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## Distinctive Features of Auditing Financial Statements of Insurance Organizations

<sup>1</sup> **Chilmatova Dilnoza  
Abduraximovna**

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<sup>1</sup> Lecturer of the Department of Accounting and  
Economic Analysis of Fergana State University  
[chilmatova72@mail.com](mailto:chilmatova72@mail.com)

**Abstract:** This article examines the procedures for auditing the financial statements of insurance companies, the requirements and rules of the audit of financial statements, as well as the procedure for formalizing audit conclusion and reports.

**Key words:** insurance organization, insurance premium, financial report, auditing control, system internal control, audit instruction, auditor conclusion, auditor report, insurance reserve, auditor proof.

The economy of the Republic of Uzbekistan, which is faster and increasing the competitiveness of the market of insurance services that are need for a new economic relations and their further strengthening of the legal framework of the insurance market and improving their methodology. In particular, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev emphasized: "Expansion of the volume of insurance, leasing and other financial services through their introduction and improvement of their quality, as well as attraction of capital and enterprises, financial institutions and the development of the stock market as an alternative source for the free resources of the population".

The activities of insurance companies depends on the insurance fund that was created by the insured people. It means that Insurance companies have to control their liability for their insured clients, company's financial profitability and liquidity. Insurance companies have social impacts on economy. As we know, according to the latest legislation, Insurance companies are the institutions with high social importance. So, the controlling the accounting of each insurance companies is of high importance.

The requirements of how to do annual inspections on insurance companies are determined by the law. Auditing of insurance companies is a kind inspection that gives the summary of how veracious the accounting of that company is.

Audit is aimed at the checking the correspondence of insurance company's completed operational and financial activities to normal documents. Additionally, the report of auditor is formal according to financial report reliability and including the conclusion of audit company they are considered to be suited for uses of company's reports.

Audit requirements can be in one set and consists of following stages:

- 1) Preparation of audit;
- 2) Doing an audit (Collecting and refining the given information);
- 3) Conclusion part.

Planning the audit consists of following stages:

- Introduce with the customer;
- Making contract with the customer;
- Evaluating the importance of the following audit ;
- Evaluating the accounting system and inner control of the customer-company;
- Calculating the audit risks;
- Making the overall planning and auditing scheme.

The summary of audit about the veracity of company's reportings must depend on the collected facts. If the auditor cannot find enough data, they must rely on № 500 - auditing standart.

While keeping auditor's checking process, auditors should learn an amount of information that gives to conclude. It should assess internal control adequately and this is assigned as an audit threat of an insurance company. The better the inner auditing system, the less proves will be needed.

Auditing can be done selectively or entirely. In practice, the selected way of inspecting is often used. What's more, auditor checks operations of insurance company according to laws of government and legally of its profits during analysis. Audit statement is given in the documents of auditing organization.

Audit statement does not consist of other documents and they should not be contained. In accordance with the international insurance standarts № 700, statement comprises introduction, analysis and conclusions. An audit of the annual financial statements of an insurance company for the compliance of an insurer with the requirements of the financial stability and solvency requirements established by the legislation and the efficiency of the organization of the internal control of the insurer should be included.

The auditor must be formulated in accordance with the rules of accounting standarts of the insurance companies and the results of its financial activity. The date of signing the auditor's report cannot be closer to the date when the audit evidence is finalized (usually the last day of the audit) and before the date of the financial statement signing. Auditing can be signed by the manager of auditing organization or by the certified auditor. The date of signing the audit report must be suitable to the date when the audit evidence has been completed and cannot be before the date of the financial statement signing.

The aim of inspecting the legal basis of insurance companies is to check whether it is operating legally or not. In order to do this founding document, certificate and licenses of insurance companies should be checked. The purpose of the audit of the charter capital of the insurance organization is to conclude that the validity of its data and its compliance with the standardization of accounting methods are met:

- 1) Auditing the founding basis;
  - Inspecting the founding documents;
  - Certificates to do typical operations;
  - the checking of the authorized capital formation, to examine the source and property of its capital in the charter capital;

- The analysis of the decisions made by the board of directors, officers and shareholders;
  - Inspecting the registration of changes in founding documents; - Given documents that give the right to do insurance;
- 2) Examination of the authorized fund of an insurance organization:
- Control over the correctness of accounting of accounts with shareholders in the formulation of the authorized capital;
  - Auditing the filling of found by stages;
  - Inspecting the shares of shareholders;
  - To verify the valuation of material values in the statutory fund, real estate, and the correctness of the accounting records;
  - Confirmation of the registration of stock exchange and change of accounting in the joint-stock company.
- 3) Inspecting account books with shareholders:
- Checking the accounts with shareholders;
  - Checking the accuracy and fullness of revenue accounts (taken from shareholders); - inspecting the calculations of dividends;
  - Examining the changes in shareholders contents.

Information sources – copies of establishment documents, meeting protocols, registry documents, copies of license, an accounting, financial report, contracts about purchasing shares, patents, copyrights, commands, receiving acts and assessing methods. Meanwhile, an auditor checks terms of compulsory insurance contracts whether they are appropriate to all requirements of an insurance legislation as well as these types of other insurance laws.

Additionally, followings are checked according to liabilities of an insurance companies:

- the accuracy of forming liabilities;
- Characterizing the accuracy of dates of liabilities;
- checking the accounting and the method of liabilities accounting;
- checking suspicious debts and making reserve funds for them;
- inspecting how liabilities are paid.

By auditing the insurance premiums, as a confession of accounting policy and income of insurance premium that is reflected on legality is checked. Insurance premium of Insurance Organizations' accounting depends on the period of appearing rights of taking it. In that case, except for insuring the life, accounting order of selected reserves for insurance at the starting date of contract is equaled to starting date of insurance.

According to this condition, by paying off insurance premium, right usage of insurance coverages appears after making a contract. While inspecting insurance premiums, the sum of premium in the contract is compared with accounting notes. So are the flows of premiums.

The investigation of reality of forming reserves of insurance companies. It plays a major role in two ways. First one is confirming the amount of money to cover the payables to the ensured while the second

is preventing EBIT from excessive or defined amount. What's more, while accounting insurance reserves, there must be pattern of chosen methods.

Auditor checks the insurance company whether they break or not. The rule of accounting insurance reserves is shown. In addition to the life insurance of insurer, the auditor examines the correctness of insurance payments in the accounting period for the purpose of checking the accuracy of the formation and the use of insurance reserves by other types of the insurance.

This procedure is carried on the basis of available information. The auditor evaluates the accuracy, completeness and timely execution of insurance indemnification on accounting documents. The auditor examines the activities of the insurance organization related to the claim and in accordance with the current civil law, legality binding obligation of the creditor to the insurer taking into account the transfer of the right of the creditor to the debtor. To identify plan behavior separately from concurrent demand-side adverse selection, I implement a double-blind audit study in which plans are contacted by fictitious applicants from different locations. I find that plans are less likely to respond and follow-up with applicants from higher-cost regions, such as West Germany.

The results suggest that supply-side selection may emerge even in heavily regulated insurance markets. The prospect of risk selection by firms has implications for studies of demand-side selection and regulatory policy in these settings.

In order to verify whether audit checking is compatible to the current regulations, financial and business activity of audit organizations should be identified whether it is suitable to the current legislation.

To give professional inferences on the based of audit checking, auditors should examine those followings:

1. Accuracy of all types of financial reports and their coefficients;
2. Dependency of coefficients in reporting's;
3. Veracity of coefficients in reports;
4. Accuracy of consolidated financial reports;
5. Announcing the reporting of coefficients for that accounting period.

An auditor registers reporting forms, inventory information and other documents as instructed while checking reports. Checking inventory of actives is performed through comparing this information with balance sheet information.

It would be better checking whether account report's information is compatible with rest information of account report. In general, the results of auditing insurance companies and their summaries depend on the accuracy of the given data by the inspected company. The summary of how to develop an insurance company depends on how accurate the data it gives.

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