

## Promote Information and Communication Systems to Improve Internal Control Efficiency at Vietnam Personal Insurance Enterprises



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**ABSTRACT:** The article presented an overview of internal control and related concepts such as Information, communication, efficiency, and internal control in life insurance enterprises. Along with that, the article also provides some regulations on internal control activities at enterprises, and five parts of internal control (Control environment, Risk assessment, Control activities, and Information, Communication, Monitoring). The authors focus on understanding the components of information and communication, assessing the current status of information and communication activities at life insurance enterprises, and the remaining points such as the Shortage of personnel in work Information Communication; The information channel is not regularly updated for all employees. From the existing points, the authors have proposed several solutions to promote information, and communication, and improve the effectiveness of internal control activities departments in life insurance enterprises. These solutions include Updating documents, policies, and regimes regularly; Information transparency and effective implementation; Issuing regulations and publicizing documents summarizing business processes, regulations for each insurance product provided by the business, and instructions for customers.

**KEYWORDS:** Information; The media; Effective; Internal control; Life insurance business

### 1. THE PROBLEM

Internal control is the establishment of regulations, procedures, and business operations to improve the efficiency of business operations. Internal control helps enterprises comply with the laws and regulations of the organization, identify and eliminate risks, and create reliability and transparency in the financial statements of the enterprise. Life insurance enterprises have a large number of employees and insurance agents distributed across the country. This leads to businesses facing problems such as inefficient operations, wasted resources, lack of supervision, poor organization and function, vision, fragmented strategy, lack of alignment and control, complex control, high cost, information lack integrity, and lack of integrity process complexity unnecessarily. With the above characteristics of insurance enterprises, information, and communication here plays an important role and are a solution to improve the effectiveness of internal control at insurance enterprises. Accordingly, Information and communication help connect and ensure smoothness between all individuals and departments in the enterprise. Information and communication help external stakeholders connect and ensure the smooth performance of each object's tasks. Currently, information and communication systems at insurance enterprises have not been focused on. This study aims to promote information and communication to improve the internal control system's effectiveness.

### 2. THEORETICAL BASIS

#### 2.1. Some Concepts

**Information:** To ensure the performance of their functions, organizations need information. Information needs to ensure timeliness and accuracy when identifying, collecting, and communicating with relevant individuals and departments in the organization. The task of the unit is to create reports containing information to ensure the management and control of the unit by the manager. Dinapoli (2007) states that: "A single piece of information can be used for a variety of purposes, such as preparing financial statements, reviewing compliance with laws and regulations, and operating operations. production and business of enterprises" [1].

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### **Communication**

Dinapoli (2007) said that: "Communication is the exchange and communication of necessary information to stakeholders both inside and outside the enterprise. Each information system itself has a communication function, because only then can the information that has been collected and processed can reach the objects in need to help them fulfill their responsibilities" [1].

### **Effective**

Much research has been done into the definition and measurement of effectiveness. The effect depends on the level of the economy and the perspective of the observer or the user. The following are some definitions of efficiency from the point of view of different organizations and researchers: According to the Vietnam Encyclopedia (2010), "Effectiveness is the desired outcome, which produces results that are not what people wait and want". With this implication, the Vietnamese Dictionary (2010) of the Vietnam Language Institute also gives the definition "Effectiveness is the actual result of the work brought" [2].

### **Internal control**

According to the COSO Report (2013), Internal control is a process governed by an entity's management, board of directors, and employees, which is designed to provide reasonable assurance to achieve the following objectives: to ensure the reliability of financial statements; ensure compliance with regulations and laws; ensure operations are carried out efficiently [3].

## **2.2. Regulations On Internal Control Systems in Insurance Enterprises**

Law on Insurance Business No. 08/2022/QH15 has added regulations on the renovation of financial management of insurance enterprises. Accordingly, it is required that insurance enterprises determine their capital based on risk, and insurance enterprises must maintain higher real capital than risk-based capital according to regulations of the Ministry of Finance; supplement regulations on standardizing the organizational structure of insurers, managers, and supervisors; require enterprises to develop and implement risk management, internal control and inspection, and financial management; increase information disclosure...[4] This regulation will contribute to improving the competitiveness of insurance enterprises.

Along with that, according to the provisions of Article 36 of Decree 73/2016/ND-CP dated July 1, 2016, of the Government, insurance enterprises must develop, implement and supervise the implementation of regulations on assignment responsibilities, business processes, and setting up an internal control system. Internal control activities must be independent of business operations; The internal audit department must be independent of the internal control department, ensuring timely assessment and detection of all risks that may adversely affect the efficiency and operational objectives of the enterprise. At the same time, enterprises must regularly check the observance of laws, professional processes, and internal regulations, and perform internal audits annually [5].

## **2.3. Factors Affecting Internal Control**

Based on the 1992 COSO report [6], the COSO Organization updated its report in 2013.

In this report, four important contents of the 1992 COSO report are retained, including: Internal control definition.

Three target groups of the entity (Including Operational Objectives, Financial Statements).

Five parts of internal control (Control environment, Risk assessment, Control activities, Information, communication, and Monitoring). Apply judgment to the design, implementation, operation, and evaluation of internal control.

Based on COSO's theory of internal control system, apply five parts of internal control (Control environment, Risk assessment, Control activities, Information, communication, and Monitoring) to assess the impact on the effectiveness of the internal control system. However, towards the research goal in this article, the research team only mentions the factor "Information and communication" and its impact on improving the effectiveness of internal control in enterprises. The life insurance industry in Vietnam.

## **2.4. Information and communication in internal control in life insurance enterprises**

The Information and Communication component is responsible for supporting all components in internal control. This component is responsible for regularly looking up and updating information and legal documents related to insurance business activities as well as relevant legal documents to promptly issue instructions and warnings. Reporting compliance to the Departments/Departments/Sales Office during operation as well as complying with the provisions of law (if any). Maintain operations in compliance with the Regulations of the Departments/Departments/Sales Offices; Implement compliance training programs, and share information about regulations, laws / Company policies / Group regulations for the entire staff and business of the Company.

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### **3. RESEARCH METHODS**

Research using the most common method in scientific research is methodology. The authors have consulted many domestic and foreign documents related to internal control and parts of internal control. From the research documents, the authors have cited some concepts and theoretical bases in the article. All these conceptual content and theoretical basis are the foundation for the arguments in scientific research. Simultaneously with understanding the underlying theory, the authors also explore the actual situation of internal supervision activities at life insurance enterprises. Finally, the group used the theoretical method to prove the existence of the Information and Communication system and proposed some solutions to improve the effectiveness of internal control through the theoretical basis. presented earlier.

### **4. PROMOTE THE INFORMATION AND COMMUNICATION SYSTEM TO IMPROVE INTERNAL CONTROL EFFICIENCY AT VIETNAM PERSONAL INSURANCE ENTERPRISE**

#### **4.1. Viewpoints and Orientations to Enhance the Effectiveness of the Internal Control System in Life Insurance Enterprises in Vietnam.**

Along with the promulgation of the Law on Insurance Business No. 08/2022/QH15, the Strategy for the development of the insurance market to 2030 has also been developed to create a foundation for the sustainable development of Vietnam's insurance market in the future. next time. One of the viewpoints and orientations for the development of the insurance market in 2030 is to strengthen the management, supervision, inspection, and examination of the management agency. Improve market risk management capacity, and ensure safe, healthy, and sustainable market operation. The development of the insurance market is carried out synchronously and comprehensively, has a specific plan and roadmap, takes careful and sure steps, is publicly announced, does not disturb the operation of the insurance market, and ensures the legitimate rights and interests of participants. insurance and safety of the whole system; reduce social costs. Ensuring the market principle, enterprises are self-responsible, state management agencies perform the role of management and supervision, not acting on behalf of enterprises.

#### **4.2. The Current Situation of Information and Communication in Life Insurance Enterprises in Vietnam**

Life insurance businesses comply with current legal regulations on the organization of internal control and internal audit activities according to regulations. Through the survey results of experts and the summary report on the implementation of the Strategy for Vietnam's insurance market development for the period 2011-2020, the Ministry of Finance found that:

Internal control has not kept pace with the development of business activities in the insurance sector. Shortage of human resources to perform Information and communication tasks in internal control of enterprises.

Life insurance businesses have established information channels to report on unusual behaviors and events that are likely to cause damage to businesses. However, these information channels are rarely updated and refreshed. Many unusual events and violations of regulations are not disclosed to all employees.

Businesses that do not regularly update important information for employees at all levels can understand and understand the rules and standards of the organization. Therefore, information is not provided timely and accurately to the competent authorities as prescribed.

#### **4.3. Solutions Strengthening the Information and Communication System to Improve Internal Control Efficiency**

Update documents, policies, and regimes regularly to ensure that internal control activities of the unit are not outdated or outdated compared to the times.

Transparency of information and effective implementation of internal and external information channels. Insurers must publicize and transparently disclose information to the entire unit and external parties, and at the same time, they must perform well in communicating information and receiving feedback to effectively control and enhance the reputation of the insurance business by: Set up an information page to keep the image and all necessary information about the insurance business on it. Especially, it is necessary to continuously update news about insurance enterprises, and information about awards and titles that insurance enterprises have achieved.

Publicize in newspapers, magazines, and Websites the information on financial statements. Ensure the information provided is accurate, and truthful, increasing the trust of the outside, especially the trust of customers.

To stipulate and publicize documents summarizing professional processes, regulations for each insurance product provided by the enterprise, and instructions for customers. These regulations are announced on the website and at the insurance company so that all customers who come to the transaction know clearly. This way is not only convenient for customers in transactions, serving customers better but through customers, insurers can also regularly monitor insurance agents so that they follow the correct process that improves control performance.

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Select the appropriate form of communication for the customer. With notices about policies for customers, the introduction of products and services, promotion information, and instructions for customers, it is necessary to make specific and clear announcements at the insurance company and on its website. Karma. Particularly for responses to customer inquiries, the insurer must send a reply to the customer to explain to the customer. Especially when there are false rumors that affect the reputation of the insurance company, it is necessary to send a letter to each customer, and at the same time publish information in the media to correct the incorrect information. Protect the reputation of the insurance business.

Disseminate documents on policies, operations as well as directives of superiors so that all members of the insurance business understand and implement them. The most effective form of information dissemination is to notify all departments and branches and ask the head of the meeting to disseminate important relevant content. Sign and certify on documents proving that you have read and understood those regulations.

Organizing professional training and disseminating general regulations and policies of insurance enterprises for new employees and newly recruited agents so that they can understand the general insurance business as well as their work to perform. for good. Disseminating all regulations, processes, and policies of the insurance company to all employees helps them to stay informed, understand what they do and have a direction to strive for the future.

Every month, quarter, and year, the enterprise guarantees

Notify all employees about the results of their activities, the results achieved compared to the targets. Thereby, employees also evaluate the results they have done, and their contributions to the results of the insurance enterprise and continue to strive to perform well the assigned work for the benefit of the insurance enterprise. that has its benefit. Informing employees about the activities of an insurance company can be done through the release of internal newsletters or its internal website.

## 5. CONCLUSION

Through this study, we have realized the importance of information systems and traditions in improving the effectiveness of internal control in life insurance enterprises. With several solutions proposed by the authors based on the shortcomings of the Information and Communication system, it is hoped that this will help improve the efficiency of this activity at life insurance companies in Vietnam.

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