

secondly, the insurance organization studies the possibility of material management and constant monitoring;

thirdly, he identifies and analyzes the most likely risks that may occur in the insurance organization and closely familiarizes himself with the department's activities;

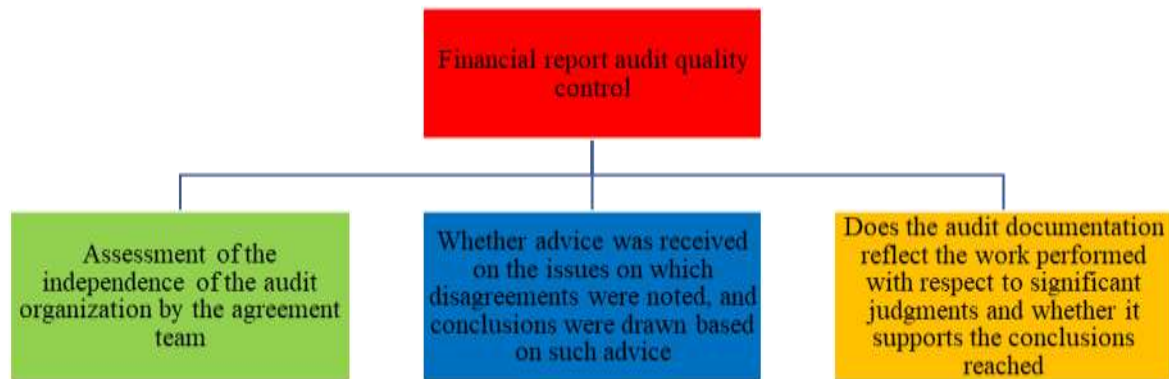
fourthly, the client gets acquainted with the information base formed in the company;

fifth, the effectiveness of the internal control system in the insurance organization is evaluated. It involves correct, complete and accurate reflection of the transactions and account balances of the financial statements in the accounting account, studying the errors in the content of the transactions. The audit of the above processes by the auditor takes into account the planned scope and objects of the selection in order to obtain detailed information about the client's activities, and the selection is carried out by forming and accounting.

When conducting an audit of insurance organizations, the auditor should determine the following: what methods should be used in a certain situation, which methods should be used in relation to which objects, and how often to perform audit procedures.

In general, the auditor should carry out a separate optimal inspection of the departments with a high level of risk when inspecting the activity of the insurance organization.

Based on the above information, we can say that audits must be carried out qualitatively, for this IAS 220 "Controlling the quality of the audit of financial statements" has revealed the types of control that the auditor should know. In addition, the auditor should have information on the following issues during the audit of the economic entity.



**Figure 2. Trilemma of quality control of financial statement audit.<sup>1</sup>**

Organizational work on quality assurance should be done before the audit test. It is necessary to ensure the high level of qualification of the employees of the audit organization, that is, auditors, experts, specialists. For this, in the first place, a special procedure of personnels should be provided. It is especially desirable to conduct competency tests during the recruitment process.

Examinations should be carried out in several stages.

At the 1st stage, a test is conducted to determine the level of knowledge of the recruits and take the position accordingly. At the 2nd stage, an advanced test can be conducted to determine the level of knowledge for a specific position. It is also important to conduct the exams in the form of an interview together with the test form. The following are important:

- the essence of the auditor's activity, what audit organizations understand by the rights and obligations of clients;
- actions of the employee in non-standard situations;
- theoretical and practical qualification of the employee;
- future plans related to the new workplace;
- readiness for a business trip;
- what are the family circumstances that may affect the fulfillment of service obligations.

<sup>1</sup> Developed by the author as a result of research

### **Conclusions and suggestions.**

The issue of auditing in insurance organizations is extremely urgent. The reason is that insurance also has its own special characteristics and network activities. Therefore, the results of the audit by the auditor are reflected in the auditor's report and conclusion.

During the audit of insurance organizations, it is determined whether the accounting methodology used in the organization meets the requirements set by the current legislation on insurance activity, whether the recognition of income, insurance accounting and cost calculation is in accordance with the current laws and internal regulatory documents; errors and violations in the implementation of all types of reports and their impact on the reliability of financial reports are determined; reserves for improving the efficiency of the use of funds are determined.

Based on the above conclusions, we can make the following suggestions:

1. When auditing insurance organizations by the auditor, first of all, the auditor should draw up an audit plan and strategy and start the audit based on a specific direction;
2. At the beginning of the audit, the auditor should familiarize himself with the internal control system of the insurance organization and evaluate its activity.
3. In order to optimize the audit processes, the auditor should definitely pay more attention to the activities of insurance organizations with a high risk area, in particular, the status of premiums, the existence and activity of the department for handling applications and complaints.



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