



RESEARCH ARTICLE

International Auditing Standards and Their Role in Achieving Financial Transparency Requirements in Insurance Companies

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Abstract

The research discusses the role of International Auditing Standard No. 20, in achieving financial transparency, which has become an international requirement for organizations to classified and adopt their data as an economic indicator of the efficiency of the markets in which these organizations operate. And the research discussed the concept of international auditing standards and their relationship to achieving Elements of financial transparency through the application of its principles in organizations. And research reached a number of results, the most important is the weak interest of the auditing bodies in insurance companies to share the results of audit work with the media and the parties interested in the results of their work and their weak role in attracting researchers' attention to the results of their work as part of the requirements Audit Standard No. 20.

Keywords: financial transparency; audit; auditing standards; insurance companies

INTRODUCTION

Insurance companies are considered one of the largest financial institutions that supply the national economy with large capitals through which they can support the economic development process in the country, as a result of the wide financial services they provide represented in insurance, lending and investment documents. However, insurance companies are still considered the missing link in the chain of financial institutions author of the national economy, perhaps this is due to the weak oversight role of the Iraqi Insurance Bureau over these institutions, in a way that created a state of lack of awareness among members of society of the existence of such type of companies.

In addition to the financial services it provides, and this alone is considered a waste of public money, represented by the loss of the insurance service, which is still unknown to this day, which calls for the need to find an administrative method through which we can reactivate this public service.

Research objectives:

1. Learn about transparency and the principles of

- financial transparency in general companies.
2. Getting acquainted with the process of auditing and internal auditing in general companies.
3. Testing the type of relationship between the transparency variable and the audit variable.

Research hypotheses:

The research was based on the following hypothesis: The application of auditing standards in insurance companies has a significant effect on achieving the principles of financial transparency for insurance companies.

Sub-hypotheses:

The research is based on sub-hypotheses that assume a relationship between the principles of financial transparency and the dimensions of applying International Auditing Standard No. 20 in insurance companies, as follows

1. There is a significant impact of the application of International Standard No. 20 on the clarity of roles and responsibilities
2. There is a significant impact of the application of International Standard No. 20 on ensuring the correctness of information.
3. There is a significant impact of the application of International Standard No. 20 on the dissemination of information.
4. There is a significant effect of applying International Standard No. 20 on participation in decision-making.

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Research importance:

1. Shedding light on the problem of the absence of the insurance service for a large proportion of Iraqi society members as a result of the weak oversight role practiced by the Iraqi Insurance Bureau, which led to a decrease in the degree of transparency required as a global standard for reliability.
2. The importance of applying international auditing standards to the degree of financial transparency in the Iraqi insurance sector, which is considered an international standard for classifying these companies, especially International Audit Standard No. 20.
3. Transparency leads to building a relationship with stakeholders in the company, which helps to develop relationships in a good way.
4. The application of transparency leads to reducing the risks of financial crises that lead to social and economic costs (Kabbaja and others, 2008: p50),

Principles of Financial Transparency

The concept of transparency as an administrative term has practical applications and a number of principles on which it is based in terms of legal legislation and administrative practice, explaining the motives behind its adoption, and explaining its practices and dimensions, as it was approved on 4/16/1998, The treaty of Good Practices in the Field of Public Financial Transparency at the fiftieth meeting of the Interim Committee of the Board of Governors of the International Monetary Fund, which was held in Washington, as this charter is the basic building block for the implementation of the principles of financial transparency, Then, in February of the year 2003, the international meeting was held in the United States of America in the state of Georgia. Later, the International Organization of Supreme Audit Institutions (INTOSAI) issued Standard No. 20, which includes a number of principles for required financial transparency, which are:

Transparency concept:

1. It is the basic rule in control procedures and avoiding corruption by establishing an ethical approach that protects employees and customers. The concept focused on the need for an ethical approach to be followed in the public organization (the insurance company) (LCGTF, 2004: p 48).
 2. The United Nations Development Program defined transparency as making information available while informing people of its existence and how to access it. Individuals and organizations must be made aware of the existence of information of interest to them in (insurance companies) that have an interest in them (Al moaaqet, 2007: 16)
 3. The Human Resources Department defined transparency as one of the objective and developmental objectives adopted in performance appraisal in a way that increases the motivation of workers, as the presence of approved standards in evaluating performance and granting rewards to workers in the (insurance company) guarantees them a fair evaluation of their performance and motivates them towards better performance (Al-Ghamdi, 2009: 52)
 4. The financial management defined transparency as the public disclosure of documented information to help (the insurance public) to conduct an accurate assessment of the financial position of insurance companies, their achievements, activities and risks (Al-Gawhar, 2010: 15).
 5. The audit department defined transparency as a mechanism that provides a true picture of what is happening, and shows the reality of conditions and assets in the institution. The regulatory bodies need transparency in the (insurance company) to ensure the achievement of its control objectives (Al-Mansoori, 2010: 22).
- a. The principle of clarity of roles and responsibilities: It is the structure of the government sector and its responsibilities and the relationship between the government sector and the rest of the economy sectors, where the form of relationships between them should be clarified.
 - b. The principle of ensuring the accuracy of information: This principle focuses on the quality of public financial statements and the need for independent auditing
 - c. The right to access information: The right to access information held by general organizations is a basic and legally binding human right, according to which public institutions must ensure access to the information they maintain regardless on the source of this information.
 - d. Participation in decision-making: is that public institutions should publish information that facilitates participation in decision-making, in a way that the parties that have an interest in the concerned institution can access, and comment on that information.
 - e. Limited exceptions: it's a right to information is not absolute and does not mean that all information held by the Public Corporation must be declared because the information is personal, or harmful to the Corporation, or it is related to customer secrets.
 - f. The obligation to disseminate information: confirms that the public institution must publish a wide range of information about its structure and decision-making processes, and that the first mechanisms for dissemination are through the websites of the public institution and the offices of the public institution located in the country, and ensuring the dissemination of information in several languages (Financial Transparency document, 2003: p 95).
 - g. Protection of whistleblowers who disclose information in good faith in relation to matters related to corruption or bad practices from any penalties, retribution or professional and personal harm as a result of their disclosure. Taken seriously.

The importance of financial transparency

1. Emphasizing transparency in all the company's dealings, its accounting procedures and financial review, will make it a barrier that stands against all forms of corruption that leads to the depletion of the company's resources and the erosion of its competitiveness and consequently the investors' withdrawal from it (Kabbaja and others, 2008: p 49).
2. Making the public able to monitor the public offering institutions, and enabling them to form a better image of management (Hammad, 2006: p 916).

Concept of Auditing and International Auditing Standard No. 20:

Auditing as a process and a systematic procedure within the administrative systems has a number of diverse concepts depending on the nature of the organization's activity and the control systems used in it. Auditing is not only an oversight process, but rather a process of annual and quarterly evaluation of organizational activities. The following are a number of concepts that explain the dimensions of the audit process:

1. Internal audit is defined by the Institute of Internal Auditors as an objective and independent activity that aims to add value to the organization and improve its operations and objectives (Kagermann, 2008: p2).
2. Its independent activity that aims to ascertain, provide advice and prove the activities of the organization (IA, 2014:p 2).
3. Auditing is an organized process of obtaining clues related to the elements indicating economic events and evaluating them in an objective way for the purpose of ascertaining (Hamayza, 2016: p 11).
4. It is an objective activity that ensures benefit to the organization through independent evaluation, risk management (ECiiA, 2017; p3).

International Auditing Standard No. 20

It is an international document and an integral part of the international standards of the supreme audit institutions (INTOSAI) that includes nine principles aimed at promoting the principles of financial transparency, which is a basic rule for independent governmental oversight and is considered a prerequisite for the work of the oversight bodies in order to be an influential Force that can fight corruption Force that can fight corruption of all kinds and enhance accountability In organizations, in a way that leads to the disclosure of clear, reliable and useful information (INTOSAI.org).

The importance of the audit process:

The audit process is considered part of the Organization's evaluation system in terms of Performance and its results of any kind, which gives a comprehensive picture of the data processing tools entering the organization, and the way these tools work and how to extract them for the expected results. In maintaining the data processing system and implementing administrative activities so that they are useful to all parties that deal with the organization's data.

The audit process is important in the financial reading of the activities of organizations, represented in The efficiency of operational processes, which measures the efficiency of senior management in achieving its planned objectives through the optimal use of resources (Atiya, 2017: p176). And the audit plays an important role in monitoring contracts, compliance with laws and all organizational activities, which leads to raising the degree of certainty for the information contained in the financial statements. Make its investment decisions and future expectations. Without scrutiny, the information about the organizations will lack credibility (Abd al-Karim, 2014: p367).

The operational internal audit is an additive process linked to the internal audit and is defined as the comprehensive review of the various functions within the insurance company, to ensure the efficiency, effectiveness

and suitability of these functions through the analysis of organizational structures and the evaluation of the following objectives of the insurance company. Jobs (Al-Madhoun, 2014: p25) In addition to preserving public resources and property through accountability (Fatima, 2016:p46) And finally, to create an environment in which material information related to all the organization's activities and its current and strategic decisions are available to the internal and external public (Khazali, 2013:p17).

The relationship between international auditing standards and the degree of financial transparency of insurance companies:

1. Clarity of roles and responsibilities:
Transparency as a basic principle in organizational work led to the emergence of bad administrative systems, and the assignment of inefficient elements to management due to favoritism and nepotism, which led to the failure to achieve development in the public sector (Al-Khanaq, 2006: p 24). And process that enables us to ask officials to provide the necessary clarifications to stakeholders on how to use their powers, and take responsibility (Al-Shammari, 2012: p26).
2. dissemination of information:
The organizations that adopted the transparent management had a high level of knowledge of the organization's work and an understanding of the organization's financial situation, which led to feel that consumers are partners in the organization (Schuster & Others, 2001:p2).
3. Ensure the correctness of the information:
The transparency in (insurance companies) provides clarity in the information needed by the public that deals with the insurance companies and who is considered a future investor (Al-Ais, 2010: p 108) the insurance industry is still declining in our world, due to the inability of insurance companies to gain the trust of the target audience (Khazali, 2019: p 18).
4. Disclosure:
Making the customer a member of the company by sharing information and discussing issues will lead to success, from service design to service standards setting, quality control and improvement (Garfield, 1993: p 5). In order to gain the client's trust in the company, it must be constantly aware of the Information that interests them within the company, (Sliver, 1996: p3-4).

Practical Side:

From the foregoing, we see the relationship between the audit process and the degree of financial transparency in the insurance companies under study, and to examine this relationship realistically, a questionnaire was designed consisting of two main sections, the first section includes demographic information for the research sample, while the second section included questions that clarify the extent of application of audit standards In the insurance companies under study, and the degree of financial transparency of those companies. Through Tables No. 1 and No. 2, the results of the answers of the studied sample appear to us.

Demographic Variables:

table (1) show that the percentage of PhD holders of the surveyed sample reached 14%, and the percentage of master's and bachelor's degree holders reached 22% and 64%, respectively, which indicates that the sample has a good scientific level and a good knowledge culture that makes it aware of what is stated in the texts of the questionnaire paragraphs. In addition, the items of the surveyed sample enjoy a good level of experience in their field of work, i.e. the field of insurance. The percentage of

those who have a job experience of more than 26 years or more reached 50% of the total items of the researched sample. This also goes to the fact that the surveyed sample understands the dimensions of applying international auditing standards in the business of companies Insurance and the resulting effects if applied on the ground. Finally, the percentage of general managers reached 4% of the total items of the sample surveyed, followed by the percentages of 16% and 80% for heads of departments and employees, respectively, which indicates that the sample has the required diversity.

Table 1:
Frequency table of the respondents' answers about (educational attainment, occupational level) - prepared by the researcher.

The ratio	Frequencies	Experience	The ratio	Frequencies	Career Level	The ratio	Frequencies	Educational attainment	
0.18	9	15 year	0.04	2	Director	0.14	7	PhD	1
0.32	16	16-25	0.16	8	Head of the Department	0.22	11	Master's	2
0.50	25	26-and more	0.80	40	employee	0.64	32	BA	3

- Quantitative variables:**

Table 2: of analysis of the answers of the surveyed sample regarding the paragraphs of the questionnaire related to measuring the role of the international auditing standard No. 20 in the degree of financial transparency of the surveyed companies - prepared by the researcher

First: Clarity of roles and responsibilities									
Slandered deviation	mean	Not agree	neutral	agree	the question				
0.675	2.56	5	12	33	There are legal regulations clarifying the auditing authority and its responsibilities	1			
0.735	2.50	7	11	32	There are regulations that specify the requirements for the work of the control and auditing bodies	2			
0.776	2.36	9	14	27	There is an approved mechanism for the regular publication of oversight and audit reports	3			
Second: dissemination of information									
0.66	2.40	10	10	30	There are regulations under which the supreme oversight and auditing bodies disclose their legal mandate	4			
0.662	2.46	8	11	31	There are regulations according to which the supervisory and auditing bodies disclose their mission and objectives	5			
0.614	2.50	10	5	35	The regulatory and auditing bodies disclose basic information related to their work and activities in several official languages	6			
0.610	2.42	10	9	31	The regulatory bodies are obligated to provide information about the corrective measures taken by the bodies subject .(to control (the insurance company	7			
.Third: Detecting abuse and protecting those who are aware of it									
0.45	2.72	0	14	36	Oversight bodies encourage transparency at the internal level and prevent conflicts of interest and all kinds of .administrative corruption	8			
0.90	2.30	15	5	30	Regulatory bodies encourage ethical behavior in the audited organization	9			
0.65	1.86	18	21	11	Regulatory bodies encourage compliance with ethical regulations for employees	10			
0.67	2.26	10	17	23	Regulatory bodies encourage the publication of cases related to the ethical and administrative misconduct of employees	11			
Fourth: Ensure that the information is correct									
0.70	1.92	18	18	14	Regulatory bodies cooperate with external regulators to ensure the impartiality of the audit and the correctness of the information	12			

0.50	2.44	0	28	22	Oversight bodies make sure that the information published by the audited entity was part of the policies that guarantee integrity and transparency	13
0.80	2.44	14	10	26	Oversight bodies evaluate the reports published by the audited organization	14
0.68	2.30	10	15	25	Ensure that regulatory agencies are available to the public	15
Fifth: Participation in decision-making						
0.62	1.86	17	23	10	The regulatory bodies confirm that the audited entity communicates with the media and any party concerned with its results	16
0.59	1.96	13	26	11	Oversight bodies encourage public and academic interest in the results of their work	17
0.45	2.72	0	14	36	The regulatory bodies confirm that the audited entity publishes the results of its work in more than one approved language	18
0.71	2.32	11	12	27	Regulatory bodies assure the audited entity to publish its information in an understandable and publicly available format through various means and in more than one form of images, data, drawings and summaries	19

- a. The sample's answers agreed the dimension (clarity of roles and responsibilities) were that the auditing bodies in the surveyed companies are restricted by regulations that define their role and responsibilities in addition to the requirements of their work and duties. The sample agreed with a large percentage, and this was confirmed by the arithmetic mean values, which were close to (2.56).
- b. The sample agreed in a large percentage with the questions related to the dimension (dissemination of information), where the arithmetic mean values ranged between (2.40 - 2.50) and this was confirmed by the standard deviation values, which amounted to (0.66), which indicates the concentration of the sample answers in the area of agreement by a large percentage.
- c. The sample agreed in a good percentage with the paragraphs after (Detection of Abuses and Protection of Excuses) with the exception of Question No. (10), which obtained the lowest value in an arithmetic. Mean of (1.86), which indicates that the auditing bodies in the two companies surveyed do not emphasize the necessity of adhering to the ethical. Regulations laid down in a way, Tangible employees.
- d. The sample agreed with the questions after (guaranteeing the correctness of the information) with a good percentage, and this was confirmed by the arithmetic mean values in the table above, with the exception of question No (12), whose arithmetic mean value was low. This means that the audit process is carried out by an internal party only without resorting to external auditing parties that guarantee the impartiality of the results of auditing the data of the companies investigated as part of the requirements of Standard No. 20.
- e. The sample did not agree with questions No. (16 and 17), The arithmetic mean values reached (1.86) and (1.96), respectively, which are low values, which indicates that they fall into the area of disagreement as part of the requirements of Standard No. 20.
- accountability in public institutions, and it is a strategic goal that must be sought in the long term
- b. The results showed that the audit bodies in the companies subject to audit did not confirm and followed up in an efficient manner the commitment of the employees of the companies investigated to the ethical regulations set for them.
- c. The results showed that the audit process is done unilaterally without the participation of external auditors in the audit process.
- d. The sample did not agree with the interest of the auditing bodies in the companies surveyed by sharing the results of the audit work of the companies surveyed with the media and the parties interested in the results of their work.
- e. The results showed the weak role of the auditing bodies in the companies investigated in attracting the attention of researchers and academics to the results of their work in order to contribute to addressing the problems faced by the companies subject to audit as part of the requirements of auditing standard No. 20.

RECOMMENDATIONS

- a. Iraqi insurance companies must seek to adopt international standards for auditing the implementation and follow-up of their activities, because they are a prerequisite for working within the global system of trade in goods and services.
- b. The application of International Auditing Standard No. 20 would provide the degree of financial transparency required of public institutions so that their statements are internationally approved.
- c. The auditing bodies in the companies investigated should work to follow up the implementation of the ethical regulations that have been established for employees to abide by, and deal with those alerted to abuses that take the form of administrative and legal violations in confidence, and treat these abuses without prejudice to the rights of those alerted to them.
- d. The auditing bodies in public institutions must create a communication channel with the media in order to convey the results of their work and the work of the institutions subject to audit, because this will raise the credibility of the audit.

CONCLUSIONS

- a. Auditing Standard No. 20 issued by the INTOSAI Supreme Committee for Oversight Bodies is a basic requirement concerned with transparency and

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