

# Preparation External Auditors' Evaluation of the Internal Control System in Insurance Companies: An Analytical Study of the Opinions of a Sample of Auditors in Jordan and Algeria

Hemabati Ngangbam, Salima Tebaibia

Enseignante à l'Université 8 Mai 1945 -Guelma – Algerie

**Abstract—** The study aims to evaluate accountants and Certified Public accountants when conducting an audit of internal control while auditing process in insurance companies. To achieve the objectives of the study, the researchers adopted the descriptive approach in preparing the theoretical aspect applied statistical analytical manner by building a questionnaire directed to the study sample. In order to test the hypotheses of the study, Arithmetic Mean of the elements of the internal Control is used in addition to the data validity test methods through statistical analysis program (Spss). The results of the study showed that there is a need to rely on internal controls when planning audit procedures, but the degree of their adoption varied from component to component. The control environment component ranks first and then, respectively, the control, control, risk assessment and, finally, the information and communication system. The study recommends insurance companies to pay attention to the internal control system and support it for internal accounting control procedures.

**Keywords—** External Auditors, Internal Control System, Insurance Companies, Jordan, Algeria.

## I. INTRODUCTION

The interest in internal control systems among insurance companies has increased due to the complexity of the services provided to ensure their commitment to compensating the insured in case of risk is occurred. In order to achieve the objectives of control, control measures must be made in a manner that does not conflict with the nature of their activity and the ability to evaluate the efficiency of their insurance activities. The internal control system works to ensure the application of specific administrative procedures for providing accurate information that could contribute to planning future policies. In addition to verifying the efficient use of the

premiums of the insured, it is necessary that the internal control system be inclusive of all aspects of the activity in a manner consistent with its nature and privacy as well as the protection of insured funds and compulsory compensation when the risk is realized.

The demand for audit services has increased due to the difficulty facing financial data users in evaluating honesty and fairness of data presented, determining the degree of dependence on them. As well as demand for audit services arise because of the conflict of interests between the creators of financial statements and their users, and the separation between the user of financial data and those who prepare it. Therefore, it is required to find ways to protect the interests of shareholders, preserving their rights and evaluating the management's actions by a neutral party having the necessary professional experience.

The evaluation of the internal control system by the auditors is considered the starting point in the audit process. Therefore, the adopted audit steps and procedures should be determined to ascertain the protection of the funds and assets of insurance companies, as well as to identify the strengths and weaknesses of the internal audit, and to provide reports of the findings.

## II. LITERATURE REVIEW

The internal control system is considered as a safety valve that maintains an effective position for companies, and the system is of great importance due to its role in ensuring companies adhere to financial laws and regulations. The accounting system must be based on an efficient and integrated internal control system, commensurate with its insurance activity and considering the privacy of its activities. ISA 315 also refers to the internal control system as “The process designed and implemented by the people assigned by management and other personnel to provide reasonable assurance about achieving corporate goals” (Lutfi, 2007).

The control environment sets the tone of an organization,

influencing the control consciousness of its people. Control environment is the foundation for all other components of internal control, providing discipline and structure. The auditor should consider the collective effect on the control environment of strengths and weaknesses in various control environment factors. The control environment may be seen as an umbrella that covers risk assessment, control activities, information and communication, and monitoring. Knowledge about the control environment gives the auditor insight into the management's and board of directors' attitudes toward internal controls (Subuh, 2010).

**Risk Assessment:** Management differs from auditor in goals to assess risks, as the management pursues to identify the risks, fraud and the possibility of error occurrence to take provisions to reduce the risks. But, the auditor seeks to identify the level of these risks to help him in identifying the nature and the span the required provisions required in the auditing process. ISA defines control risks as the risk of misinformation occurring in an account balance. These risks could be substantial on its own or combined with wrong information in balances, which cannot be prevented, discovered, or corrected in a timely manner by the accounting system or the internal control system.

**Control activities:** American Standard 78 indicated that control activities include policies and procedures that help to confirm that management directives have been implemented, and the necessary measures have been made regarding the risks of achieving entity goals.

**The information and communication system:** The purpose of an accounting information or communication system in the entity is to identify, collect, analyze, classify and record the operations of the entity, and to ensure the presence of accountability for assets and liabilities. The accounting information and communication system includes a set of sub-goals that the internal control system must achieve to prevent errors in accounting books.

**Supervision:** refers to the continuous monitoring and periodic evaluation of the various components of the internal control system to determine whether they are working, as they should, and to determine the extent of the need to carry out the development and modernization required to keep pace with the conditions and avoid the possibility of obsolescence of the internal control system. The American Standard (58) considered it the last component of the internal control system and called it the monitoring and supervision, as it is the process that the entity uses to evaluate the feasibility of monitoring during the period.

**The External Auditor:** Persons or companies perform the function of auditing and expressing a professional opinion that is neutral about the honesty and fairness of the financial statements. The person who performs the auditing and reporting process is called the external auditor.

**Accounts Governor:** Law 10-01 issued on June 29, 2010 in Algeria, in its Article 23, defines the Accounts Governor as every person who practices normally in his own name and under his responsibility the profession of validating the

accounts of companies and their regularity and their conformity with the provisions of the legislation in force. The account portfolios report is the final product of the audit of the company's annual financial statements and is a means or tool for communicating the impartial technical opinion.

**Certified Public accountant:** is the licensed independent accountant to practice the profession of auditing with the aim of giving an impartial technical opinion on the reliability and fairness of the data in the financial statements and the extent of their conformity with international financial reporting standards and international auditing standards. The Jordanian Certified Public accountant practices the profession within the Law Regulating the Legal Accounting Profession No (73) for the year 2003, whereby the chartered accountant collects the work of accountants. As well as the Jordanian chartered accountant holds a license to practice the profession of auditing in accordance with the requirements of the applicable laws, regulations and legislations. The Jordanian Certified Public accountant adheres to the highest levels of continuing education to keep abreast of professional developments, ethics and efficiency, and performs multiple functions including auditing financial statements, performing technical audit tasks, and verifying the validity of financial information and reports (Jordanian Association of Certified Public Accountants, 2018).

**Insurance companies:** play a dual role as they receive money from the insured and compensate them when the risks insured against them are realized. They also act as an intermediary that accepts the funds represented by the premiums provided by the insured and then re-invests them on their behalf in return for a return, as is the case with commercial banks and investment funds. This return is shared by the insured, either directly, as is the case in some life insurance policies, or indirectly through the payment of insurance premiums, and is classified within the Department of Commercial Companies (Hindi, 1999).

### III. METHODOLOGY

#### **The Research methodology:**

The researchers have adopted descriptive approach in preparing the theoretical side enforced with an applied statistical analytical method by building a questionnaire directed to a sample of accountants and Certified Public Accountants working in Algeria and Jordan.

#### **Research problem:**

The research problem emerges from the fact that top management in insurance companies is obligated to evaluation of the internal control system by the external auditors. The matter that will determine the reliability of the records and accounts of insurance companies, hence the problem is represented by the following question:

“Do the external auditors rely on the evaluation of the internal control system in the insurance companies as they perform the auditing process”?

**Research hypotheses:**

**The first hypothesis:** *There are no statistically significant differences between the arithmetical means of the evaluations of accountants and Certified Public accountants when conducting the audit process of internal control elements in insurance companies at ( $\alpha \leq 0.05$ ) significance level.*

**The second hypothesis:** *There are no statistically significant differences in the arithmetical means of Accounts Governors and Certified Public accountants in their dependence on the elements of internal control when conducting auditing process in insurance companies at ( $\alpha \leq 0.05$ ) significance level.*

**Research objectives:**

The research pursues to achieve the followings:

- Presenting the theoretical framework for the external auditors.
- Reviewing the nature of the internal control system and its evaluation methods.
- Demonstrating the privacy of the transition from comprehensive auditing to test auditing and its role in evaluating the internal control system.

**The Importance of the Research:**

The importance of this study emerges from the need to study and evaluate the internal control system in insurance companies for the because of the huge amount of the funds they deal with and which impose the need to preserve them and to have accurate data. As well as evaluating the internal control system which will contribute to identifying negative aspects in the current system and investigating the possibility of developing it for the purpose of raising the level of performance of insurance companies. In addition, the importance role of the internal controls system in controlling operations.

**The Population of Study and its sample:**

The study population consists of the Accounts Governors in Algeria and the auditors in Jordan, who work in the audit offices, practice the profession, have their own offices, and are accredited by the National Chamber of Accountants in Algeria and the Jordanian Association of Certified Public Accountants in Jordan. The study sample was randomly selected. According to the report of the National Chamber of Accountants for the year 2019, the number of Accounts Governors in Algeria reached 2379 governors. Moreover, there are 433 Certified Public Accountants practicing auditing profession, according to the statistics of Jordanian Association of Certified Public Accountants in 2020. The following table shows the distribution of the study sample According to the categories covered by the study.

Table 1: The Distribution of the Study Sample

Item	Accounts Governors (Algeria)		Certified Public Accountants (Jordan)		Sum	
	Total	%	Total	%	Total	%
Distributed Copies of Questionnaire	1800	100	300	100	2100	100
Restored Copies of Questionnaire	1050	58.33	270	90	1320	62.86
Un restored Copies of Questionnaire	750	41.67	30	10	780	37.14
Deleted Copies of Questionnaire	50	2.78	50	16.67	100	4.76
<b>Utilized Copies of Questionnaire</b>	<b>1000</b>	<b>55.56</b>	<b>220</b>	<b>73.33</b>	<b>1220</b>	<b>58.09</b>

**IV. ANALYSIS AND DISCUSSION****The Approach used in the study:**

In line with the nature of the current study, the sample survey was used as a basic method with a limited number of cases or items, within the limits of time, effort and available capabilities. The researchers rely on some statistical methods in the process of displaying and analyzing data, to draw certain scientific implications.

**Data collection tools:**

In this study, the researchers used the following methodological tools:

- Observation: The direct observation was used in dealing with accounts governors and auditors, and knowing their working conditions, in order to obtain data and information that serves the topic of the current study.
- Interview: Researchers used the free interview to collect some necessary data that serve the topic of the current study, in order to explain the purpose of research and inquire about their profession to gain their trust.
- The questionnaire: The researchers in this study adopted the questionnaire to obtain accurate and explicit information and to ensure objective answers. Therefore, the questionnaire was presented in French language in Algeria and presented according to the language of the subjects' training and levels, while in Jordan it was presented in Arabic language. To convert descriptive opinions into quantitative formulas, the researchers used 5-point Likert scale with the following weights for the responses of the questionnaire:

Class	1	2	3	4	5
Relative measure	Very low (V.L)	Low (L)	Moderate (M)	High (H)	Very high (V.H)

The questionnaire has included 45 questions distributed on two axes as follows:

- The first axis: the primary data and includes 9 items.
- The second axis: includes 36 questions falling into 5 elements.
- The reliability of the Study: in order to measure the reliability of the questionnaire, Alpha Cronbach's test was used as follows:

Table 2: Cronbach's Alpha Test of Reliability of Study Axes

Axis	No. of Items	Cronbach's Alpha	Stability
First axis	09	0.890	0.792
Second axis	36	0.920	0.846
Questionnaire as a whole	45	0.905	0.819

Source: prepared by the researcher using SPSS Package

It is observed from the above table that the value of Cronbach's Alpha for the questionnaire as a whole equals 0.905 that is greater than 0.6 indicating that the questionnaire in all its axes enjoys high degree of stability and reliability and could be used for the purposes of the study.

**Characteristics of the study sample:**

In this part, the researchers try to discuss the general characteristics of the individuals of the study sample, starting from the fact that personal data constitute significant variables that can affect the respondents' responses.

**Table 3: Frequencies and Percentages of the demographic variables**

Description		Accounts Governors (Algeria)		Certified Public Accountants (Jordan)	
Variable	Class	Frequency	Percentage	Frequency	Percentage
Age	20-35 years	100	10%	50	22.73%
	36-50 years	750	75%	110	50%
	More than 50	150	15%	60	27.27%
	Sum	1000	100%	220	100%
Education level	Bachelor	955	95.5%	130	59.09%
	Master	35	3.5%	60	27.27%
	PhD	10	1%	30	13.64%
	Sum	1000	100%	220	100%
Expertise	Less than 15	150	15%	105	47.73%
	15-20 years	600	60%	100	45.45%
	More than 20 years	250	25%	15	6.82%
	Sum	1000	100%	220	100%

*Source: prepared by the researcher using SPSS Package*

The results of Table 3 show that:

- Age: The age variable has been classified into 3 groups, it is noticed that class 36-50 was the most frequent one with 75% and 50% for Algeria and Jordan respectively. The class more than 50 years occupy the second rank followed by the class from 20-35. This means that 90% of the individuals of the sample (Accounts Governors in Algeria), their age exceeds 36 years old and 77.27% of the individuals of the sample in Jordan (Certified Public Accountants) their age exceeds 36 years old.
- Educational Level: from table 3 it is evident that the individuals of the sample have at least a bachelor's degree or higher. This indicates the scientific qualification of the individuals of the sample as a whole meet the nature of the profession and the requirements to practice it. So, it is obvious that the individuals of the sample will comprehend and understand the items of the questionnaire.
- Expertise: one could observe that 85% of the individuals of the sample (in Algeria) have more than 15 years of expertise while 52.27% of the individuals of the sample (in Jordan) their expertise exceeds 15 years. This indicates that the individuals of the sample enjoy a wide experience in the field of Accounting and Auditing. Henceforth, the responses of the individuals of the sample are characterized by maturity and objectivity.

The researchers have used arithmetic mean and standard deviation to the whole items of the questionnaire, as follows: The extent to which Accounts Governors and Certified Public Accountants depend on each element of internal control

Using arithmetic mean, the internal control elements have been ranked according to the degree of dependence on them, as shown in table 4.

**Table 4: Arithmetic Mean of the elements of the internal Control**

Internal control elements	Arithmetic mean	Standard deviation	Importance rank
Control environment	3.49	0.76	1
Risk assessment	3.03	0.93	4
The information and communication system	2.97	1.04	5
Control activities	3.31	0.84	2
Supervision	3.04	1.03	3
	3.168	0.92	

*Source: prepared by the researcher using SPSS Package*

It is evident from table 4 that the general arithmetic mean equals 3.168 clarifying the extent of dependence on internal control elements. Table 4 indicates that control environment occupied the first rank from in the degree of respondents' dependence on it when practicing audit process with 3.49 mean. The control activities element occupied the second rank with 3.31 mean. This indicates that the majority of the responses of this element have been ranged from high degree to moderate degree while the supervision element occupied the third rank with 3.04 indicating that the majority of the responses to this element and limited to moderate degree. The risk assessment element ranked fourth with an arithmetic mean of 3.03 indicating that the majority of the responses to this element and limited to moderate degree while information and communication system element came in the last rank with an arithmetic mean of 2.97 indicating that the majority of the responses to this element and limited to moderate degree.

The degree to which Accounts Governors and Certified Public Accountants depend on the variables each element of internal control according to the items of the questionnaire. The researchers will address the degree of dependence of the account governors and certified public accountants on the elements of the internal control system, according to their importance and the degree of dependence by the individuals of the sample who perform the external audit in accordance with procedures and plans previously known.

The degree of dependence on the element of control environment

The dependence on the control environment has been diagnosed as it is considered one of the main internal control elements using a group of questions included in the questionnaire. Because the control environment is the basis for the other elements of the internal control system as well as it included a number of secondary elements, It accounted for a large part of the questionnaire, it reached (14) out of (36) questions. Table (5) shows a summary of the respondents' opinions of the individuals of the sample regarding the degree of dependence on the evaluation of the control environment element, and the results of analyzing those answers statistically. The results show that, the arithmetic mean ranging between (4.67-2.86) and the standard deviation between (1.02-0.39).

**Table 5: The dependence of the individuals of the sample on the element of control environment**

No	Item	V.H	H	M	L	V.L	Mean	S.D
1	Knowing the manager's ethics and behavior before agreeing to start auditing.	16	15	19	0	0	3.93	0.86
2	Ensuring that management does not adopt policies that lead to data manipulation.	43	0	0	0	7	4.67	0.95
3	Evaluating the efficiency of employees in carrying out their duties.	4	0	5	41	0	2.20	0.66
4	Ensuring regular board meetings.	28	17	5	0	0	4.49	0.66
5	Examining the methods used by the management to evaluate the performance of the company's activity.	17	22	11	0	0	4.13	0.84
6	Ensuring that a number of individuals does not control operating decisions.	0	0	10	40	0	2.17	0.39
7	Identifying the actions of management when discovering breaches of dishonesty and integrity.	22	28	0	0	0	4.44	0.50
8	Studying the suitability of the organizational structure to the size of the company and the nature of its work.	18	32	0	0	0	4.31	0.51
9	Understanding the relationship between sub-departments and their communication channels.	10	20	15	5	0	3.69	1.03
10	Ensuring that more than one employee is involved to complete an operation.	22	17	11	0	0	4.22	0.79
11	Ensuring that the same information is obtained from two independent sources.	23	16	11	0	0	4.22	0.79
12	Studying the extent of clarity of powers and responsibilities and document them.	23	14	5	6	0	4.09	1.02
13	Understanding the scope and limits of authority and responsibility.	8	24	18	0	0	3.69	0.67
14	Inquiring about employee integrity and impartiality	9	0	22	19	0	2.86	0.93

Source: prepared by the researcher using SPSS Package

Table 5 illustrates that the highest arithmetic mean equals 4.67 with a standard deviation of 0.95 while the lowest arithmetic mean equals 2.17 with a standard deviation of 0.39 indicating that the majority of the responses to the questions about the element of the control environment are widely ranged from high dependence to low dependence. By reference to the values of the mean of the variables included in this element, these variables can be arranged in terms of the degree of dependence in three groups.

**The first group:** It includes eight items with serial numbers (2, 4, 7, 8, 10, 11, 5, and 12). These item were depended on greatly because its arithmetic mean is greater than 4, as item 2 came first rank with an arithmetic mean ( 4.67), with a standard deviation (0.95), and finally the 12th-sequence paragraph in the eighth position with an arithmetic mean (4.09) and with a standard deviation (1.02).

**The second group:** It includes three items with serial numbers (1, 13, and 9). These items were depended on semi-greatly because its arithmetic mean is greater than 3.5, as item 1 come first rank with an arithmetic mean (3.93), with a standard deviation (0.86), and followed by items 13

and 9 at the second rank with an arithmetic mean of 3.69 for each of them.

**The third group:** It includes the variables with serial numbers (14, 3, and 6). The degree of the dependence of the individuals of the sample on these items ranged from medium and low. Item 14 occupies the first rank with an arithmetic mean of (2.86) and with a standard deviation of (0.93), followed by item 3 in the second rank with an arithmetic mean (2.20) and a standard deviation of (0.66). Finally, item 6 in the third position with an arithmetic mean (2.17) and a standard deviation (0.39).

In the opinion of the researchers the high degree of the respondents dependence on the variables of the control environment because they pay a great attention to study and to correct the control environment as it reflects the attitudes of the working insurance companies regarding the importance of the internal control. If the management believes in the importance of control, this will be reflected clearly on the perception and the response of the workers in the insurance companies in the form of seriousness of observation of the policies and procedures. This requires a special care from the worker in these companies when identifying the nature, timing and the span of the basic tests depended on in audit to ensure the integrity of the decisions made about the financial data.

#### **The degree of dependence on the element of control activities**

This element is concerned with examining and evaluating control activities that include procedures related to the appropriate separation of jobs, the accuracy of delegation of operations and the physical protection of assets and records as well as checking for the presence of a department working to verify the performance of those activities, and the accounting accuracy of records. This element included six questions, Table 6 shows the summary of the opinions of the individuals of the sample regarding the degree of dependence on it when examining and evaluating the control activities as well as the results of the statistical analysis. The researchers obtained arithmetic means ranging from (3.71-1.80) and a standard deviation ranging between (1.12- 0.63), this indicates that the majority of answers to the questions of control activities are very close to the high degree of dependence but there is one item whose mean is close to low degree of dependence.

**Table 6: The dependence of the individuals of the sample on the element of control activities**

No	Item	V.H	H	M	L	V.L	Mean	S.D
1	Ensuring adequate separation of jobs.	12	18	10	10	0	3.62	1.05
2	Ensuring that there are appropriate authorization procedures.	0	6	14	0	30	1.80	1.12
3	Ensuring the use of appropriate documents and records.	5	22	23	0	0	3.62	0.65
4	Ensuring that there are safeguards for assets and records.	5	26	19	0	0	3.71	0.63
5	Ensuring that there is a department interested in checking the control procedures.	0	28	15	7	0	3.44	0.72
6	Ensuring the mathematical accuracy of the records.	8	24	12	6	0	3.69	0.87

Source: prepared by the researcher using SPSS Package

It is evident from table 6 that these items could be arranged from the degree of dependence on into two groups:

**The first group:** includes five items with a serial numbers (4, 6, 3, 1, and 5) that are relied upon between a medium and large degree. Item 4 holds the first rank with an arithmetic mean of (3.71) and with a standard deviation of (0.63). In the last place, item 5 came with an arithmetic mean of (3.44) and a standard deviation of (0.72).

**The second group:** includes the second item 2 that has a low dependence degree, with an arithmetic mean of (1.80) and a standard deviation of (1.12).

The researchers believe that the tendency of the individuals of the sample towards dependence varies from medium to large because the fact that the respondents pay special attention to studying and evaluating the control activities because they represent the essence of the internal control system and its components. In addition, these activities relate to policies that provide reports on the achievements of the insurance companies' goals, as well it represents the primary work that the respondents are interested in.

#### **The degree of dependence on the element of supervision**

This section is concerned with the examination and evaluation of supervision, which means continuous follow-up and periodic evaluation of the various components of internal control to determine whether they are working as required and to determine the extent of the need to carry out the development and update required to keep pace with conditions and avoid the possibility of aging of internal control. This element included five questions. Table 7 shows the summary of the opinions of the individuals of the sample regarding the degree of dependence on examining and evaluating the supervision component, as well as the results of analyzing those answers statistically. The five items obtained a mean ranging (3.58-1.84) and with standard deviation ranging (1.12-0.94).

**Table 7: The dependence of the individuals of the sample on the element of supervision**

No	Item	V.H	H	M	L	V.L	Mean	S.D
1	Ensuring that the internal audit department contributes to the supervision process.	7	9	10	24	0	2.91	1.12
2	The approved means helps in supervision to ensure planning of control procedures.	8	19	15	8	0	3.51	0.94
3	Ensuring that there is no duplication of work during the audit.	0	0	22	0	28	1.84	0.99
4	Ensuring that the internal control reports are not outdated.	10	8	11	10	0	3.58	1.03
5	Identifying management decisions regarding audit results	9	16	11	14	0	3.38	1.09

*Source: prepared by the researcher using SPSS Package*

Table 7 shows that the majority of the responses to the question about the element of supervision of items (4,2 and 5) ranged from high to moderate degree with arithmetic means ranging from (3.58-3.38) with standard deviation ranging (0.94-1.03) in the same order (4,2 and 5). Item 1 lies in the second group with a dependence degree approximately moderate with arithmetic mean of 2.91 and a standard deviation 1.12 followed by item 3 ranging from low to very low dependence degree.

The researchers believe the dependence degree ranged from high to moderate according the individuals of the sample

about the items of the element of supervision. This could be attributed that the individuals of the sample count on the element of supervision that ensures periodic evaluation of the various elements of internal control, especially as the internal audit department plays an important role in updating internal control procedures to meet changes in conditions. And whenever there is periodic monitoring and supervision of the elements of the control system by the Internal Audit Department, this will contribute to providing them with accurate and effective information about data, records and reports on the activity of insurance companies.

#### **The degree of dependence on the element of risk assessment**

This element included four questions related to the most important cases that create risks, which are the application of new regulations, employee change, changing business policies, and risks resulting from misinformation.

Table (8) shows the summary of the respondents' opinions regarding the degree of dependence on risk assessment, as well as the results of analyzing these answers statistically. The researchers have noted that the arithmetic means lie in the range of (3.75-2.08) with standard deviations ranged (1.26-0.70), which indicates high dispersion in the responses as shown below:

No	Item	V.H	H	M	L	V.L	Mean	S.D
1	Study the risks resulting from applying the new regulations.	5	21	7	11	6	3.15	1.19
2	Study the risks related to the new business policies.	14	22	8	0	6	3.75	1.26
3	Study the risks resulting from changing employees.	0	0	15	26	9	2.08	0.70
4	Study the risks resulting from wrong information.	12	20	8	10	0	3.16	1.04

*Source: prepared by the researcher using SPSS Package*

Table 8 indicates that the highest arithmetic means equals 3.75 while the lowest arithmetic means equals 2.08. This indicates that the majority of the responses to the questions of the element of risk assessment ranged from high degree to moderate degree. But, the response to item 3 lies the low dependence degree. The items of this element have the following order:

Item 2 in the first rank with 3.75 arithmetic mean with a standard deviation 1.26, followed by item 4 with 3.16 arithmetic mean with a standard deviation 1.04, then item 3 in the third rank with 3.15 arithmetic mean with a standard deviation 1.19. This proves the response of the individuals of the sample to the movement of the scale of the study with the high dispersion in the responses.

The researchers noticed that the individuals of the sample responded to the items of the element of risk assessment with high dispersion in the answers except item 3 which characterized with a low degree of dependence with weak

dispersion. So, it is concluded that the individuals of the sample should evaluate the extent of the effectiveness of the procedures of internal control structure in the new work policies as well as exploring and correcting the material errors in financial statements besides identifying the level of these risks to help determining the span and the nature of the required provision. So, the control type is determined.

**The degree of dependence on the element of information and communication system**

This element is concerned with examining and evaluating the components of the used accounting system and verifying its efficiency in carrying out the registration, analysis, summary and reporting on the financial operations carried out by insurance companies, preparing financial reports and the ability to rely on them by different users. This element included seven questions, and the table summarizes (9) opinions of the individuals of the sample regarding the degree of dependence on the examination and evaluation of information and communication system and the results of analyzing that data statistically.

No	Item	V. H	H	M	L	V. L	Mean	S.D
1	Ensuring that there are control procedures to ensure that operations are recorded when they occur.	15	23	12	0	0	3.91	0.95
2	Ensuring the effectiveness of the accounting and administrative information systems used.	0	9	16	16	9	2.47	0.97
3	Ensuring that the financial statements are properly prepared.	0	6	11	16	17	2.04	0.98
4	Ensuring that there are control measures preventing deletion of previously recorded operations.	20	24	6	0	0	4.27	0.65
5	Ensuring the elements of the accounting system and the extent of compliance with them.	3	18	15	14	0	3.33	0.93
6	Ensuring that the company's assets are preserved.	0	0	14	13	23	0.80	1.75
7	Ensuring that procedures exist to prevent the recording of fake deals.	15	23	9	0	3	3.95	1.04

Source: prepared by the researcher using SPSS Package

Table 9: show the arithmetic means and the standard deviations of the responses to the items of the element of information and communication system. It is indicated that the highest arithmetic mean equals 4.27 with a standard deviation of 0.65 while the lowest arithmetic mean equals 0.80 with a standard deviation of 1.75. This indicates that half of the responses to the items of the elements of information and communication system support dependence greatly and these items could be arranged from dependence perspective as follows:

Item 4 occupied the first rank with 4.27 arithmetic mean showing high degree of dependence on information and communication system in registration procedures of accounting operation.

Items (7, 1 and 5) have a moderate degree of dependence with arithmetic mean ranging (3.95-3.33) with standard deviations ranging (0.93-1.04) with high degree of dispersion.

Items (2,3) have low degree of dependence with (2.47-2.04) arithmetic mean and (0.97-0.98) standard deviation.

Item 6 came in the last place with 0.80 arithmetic mean and 1.75 standard deviation showing the poor response of the individuals of the sample to the instrument of the study with high dispersion.

In the researchers' assessment, the tendency of the opinions of the sample individuals towards dependence ranging from high and moderate degree for most items of the element of

information and communication system because the fact that the sample individuals care more about internal control accounting procedures than their interest in administrative procedures. This could be justified since the first is at the heart of their work in order to prevent errors, fraud and manipulation of accounting records, as account governors and certified public accountants are primarily accountants.

**Statistical Analysis of the hypotheses of the study**

**Testing the first hypothesis**

*H01: There are no statistically significant differences between the arithmetical means of the evaluations of accountants and Certified Public accountants when conducting the audit process of internal control elements in insurance companies at ( $\alpha \leq 0.05$ ) significance level.*

Variable	T-calculated	T-tabulated	tabulated value	Arithmetic mean
Individuals of the sample	3.168	.000	1.978	8.192

Source: prepared by the researcher using SPSS Package

It is evident from table 10 that the calculated value of T equals 8.192 that is greater than its tabulated value of 1.978, by this comparison it appears to statistically significant at  $\alpha \leq 0.05$ . Based on this, the null hypothesis is rejected and the alternative hypothesis will be accepted stating:

Accounts Governors and Certified Public Accountants depend on evaluating internal control elements when performing the audit process for insurance companies.

**Testing the second hypothesis**

*H02: There are no statistically significant differences in the arithmetical means of Accounts Governors and Certified Public accountants in their dependence on the elements of internal control when conducting auditing process in insurance companies at ( $\alpha \leq 0.05$ ) significance level.*

Variable	Sources of variance	Sum of squares	DF	Mean square	F calculated	F tabulated	Sig.
Individuals of the sample	Between groups	7.482	2	3.741	13.039	3	0.000
	Within Groups	38.448	134	.287			
	Total	45.930	136	3.741			

Source: prepared by the researcher using SPSS Package

It is evident from table 11 that the calculated value of F is greater than its tabulated value and is statistically significant that means the null hypothesis is to be rejected and the alternative hypothesis is to be accepted stating:

There are differences between Accounts Governors and Certified Public accountants in their dependence on the elements of internal control when conducting auditing process in insurance companies.

From the previous discussion, it is indicated that internal control in the center point for Accounts Governors and Certified Public accountants when conducting audit process and identifying the quality of tests to be performed. The

degree of the dependence degree on internal control system helps to comprehend the various procedures and methods used by insurance companies and to check the effectiveness and the efficiency of the system.

The evaluation and the examination of the adopted internal control system by insurance companies is considered of the most important steps of control taken by Accounts Governors and Certified Public accountants. This step is necessary to identify the strength and weakness points, to highlight it and to ensure the continuity of insurance companies by validating the financial statements and clarifying its financial position through the reports prepared by Accounts Governors and Certified Public accountants after finishing the audit process.

#### IV. ANALYSIS AND DISCUSSION

Use either SI (MKS) or CGS as primary units. (SI units are strongly encouraged.) English units may be used as secondary units (in parentheses). **This applies to papers in data storage.** For example, write “15 Gb/cm<sup>2</sup> (100 Gb/in<sup>2</sup>).” An exception is when English units are used as identifiers in trade, such as “3½-in disk drive.” Avoid combining SI and CGS units, such as current in amperes and magnetic field in oersteds. This often leads to confusion because equations do not balance dimensionally. If you must use mixed units, clearly state the units for each quantity in an equation.

The SI unit for magnetic field strength  $H$  is A/m. However, if you wish to use units of T, either refer to magnetic flux density  $B$  or magnetic field strength symbolized as  $\mu_0 H$ . Use the center dot to separate compound units, e.g., “A·m<sup>2</sup>.”

#### V. CONCLUSION

- More Governors and Certified Public accountants depend on the elements of internal control when planning the audit procedures, but the degree of their dependence varies from one element to another. The control environment element occupies the first rank and then, respectively, the elements: control activities, supervision and risk assessment, finally in the fifth and last rank the information and communication system element.
- It became clear through this study that there are differences in the dependence of sample individuals on the elements of internal control in the audit process in insurance companies.
- When the sample individuals believe that the internal control is well designed and operates as described, the risks of control is evaluated at a lower level, but if the control design is not good and does not work as described, the risk of control will be at a higher level.
- If the respondents find the internal control system cannot be relied upon, they ignore the internal control and completely relies on detailed audit, in order to prepare reports on the integrity of the financial statements, and to validate it for

those interested in the outputs of the accounting system of insurance companies.

#### VI. RECOMMENDATIONS

- The need for insurance companies to pay attention to the internal control system and to support it for internal accounting control procedures;
- Insurance companies should qualify their employees in the audit department through training courses and autonomy.
- Insurance companies should establish audit committees, which are the link between management, accountants and external auditors;
- The necessity of having job descriptions and regulations that specifically clarify the power and responsibilities of the relevant departments according to the organizational structure, in order for insurance companies to guarantee the effectiveness of the internal control system;
- The insurance companies should pay attention to the internal audit departments and their independence to support the internal control system;
- Supporting external auditors with training sessions about various modern methods adopted in the audit;
- Encouraging the external auditors to familiarize themselves with the contemporary accounting problems, in order to know the means of evaluating and examining them, preparing credible reports and expressing their opinion thereon;
- External auditors should have performed in professionally ethical way when conducting audits;
- Diversifying the means used during examination and evaluation in order to reduce deviations and to ensure the integrity of the judgment on the internal control system and the knowledge of strengths and weaknesses.

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