



جامعة الجميع الذكية
Everyone's Smart University

**The role of internal audit in evaluating the effectiveness of risk management in
health insurance companies**

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Table of Content

Abstract	3
Chapter One.....	4
Introduction	4
Statement of Problem	5
Research objective	5
Research Questions.....	6
Definition of Terms	6
Chapter Tow	8
literature Review	8
Study hypotheses:	10
Methodology.....	10
Study variables:	10
The limits of the study:	10
The study sample:	10
Used equipment's:	11
Statistical methods adopted in the study.	11
Reliability and internal consistency of the study tool.....	11
Conclusion.....	12
References	13
Appendix.....	14

Abstract

The risks to which health insurance companies are exposed are among the most difficult risks because they are directly related to future expectations of the adequacy of the premiums collected to cover those compensations that they may face, in addition to other risks that all health insurance companies may face, which are considered within the general framework of any Activity: This study focuses on the role of internal audit in evaluating the effectiveness of risk management in health insurance companies

This study was classified into qualitative research. The sample was selected from 50 employees and the method was random. Data were analyzed using a questionnaire. The results of data analysis showed that internal audit has an effective role in reducing the risks faced by health insurance companies.

Chapter One

Introduction

In recent years, internal audit has witnessed increasing interest by companies and institutions in developed countries, and this interest is represented in many ways, the most important of which is the increasing interest of companies in establishing independent internal audit departments, while working to support them with qualified human competencies, to enable them to achieve the desired goals with efficiency and effectiveness. (Florina,2013).

This requires the need to develop internal audit activities and procedures from traditional audit methods to modern methods emanating from professional associations and organizations in the United States of America and Europe, the most important of which is planning and implementing audit activities, so that the efforts of the internal audit department are focused on the riskiest areas of the organization, including risk management. Perhaps insurance companies are among the financial institutions most in need of activating internal audit activities in managing risks to confront and reduce them. (Arena,2006).

The success of insurance companies and ensuring their continuity is linked, to a large extent, to the extent of attention they pay to the tasks and activities of risk management associated with the insurance products and services they provide in light of the competitive market and the collapses resulting from the global financial crisis. Therefore, the internal auditor has become seen as the most qualified to help in managing Risk, because of the knowledge, experience and skills he possesses that make him qualified for this, especially after the issuance of the new concept of internal auditing by the American Institute of Internal Auditors, which included expanding the tasks of internal auditing to include evaluating and improving the effectiveness of the risk management program. Given that there are special considerations regarding risk management in health insurance companies compared to other economic sectors. (Azzone,2009).

Statement of Problem

In the recent period, many companies have faced many problems, represented by financial stumbles and collapses, in addition to many administrative problems at the global and local levels. Most of these stumbles and collapses have been concentrated in financial companies, specifically banks and insurance companies. Consequently, there has been a lot of talk about the role of regulatory authorities in predicting these problems, specifically the role of internal audit in managing and predicting these problems and the extent of its ability to manage the risks that companies may face. The concept of risk management has developed at the theoretical and practical levels, after these stumbles that have occurred over the past few years. companies recently. Questions have also increased from researchers and those interested in the financial and economic community about the role of internal audit in managing these risks and how to activate a cycle to reduce the risks that companies may face. For all of this, questions have been raised about this topic to know the extent of its application in companies, specifically financial companies. Hence, the following problem can be raised: What is the role of internal audit in evaluating the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia?

Research objective

- 1- Knowing the extent to which the internal auditor applies work procedures that contribute to the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia.
- 2- Determine the extent of the internal auditor's commitment to professional standards regarding the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia.
- 3- Explaining the extent to which audit committees influence the internal auditor by evaluating and monitoring the performance of risk management in health insurance companies in the Kingdom of Saudi Arabia.
- 4- Identify the extent to which the internal audit department's exercise of its duties affects the independence and effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia.

- 5- Knowing the extent of the influence of audit committees on the internal auditor and the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia

Research Questions

1- What is the extent of knowledge of the extent to which the internal auditor applies work procedures that contribute to the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia?

2- What is the extent of the internal auditor's commitment to professional standards regarding the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia?

3- What is the extent of the evidence on the influence of audit committees on the internal auditor in evaluating and monitoring the performance of risk management in health insurance companies in the Kingdom of Saudi Arabia?

4- To what extent is there recognition of the impact of the internal audit department's exercise of its duties on the independence and effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia?

5- What is the extent of knowledge of the impact of audit committees on the internal auditor and the effectiveness of risk management in health insurance companies in the Kingdom of Saudi Arabia?

Definition of Terms

internal audit:

It is an independent and objective activity that provides assurance and advisory services with the aim of adding value to the organization and improving its business. This activity helps achieve the organization's goals by following an organized, systematic approach to evaluate and improve the effectiveness of risk management and control processes And governance.

Risk Management:

It is the process of measuring and evaluating risks and developing strategies to manage them. These strategies include transferring risks to another party, avoiding them, minimizing their negative effects, and accepting some or all of their consequences. It

can also be defined as the administrative activity that aims to control risks and reduce them to acceptable levels.

health insurance:

One of the types of insurance that was created to insure the individual against any health risks that the individual may be exposed to. This insurance covers the costs of treatment, examination and diagnosis, in addition to supporting the individual physically and psychologically. It also includes an allowance for stopping work for a temporary period, which is caused by a temporary or permanent disability that the individual has suffered.

Chapter Tow

literature Review

Badara and Saidin (2012) study titled: "The Relationship between Risk Management and Internal Audit "Effectiveness at Local Government Level" This study aimed to identify the relationship between risk management and the effectiveness of internal auditing The level of local government in Malaysia, through a review and study of previous and private literature In local government, therefore, this study contributed to increasing the volume of literature on studying the effectiveness of auditing Internal risk management at the government level in Malaysia , The study found that risk management affects the effectiveness of internal auditors at the level the local, The study concluded by recommending the necessity of studying other variables during each audit Internal and risk management, such as the role of management, also included an intermediary variable between risk management and effectiveness internal audit.

Alzeban and Sawan (2012) study entitled: "The role of Internal Audit function in the Public Sector Context in Saudi Arabia " This study aimed to determine the role of ternal audit in the public sector by focusing on the nature and the practice of internal auditing in institutions subject to audit by the General Auditing Bureau. And it has The study relied on interviews, with 29 interviews conducted, The study concluded: The foundations upon which Saudi auditing standards are based are not directly related, With international standards for internal auditing, in addition to that the General Auditing Office has an essential role in determining ,Requirements for follow-up management in all establishments that are required to establish an internal audit department, which Monitors the integrity of accounting transactions as well as the work of the financial controller, The study also recommended the need to qualify, train, and provide the necessary resources for those working in the field of internal audit

Umuwono (2004) study entitled: Auditing the implementation of risk analysis for the ideal role , This study aimed to explain the role of internal audit in risk management in public sector institutions in the State of Kenya. To achieve this goal, the researcher conducted a survey study through a survey list that was distributed to executive directors, financial managers, operational managers, and internal audit directors in 9 public sector institutions. The study relied on Pearson's coefficient to show the

relationship between variables, and an experimental model was built for risk management in the organization consisting of internal audit, actions taken by management, commitment of employees and management .

Institute of Internal Auditors (2010) entitled: The Role of the Internal Auditor In risk management, This study aimed to clarify the role of internal audit in activating risk performance through an analysis of the due role To be carried out and the new means to activate the performance of risk management. The study followed the descriptive and analytical approach as was done Preparing and distributing a questionnaire in coordination with the Institute of Internal Auditors in the United States, Ireland, and Britain.

This study reached a set of results, the most important of which are: There is an important role for internal auditors in risk management, Having a sound understanding of the concept of risk by management helps the auditor develop an audit plan that takes into account the audit approach Business risk based .

The study concluded with a set of recommendations, the most important of which was developing the skills of internal auditors to enable them to provide, Consultations and recommendations regarding developing the facility's risk system .

Silvia popescu S, Omran Abdelnaser (2011) A study entitled Risk Management and Internal Auditing, This study aimed to show the role of internal audit as a means of informing management, and how internal audit is An assistant to achievement systems and achieving their goals? This study highlights the importance and role of internal audit in providing good advice to management and pointing out the need to pay great attention to the internal audit plan, which may lead to loss Activities involving risks If they are incomplete or incorrect, the practice requires careful selection For activities and areas at risk according to internal audit on the basis of risk.

One of the results of the study is that internal auditing is effective if it is based on the risk management policy and the area of risks that, The institution is exposed to it to ensure its continuity.

Study hypotheses:

- 1- Management's full attention and support to achieve the effectiveness of internal audit.
- 2- Risk management involves identifying, analyzing, and evaluating the type of risk and following it up.
- 3- Internal audit contributes to risk management based on the organization's awareness and culture and provides consultations and recommendations necessary for its administration.

Methodology

To achieve the objectives of the study and answer its questions, the analytical descriptive method was chosen. This method is based on describing a phenomenon to reach the causes of this phenomenon and the factors that control it, and to draw conclusions for generalization. The descriptive approach includes more than one method: the method of surveying, the method of case study and these methods need the expertise and effort of the researcher, and the results should be interpreted carefully.

Study variables:

- **Dependent variable:** risk management.
- **Independent variable:** internal audit.

The limits of the study:

Objectivity border: The role of internal audit in evaluating the effectiveness of risk management in health insurance companies.

Spatial boundaries: health insurance companies in the Kingdom of Saudi Arabia.

Time limits: Second semester of 2023

The study sample:

150 questionnaires were distributed about the role of internal audit in evaluating the effectiveness of risk management in health insurance companies, and after retrieval and sorting, it was found that, we have 110 forms suitable for statistical processing.

Used equipment's:

To facilitate field study procedures and obtain, collect and analyze data to complete the field aspect For the study, a questionnaire was prepared in a way that helps collect data and its design was accurate, while the theoretical aspect was addressed

Also, previous studies and the extent of clarity of the questions and phrases of the questionnaire to enable the sample members to answer About it objectively.

Statistical analysis methods used:

The statistical analysis method depends on the type of problem being measured and analyzed and the type of data.

Statistical methods adopted in the study.**First: descriptive methods:**

- Frequency and percentages: to identify in detail the personal and functional characteristics of the study sample members.
- Arithmetic mean: This is to determine the attitudes of the study individuals towards each statement or dimension.
- Standard deviation: to identify the extent to which the responses of study individuals deviate towards each statement or dimension.

Second: Inferential methods:

- Cronbach's alpha reliability coefficient: This is to test the extent of reliability on the data collection tool used to measure Variables included in the study.
- Pearson correlation coefficient: To confirm validity and prove that the scale measures what it was designed to measure, the coefficient was also used Correlation to determine the relationship and correlation between study variables.

Reliability and internal consistency of the study tool.

In this part, we will try to identify the extent of reliance on the data collection tool in the study and analysis by measuring on the extent of its validity and reliability, by clarifying both the stability and internal consistency of its dimensions and axes as follows.

First: Calculate the Cronbach's alpha reliability coefficient

Through this part, we will attempt to show the extent of the questionnaire's stability and credibility for work on the topic by calculating Cronbach's alpha coefficient, where the alpha coefficient is greater than 0.6, the more valid the questionnaire is for the study.

Second: The internal consistency of the questionnaire.

Linear correlation matrix between the study variables by calculating the correlation coefficient between each dimension the variable and its total score for both the independent variable and the dependent variable.

Conclusion

Risk is an integral part of our business and decision-making process, as companies' performance depends on their ability to manage risks at all levels. As a result, health insurance companies must provide a strong risk management structure and framework that ensures a fundamental balance between risk and reward. The companies' risk appetite and statement are approved by the Board of Directors and the Risk Committee of the Group's Board of Directors, and then tasks are distributed to each department, division, and employee.

Therefore, the risk management process in insurance companies is considered an important part in completing operations.

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Appendix

1- There is follow-up by the audit committees on the internal auditor's procedures of risk management.

- Strongly important
- Important
- Neutral
- Not important
- Strongly not important

2- The internal auditor has sufficient knowledge of the auditing and accounting standards required to activate risk management

- Strongly important
- Important
- Neutral
- Not important
- Strongly not important

3- The internal auditor discusses the effectiveness of risk management with management periodically.

- Strongly agree
- Agree
- Neutral
- Not agree
- Strongly not agree

4- The internal auditor ensures that management, It has a powerful information system sufficient to monitor performance Service providers in the insurance company.

- 5- Strongly agree
- 6- Agree
- 7- Neutral
- 8- Not agree
- 9- Strongly not agree