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Internal Auditing and its Role in Improving Risk Management in Insurance Companies.

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Abstract:
This study examines the role of internal auditing in enhancing risk management within insurance companies, considering it one of the key functions that contributes to strengthening control, governance, and organizational performance. The study aims to clarify how internal auditing contributes to the different stages of risk management, starting with the identification and assessment of potential risks and extending to the proposal of appropriate measures to address and mitigate their impacts. To achieve this objective, the study discusses the conceptual framework of internal auditing by addressing its definition, importance, objectives, and the international professional standards upon which it is based. In addition, it explores the nature of insurance companies and the various risks they face. The study also highlights the strategic role of internal auditing in supporting the effectiveness of risk management systems and enhancing the ability of insurance companies to overcome challenges and achieve financial and operational sustainability in an increasingly complex and continuously changing business environment.Keywords: Internal audit, insurance companies, risks .

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Introduction:

In today's highly dynamic business environment, characterized by increasing uncertainty and complex operational challenges, risk management has become an essential component of organizational strategy. Organizations are increasingly required to develop comprehensive approaches that allow them to anticipate potential threats, evaluate their consequences, and implement appropriate responses in order to preserve operational continuity, strengthen financial resilience, and achieve long-term sustainable performance.

Among various economic sectors, the insurance industry occupies a distinctive position due to the inherent nature of its activities, which are primarily based on assuming and managing risks in exchange for insurance premiums. Insurance companies are continuously exposed to a wide range of risks, including underwriting risks, investment-related risks, operational uncertainties, and financial exposures. Therefore, establishing effective risk management

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practices is crucial for maintaining insurers' solvency, protecting their financial stability, and ensuring their ability to meet contractual commitments toward policyholders and other beneficiaries.

Within the framework of corporate governance, internal auditing has evolved beyond its traditional role of examining internal controls and detecting irregularities. It has become a strategic function that provides independent assurance and advisory support aimed at improving risk management effectiveness, strengthening governance mechanisms, and enhancing the quality of organizational decisions. By reviewing risk management processes, assessing the adequacy of control systems, and providing objective evaluations, internal auditors contribute to helping management and boards of directors achieve organizational objectives while promoting accountability, transparency, and operational efficiency.

Accordingly, the research problem can be stated as follows: **To what extent does internal auditing contribute to improving risk management practices in insurance companies?**

Sub-Research Questions : The main research problem can be further divided into the following sub-questions:

-What is meant by internal auditing?

-What types of risks are faced by insurance companies?

-What are the stages of risk management in insurance companies, and what role does internal auditing play in this process?

Research Hypotheses : To address the research problem presented above, the following hypotheses are proposed:

-Internal auditing is considered a periodic process conducted by the organization under the supervision of senior management.

-The main risks faced by insurance companies include potential declines in the market value of investment assets, in addition to unexpected increases in the volume of claims and compensation payments.

-The risk management process can be divided into three main stages: risk identification, risk assessment, and risk response. The role of internal auditing lies in supporting risk anticipation and identification processes.

-Research Objectives: This study aims to highlight the contribution of internal auditing to enhancing risk management practices within insurance companies. It seeks to explain how internal audit functions support the identification of potential risks, assess the effectiveness of internal control systems, and assist management in adopting appropriate measures to mitigate risk impacts. Furthermore, the study examines the role of internal auditing in strengthening corporate governance, improving organizational stability, and supporting the long-term sustainability of insurance companies in an increasingly uncertain business environment.

-Significance of the Study: The importance of this study arises from the growing attention given to risk management within the insurance sector, which faces various financial, operational, and strategic risks that may affect its performance and continuity. Internal auditing represents a crucial mechanism that contributes to improving control systems, enhancing

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operational efficiency, and increasing confidence among stakeholders. Therefore, this study provides insights into how internal audit activities can be effectively utilized as a strategic tool to strengthen the ability of insurance companies to manage risks and achieve their organizational objectives.

-Research Methodology: This study adopts the descriptive-analytical approach, as it is considered appropriate for examining the relationship between internal auditing and risk management in insurance companies. The approach is based on describing and analyzing the concepts, principles, and practices related to internal auditing and risk management, while exploring their role in improving organizational performance. In addition, the study relies on reviewing previous literature and academic studies related to the research topic in order to develop conclusions regarding the effectiveness of internal auditing in supporting and enhancing risk management processes.

1. The Conceptual Framework of Internal Auditing

This section discusses the main aspects related to internal auditing, including its definitions, significance, objectives, and different types. These elements are presented as follows:

1.1. Definition of Internal Auditing

The concept of internal auditing has been defined in various ways by researchers and professional organizations due to the continuous evolution of its role within modern organizations. This section presents some of the most relevant and contemporary definitions of internal auditing.

-First Definition**:** According to the definition issued by the Institute of Internal Auditors (IIA), which represents one of the earliest formal definitions of internal auditing, internal auditing is an independent appraisal activity established within an organization to review and evaluate accounting, financial, and other operational activities. Its purpose is to provide management with preventive and corrective services that support the effective fulfillment of organizational responsibilities, Through systematic analysis, evaluation, recommendations, consulting, and the provision of relevant information regarding the activities under review, internal auditing contributes to improving operational efficiency, strengthening internal controls, and enhancing organizational performance (Al-Mamar, 2018, p. 51).

-Second Definition**:** Internal auditing can be defined as an independent and objective assurance activity designed to evaluate the extent to which an organization effectively controls and manages its operations. It provides senior management with recommendations and professional advice aimed at creating added value and supporting the achievement of organizational objectives. This is accomplished through a systematic assessment approach that identifies areas for improvement, contributes to risk mitigation, and strengthens corporate governance practices (Berabeh & Beragh, 2022, p. 349).

- Third Definition**:** The French Institute of Internal Auditors and Internal Control (IFACI) defines internal auditing as a periodic examination of the resources and mechanisms made

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available to management in order to assess the effectiveness of organizational control and management processes (Al-Mamar, 2018, p. 51).

-Fourth Definition**:** Hammini Allel describes internal auditing as a function performed by one or more qualified individuals who are organizationally attached to senior management while maintaining independence from other operational functions, including accounting and finance. Internal auditing represents an internal control function directly linked to the company's management and covers various organizational activities, departments, and processes. Through the examination and evaluation of different functions, internal auditing aims to identify necessary improvements and ensure the effective implementation of the company's policies and procedures (Kandouz, 2015, p. 61) .

1.2. International Standards for Internal Auditing

The new International Professional Framework for Internal Auditing, issued in 2003 and effective as of 2004, consists of two main categories of standards (Faisal Maida & Al-Saleh Sebaa, 2017, pp. 248-249):

A. Attribute Standards: These standards define the essential characteristics required of internal auditing activities and internal auditors. They include the following:

- Standard 1000 Purpose, Authority, and Responsibility: The purpose, authority, and responsibilities of the internal audit activity must be formally documented in a charter that is consistent with the International Standards and approved by the Board of Directors.

- Standard 1100 Independence and Objectivity**:** The internal audit activity must be independent, and internal auditors are required to maintain objectivity while carrying out their duties.

- Standard 1200 Proficiency and Due Professional Care: Internal auditors must possess the knowledge, skills, and competencies necessary to perform their responsibilities effectively and must exercise due professional care in conducting audit engagements.

-Standard 1300 Quality Assurance and Improvement Program: The Chief Audit Executive is responsible for establishing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity. This program should continuously evaluate its effectiveness, enhance the value added by internal auditing, improve organizational processes, and provide reasonable assurance that the internal audit activity complies with professional standards and the Code of Ethics.

B. Performance Standards: These standards provide guidance on managing and performing internal audit activities and evaluating their effectiveness. They include:

- Standard 2000 Managing the Internal Audit Activity: The Chief Audit Executive must manage the internal audit activity effectively to ensure that it adds value to the organization.

- Standard 2100 Nature of Work: The internal audit activity must evaluate and contribute to the improvement of risk management, internal control, and governance processes.

- Standard 2200 Engagement Planning: Internal auditors are required to develop an appropriate plan for each audit engagement before commencing the work.

- Standard 2300 Performing the Engagement: Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the objectives of the engagement.

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- Standard 2400 Communicating Results: Internal auditors should communicate the results of each engagement clearly and promptly to the appropriate parties.
-Standard 2500 Monitoring Progress: The Chief Audit Executive must establish and maintain a system to monitor the implementation of management's corrective actions in response to reported audit findings.
- Standard 2600 Communicating the Acceptance of Risks: When the Chief Audit Executive believes that management has accepted a level of risk that is considered unacceptable, the matter should first be discussed with senior management. If the issue remains unresolved, it should be reported to the Board of Directors for appropriate action.

1.3. Objectives of Internal Auditing

Internal auditing is designed to achieve a range of objectives that support effective organizational management and governance. Its primary objectives include (Saidi & Oussif, 2012, pp. 195-196):
- Providing assurance regarding the accuracy and reliability of accounting records and financial information, thereby ensuring that management decisions and strategic policies are based on dependable data.
- Assessing the extent to which organizational activities are implemented in accordance with approved plans, policies, and strategic objectives, while keeping those charged with governance appropriately informed.
- Evaluating the credibility of both financial and operational information, together with the processes used to generate, measure, classify, and communicate such information.
-Reviewing the organization's systems and procedures to determine whether operations comply with internal policies, established procedures, applicable laws, and regulatory requirements that may significantly affect organizational performance and reporting.
-Examining the adequacy of controls established to safeguard organizational assets and, where appropriate, verifying their physical existence.
-Assessing organizational operations and programs to determine whether they achieve their intended objectives efficiently and whether implementation is consistent with approved plans.

1.4 Significance of Internal Auditing

Internal auditing represents a vital management function that creates value for the organization and its stakeholders. Its importance can be summarized as follows (Behaz & Adjila, 2015, p. 25):
- Reinforcing the effectiveness of the organization's governance and internal control framework.
-Identifying errors, discouraging fraudulent practices, and detecting deviations from established policies and procedures.
-Assisting management in recognizing weaknesses within the internal control environment and recommending appropriate corrective actions.
-Reducing overall audit costs by improving the efficiency of audit activities and minimizing the scope of external audit work.

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-Providing investors and other stakeholders with greater confidence in the organization's financial reporting and operational performance, thereby supporting informed investment decisions.
-Promoting the continuous enhancement of governance, risk management, and internal control practices, leading to sustained organizational performance.

2. Insurance Companies

This section addresses the following aspects:

2.1 Concept of Insurance Companies

Several definitions have been provided regarding insurance companies, including:
-First definition**:** An insurance company is a type of financial institution that performs a dual role. On one hand, it provides insurance services to individuals and entities seeking protection against risks. On the other hand, it operates as a financial institution that collects funds from policyholders in the form of premiums and reinvests these funds to generate financial returns (Boualem & Fekarche, 2019, p. 359).
- Second definition**:** According to the Algerian legislator, insurance companies are entities responsible for underwriting and executing insurance contracts as defined by the applicable legislation. In this context, a distinction is made between (Krach, 2020, p. 109):
-Companies whose obligations are related to human life duration, the health and physical condition of individuals, capitalization operations, and personal assistance services.
-Insurance companies that provide all other types of insurance activities not included in the first category.
-Third definition**:** According to Christian Sainrapt, an insurance company is an entity authorized by public authorities and granted mandatory approval to conduct specific insurance operations listed within the scope of its authorization. Most insurance institutions operate as commercial companies, with the majority taking the legal form of joint-stock companies (Jedah, 2022, p. 729).

2.2. Forms of Insurance Companies

Insurance companies can be classified according to two main criteria: their legal structure and their technical nature.

2.2.1. Legal Forms of Insurance Companies

From a legal perspective, insurance companies can generally be divided into three forms (Boualem & Fekarche, 2019, p. 360):
-A. Joint-stock companies**:** Joint-stock insurance companies are organizations whose ownership belongs to shareholders who hold ordinary shares and elect a board of directors responsible for managing the company. They represent independent legal entities established by several individuals who subscribe to transferable shares. Shareholders' liability is limited to the value of their shares, while the company's capital is divided into shares offered for subscription.
-B. Mutual insurance associations**:** These are organizations formed by groups of members exposed to similar risks, where each member contributes to compensating those who suffer

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losses through membership contributions. These contributions may vary depending on the amount of compensation paid by the association during the year. Mutual insurance companies are not primarily established for profit; therefore, if collected premiums exceed compensation payments, the surplus is returned to members. Conversely, if losses exceed available funds, members may be required to cover the deficit at the end of the year.

-C. Government as an insurer**:** Governments may establish public insurance funds to provide coverage for risks that private insurance companies are generally unwilling to accept, or risks that the government considers necessary to manage directly. The purpose of such intervention is to protect society members and provide insurance coverage at the lowest possible cost without focusing on profit generation.

2. 2-2- Technical Forms of Insurance Companies

From a technical perspective, insurance companies can be divided into two main categories:

A- General Insurance Companies: General insurance companies are those that provide all types of insurance coverage except life insurance. Their activities include property insurance, civil liability insurance toward third parties, and other non-life insurance branches designed to protect individuals and organizations against various potential risks and financial losses.

B- Life Insurance Companies: Life insurance companies specialize in providing insurance services related to the life of the insured person, including coverage against the risk of death, survival benefits, or a combination of both, known as mixed insurance. These companies issue specific insurance contracts, some of which provide the insured amount during the lifetime of the policyholder when certain conditions are met, while others pay the insured amount only after the death of the insured to the designated beneficiaries. In mixed insurance contracts, the insured receives the benefit if they remain alive until the end of the agreed period; however, if death occurs during this period, the compensation is transferred to the beneficiaries.

2.3. Functions of Insurance Companies

Insurance companies perform several essential functions aimed at providing insurance protection to policyholders and ensuring the effective operation of insurance services. The main functions include (Ajmi, 2022, pp. 1143-1145):

-First: Pricing Function :The pricing function refers to determining the insurance premium paid by the policyholder in exchange for obtaining insurance coverage and receiving compensation when the insured risk occurs. Pricing is considered one of the most critical activities within insurance companies, as their success, competitiveness, and continuity in the insurance market largely depend on accurate pricing decisions, Insurance companies may determine their prices independently or through professional associations. In some cases, governmental authorities may intervene by establishing pricing frameworks that correspond to the nature and value of insurance services offered. The specialist responsible for calculating insurance prices is known as an actuary, who possesses advanced knowledge of mathematics, statistics, and risk analysis, Establishing insurance prices is one of the most complex tasks faced by insurance providers because it requires estimating the expected losses associated with each type of risk. These anticipated losses are covered through what is known as the net premium, which represents the

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basic financial consideration of an insurance policy. When administrative and financial expenses, taxes, fees, and an appropriate expected profit margin are added to the net premium, it becomes the commercial premium paid by the policyholder in return for obtaining insurance protection against potential risks.

-Second: Underwriting Function :Underwriting represents the process of evaluating and selecting risks submitted to the insurance company in order to decide whether they should be accepted or rejected. Through this function, insurance companies classify applicants according to their underwriting policies in a way that supports their objectives and financial goals, The main purpose of underwriting is to create a balanced insurance portfolio by accepting risks that are expected to generate profits and avoiding risks that may lead to losses or unfavorable results. Senior management establishes clear underwriting policies that are consistent with the company's strategy. These policies may focus on obtaining a large number of insurance policies with moderate profitability or a smaller number of policies generating higher returns, Insurance companies usually prepare underwriting guidelines specifying the types of insurance products provided, acceptable risks, geographical areas of operation, and special risks requiring prior approval before acceptance.

-Third: Production Function :In the insurance sector, production refers to sales activities and marketing operations carried out by insurance companies to promote and distribute their insurance services. The sale of insurance products represents a major source of company revenue, To achieve this objective, insurance companies develop qualified sales teams and implement various marketing activities, including the development of marketing strategies, customer-oriented approaches, and short-term and long-term production plans.

-Fourth: Claims Settlement Function (Compensation Management) :This function involves examining insurance claims and determining the compensation amounts payable to insured persons when the covered risk occurs. Insurance companies usually have specialized departments responsible for analyzing submitted claims, assessing losses, and determining the appropriate compensation,The professional responsible for evaluating and settling losses is known as a loss adjuster, whose role is to investigate damages and establish the value of the payable compensation.

Fifth: Reinsurance Function :Reinsurance refers to the transfer of part of the risks assumed by an insurance company to another party capable of bearing these risks, generally a reinsurance company. Although the reinsurance agreement is based on principles similar to an insurance contract, the parties involved are different, as it takes place between insurance companies rather than between an insurer and a policyholder.

-Sixth: Investment and Financing Function :Investment and financing activities are particularly important in life insurance companies. These companies must generate sufficient financial returns while maintaining their ability to meet future obligations toward policyholders. Effective investment management also ensures adequate liquidity and provides the necessary financial guarantees.

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3. Risk Management in Insurance Companies

Before addressing risk management in insurance companies, it is necessary to clarify some fundamental concepts related to this field.

3.1. Definition of Risk Management

Several definitions have been provided for risk management, including:

-First Definition**:** Risk management is a systematic set of procedures adopted by organizations to deal with risks associated with their activities in order to achieve sustainable benefits and preserve the value generated from their operations (Belkacem El Ayachi, 2016, p. 12) .

-Second Definition**:** According to Haines, risk management is a fundamental managerial function concerned with identifying, assessing, and managing risks. It is also considered a process aimed at understanding opportunities and threats arising from the internal and external environments of an organization in order to enhance the value created by its activities (Blounas & Bouzidi, 2010, p. 45).

-Third Definition**:** The Institute of Risk Management (IRM) defines risk management as a fundamental component of strategic management within organizations. It consists of structured processes used by institutions to address risks related to their activities and achieve sustainable advantages (Zaid & Al-Amoudi, 2015, p. 179) .

3.2. Risks Faced by Insurance Companies

Due to the diversity and complexity of risks encountered by insurance companies, the most significant risks can be summarized as follows:

A- Risk of Potential Decline in the Market Value of Investment Portfolio Assets: This type of risk is associated with the investment activities of insurance companies and relates mainly to asset-side risks. It includes risks resulting from fluctuations in interest rates, as well as refinancing risks and reinvestment risks.

B- Risk of Compensation Payments Exceeding Expected Levels: This is considered a technical risk that mainly affects the liability side of insurance companies. It is directly or indirectly related to technical and actuarial methods used in calculating premiums and establishing technical provisions.

3.Internal Audit Procedures in Risk Management

The internal audit process within the risk management framework comprises a sequence of interrelated stages designed to ensure that risks are effectively identified, evaluated, and addressed in support of organizational objectives (Bouaziz, 2018, pp. 149-150) .

A. The Role of Internal Auditing in Risk Identification

A primary responsibility of the internal audit function is to provide independent assurance to both executive management and the board of directors that the organization's risk identification process is comprehensive and that all significant risks have been appropriately recognized. Nevertheless, internal auditing should not assume direct responsibility for identifying risks, as this remains a fundamental management function. Rather, internal auditors

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are expected to evaluate and support the effectiveness of the risk identification process while preserving their independence.

In practice, internal auditing contributes to the risk identification stage through several key activities, including:

- Advising managers and authorized personnel responsible for identifying organizational risks.
- Supporting the continuous improvement of methodologies, techniques, and analytical tools employed in risk identification.
-Providing specialized expertise and reliable information that facilitate effective enterprise risk management.
-Preparing and communicating timely reports to executive management and the audit committee regarding the adequacy of the risk identification process and significant observations requiring management attention.

B. The Role of Internal Auditing in Risk Assessment

Following the identification of risks, organizations are required to evaluate each risk by estimating both its likelihood of occurrence and the magnitude of its potential impact. This assessment enables management to prioritize risks and allocate resources accordingly, Internal auditing contributes to this stage by independently reviewing the methodologies, criteria, and assumptions used in the risk assessment process. Through objective evaluation, internal auditors provide reasonable assurance that risk assessments are reliable, consistent, and sufficiently robust to support informed managerial decisions. Such assurance enhances confidence that subsequent risk treatment strategies are based on accurate and credible evaluations.

C. The Role of Internal Auditing in Risk Response

Management may adopt different strategies for responding to identified risks depending on their probability and potential consequences. These strategies commonly include risk acceptance, risk avoidance, risk reduction through appropriate control measures, or other suitable risk treatment options , Within this context, internal auditing performs an essential advisory and assurance role by assessing whether the selected response strategies are appropriate, proportionate to the level of risk, and economically justified. Internal auditors also evaluate the effectiveness of internal control systems in mitigating or reducing identified risks and determine whether these controls operate as intended, Furthermore, the internal audit function reviews risks that have materialized to assess the effectiveness of the response measures implemented and to identify opportunities for continuous improvement. An equally important responsibility involves evaluating the efficiency of the organization's risk reporting system to ensure that relevant, accurate, and timely information concerning risk management activities is communicated to the board of directors and other governance bodies, thereby supporting informed oversight and strategic decision-making.

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4.The Role of Internal Auditing in Enterprise Risk Management within Insurance Companies

Insurance companies increasingly adopt an enterprise-wide risk management (ERM) approach to systematically identify, assess, and manage the diverse risks arising from their core business activities. Within this framework, internal auditing serves as a strategic governance function that complements the risk management process by providing independent assurance on the effectiveness of risk-related practices. The integration between enterprise risk management and internal auditing can be explained through the following dimensions (Hasnaoui & Hassani, 2019, pp. 283-284) :

-**Establishing organizational objectives**: Senior management is responsible for defining the organization's strategic vision and corporate objectives and ensuring that these objectives are effectively communicated throughout all organizational levels. In addition, management seeks to align departmental goals with the company's overall strategic direction. Internal auditing independently evaluates whether these objectives are clearly defined, consistently communicated, and appropriately aligned with the organization's mission and strategic priorities.

-**Determining risk appetite**: The board of directors, in collaboration with executive management, establishes the organization's acceptable level of risk exposure. Internal auditors assess whether the defined risk appetite has been formally articulated, adequately communicated, and consistently observed in managerial decision-making.

-**Developing the risk management framework**: Management is responsible for designing and implementing a comprehensive enterprise risk management framework that supports strategic and operational objectives. Internal auditing periodically evaluates the effectiveness of this framework, identifies potential weaknesses or control deficiencies, and recommends appropriate improvements.

-**Identifying potential risks**: Management continuously identifies internal and external risks that may hinder the achievement of organizational objectives. Internal auditing independently reviews the completeness and reliability of the risk identification process and assesses whether significant risks have been recognized across all organizational levels.

-**Risk assessment**: Management evaluates both the likelihood of risk occurrence and the magnitude of its potential impact. Internal auditing provides independent assurance regarding the adequacy, objectivity, and methodological soundness of the risk assessment process.

-**Selecting and implementing risk responses:** Management determines the most appropriate strategies for addressing identified risks through preventive, detective, or corrective control measures and ensures that these actions are properly documented and implemented. Internal auditing evaluates the appropriateness of these responses and assesses the effectiveness of their implementation in mitigating identified risks.

-**Managing control activities:** Management establishes and monitors internal control activities designed to reduce risk exposure and support organizational objectives. Internal auditing

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examines the design, implementation, and operational effectiveness of these controls, with particular emphasis on information security and the protection of organizational assets.

-**Risk communication and reporting:** Management ensures that relevant risk information is communicated accurately and in a timely manner to appropriate stakeholders across the organization. Internal auditing evaluates the quality, reliability, completeness, and effectiveness of risk reporting and communication processes.

-**Monitoring and coordination:** Management continuously monitors enterprise risk management activities to ensure that risk mitigation strategies remain effective and consistent with organizational objectives. Internal auditing independently reviews these monitoring mechanisms and evaluates whether they provide sufficient oversight and continuous improvement.

-**Assessing the overall effectiveness of risk management**: Management periodically evaluates the performance of the enterprise risk management system and the effectiveness of internal controls, reporting its findings to the board of directors. Internal auditing independently validates these assessments, thereby enhancing governance transparency and accountability.

-**Providing independent assurance and advisory services**: Internal auditing delivers objective and independent assurance, in addition to value-added advisory services, regarding the effectiveness of enterprise risk management and internal control systems. Through these activities, internal auditors contribute to strengthening corporate governance, improving organizational resilience, supporting informed decision-making, and enhancing the organization's ability to achieve its strategic objectives while creating sustainable value for stakeholders.

Conclusion

Based on the foregoing discussion, it can be concluded that internal auditing plays a pivotal role in supporting risk management across organizations in general and insurance companies in particular. The effectiveness of risk response strategies largely depends on the organization's ability to anticipate, identify, and assess potential risks before implementing appropriate mitigation measures. In light of the issues examined in this study, the following conclusions can be drawn:

-Internal auditing constitutes an independent internal assurance function that reports directly to senior management. Its scope encompasses all organizational functions, departments, and operational activities. Through systematic audit procedures, internal auditors evaluate organizational processes, identify deficiencies, and recommend improvements that enhance compliance with established policies, procedures, and governance practices.

-The revised International Standards for the Professional Practice of Internal Auditing, introduced in 2003 and becoming effective in 2004, are structured around two principal categories: Attribute Standards and Performance Standards. Together, these standards establish the professional framework governing internal audit activities and promote consistency, quality, and accountability in audit practice.

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-The significance of internal auditing extends beyond its traditional control function. Rather than being an end in itself, it serves as a strategic governance mechanism designed to provide assurance, improve organizational performance, and create value for a broad range of stakeholders.

-Insurance companies are specialized financial institutions responsible for underwriting insurance policies and fulfilling contractual obligations by providing financial compensation for insured losses in accordance with the terms and conditions of insurance contracts.

- The core functions of insurance companies include premium pricing, underwriting, business development and production, claims management, reinsurance operations, investment management, and financial management. These functions collectively contribute to maintaining financial stability and ensuring the sustainability of insurance operations.

- Risk management represents a systematic organizational process through which institutions identify, assess, monitor, and respond to uncertainties associated with their activities. Its primary objective is to minimize potential adverse impacts while maximizing sustainable value creation across both individual activities and the organization's overall portfolio.

Insurance companies are exposed to several categories of risk, most notably:

-Market value risk, arising from potential declines in the market value of assets comprising the investment portfolio, thereby affecting the company's financial position and investment returns.

-Claims risk, resulting from actual compensation payments exceeding actuarial expectations. This represents a technical insurance risk directly related to underwriting performance and the accuracy of risk assessment.

The internal audit process for evaluating risk management generally encompasses three interrelated stages:

- Risk identification.
- Risk assessment.
- Risk response and monitoring.

In light of the findings of this study, the following recommendations are proposed:

-Insurance companies should establish dedicated audit committees and strengthen their operational effectiveness, given their essential role in enhancing the independence, oversight, and effectiveness of the internal audit function.

-Greater attention should be devoted to the implementation and continuous development of internal auditing in accordance with internationally recognized professional standards, thereby improving governance practices, reinforcing risk management capabilities, and supporting sustainable organizational performance.

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