

THE ANALYSIS OF AUDITOR'S REPORTS OF INSURANCE COMPANIES IN THE REPUBLIC OF SERBIA

Biljana Jovković

University of Kragujevac, Faculty of Economics, Kragujevac, Serbia

bjovkovic@kg.ac.rs

Abstract

Successful and long-term compliance of insurance company's operations with assumed risks is of fundamental importance for the economic system. Starting from the social significance of insurance institution and the need for stability in this activity, the systematization and analysis of the independent auditors' reports of insurance companies' financial statements between 2009 and 2016 was conducted. The structure and frequency of qualifications in auditors' reports, which are the result of non-compliance with financial reporting standards, were analyzed. All insurance companies are stratified to companies that were always issued auditor's unmodified opinion in the observed period and companies that were at least once issued some form of qualification in the observed period, including the reasons for issuing unmodified opinion with on emphasis of matter. The results of the analysis showed that companies with unmodified opinion were mostly profitable, of foreign capital origin, and engaged auditors of the "Big Four". Companies that were at least once issued some form of qualification in auditor's opinion are predominant in the insurance sector, mostly operated at a loss and were of domestic sources of financing. Companies that were continuously issued modified opinion disappeared from the insurance market, entered into a voluntary liquidation procedure, or their operating license was revoked. Moreover, the frequency of certain audit firms in the verification of companies' financial statements was analyzed. The results show that PWC audit firm had the largest participation in the audit of insurance companies, Deloitte of companies which were issued modified in opinion, while KPMG auditing firm reported the highest number of unmodified opinions in the insurance sector.

Key words: insurance company, audit report, financial statements, qualifications in opinion.

АНАЛИЗА РЕВИЗОРСКИХ ИЗВЕШТАЈА ОСИГУРАВАЈУЋИХ КОМПАНИЈА У РЕПУБЛИЦИ СРБИЈИ

Апстракт

Успешно и дугорочно усклађено пословање друштава за осигурање са преузетим ризицима од пресудног је значаја за привредни систем. Полазећи од друштвеног значаја институције осигурања и потребе постојања стабилности у овој делатности, у раду је извршена систематизација и анализа извештаја независних ревизора финансијских извештаја осигуравајућих друштава у периоду од 2009. до 2016. године. Анализирана је структура и учесталост квалификација у извештајима ревизора које су последица непоштовања стандарда финансијског извештавања. Све осигуравајуће компаније су стратификоване на друштва која су у посматраном периоду увек добила позитивно мишљење ревизора и компаније које су у наведеном периоду имале бар једном неки облик квалификације, укључујући и основе за изношење позитивног мишљења са скретањем пажње. Резултати анализе показали су да су компаније са неквалификованим мишљењем претежно пословале са добитком, страног су порекла капитала, ангажовале су ревизоре „Велике четворке”. Компаније које су добиле бар једном неки облик квалификованог мишљења преовлађују у сектору осигурања, претежно послују са губитком и домаћег су извора финансирања. Друштва која су континуирано имала квалификовано мишљење нестала су са тржишта осигурања, ушла су у поступак добровољне ликвидације или им је одузета дозвола за рад. Такође, анализирана је учесталост појединих ревизорских предузећа у верификацији финансијских извештаја друштава. Резултати указују на то да је највеће учешће имала ревизорска кућа „PWC” у ревизији осигуравајућих друштава, „Deloitte” код друштава која су добила квалификовано мишљење, док је ревизорска кућа „KPMG” изнела највише неквалификованих мишљења у сектору осигурања.

Кључне речи: осигуравајуће друштво, ревизорски извештај, финансијски извештаји, квалификовано мишљење.

INTRODUCTION

Insurance companies are large legal entities which are obliged to submit financial statements to independent audit. Audit as an independent function of financial statements verification is in a position to provide its contribution to the improvement of the social insurance function. Since the key decisions of investors are based on the information contained in financial statements, the contribution of external audit to the increase in the credibility of presented financial statements is indisputable. (Andrić, Krsmanović, Jakšić, 2009, p. 5) External audit verifies the compliance of assumed risks with business power of insurance companies and provides reliability in insurance as a social safety assurance in the circumstances of the realization of risk events. Inadequate risk management by companies' management would cause financial losses, difficulties in maintaining liquidity and long-term earning capacity of the company. (Dorfman,

2008, p. 44) In the situation of disproportionately assumed risk and inadequate management of the risk, management could have a motive for false financial reporting. For this very reason, the subject of the research in the paper is the form of opinion that auditors issue in the report and the reasons for auditors' qualifications. The trend of movement in the frequency of certain audit firms in verifying company's financial statements, the frequency of certain types of qualifications in auditor's report and the consequences of issued qualifications on the future course of company's operations are analyzed. The insurance sector is the second largest in the financial system of the Republic of Serbia, immediately after banking, which confirms the significance of its stability.

THEORETICAL BACKGROUND

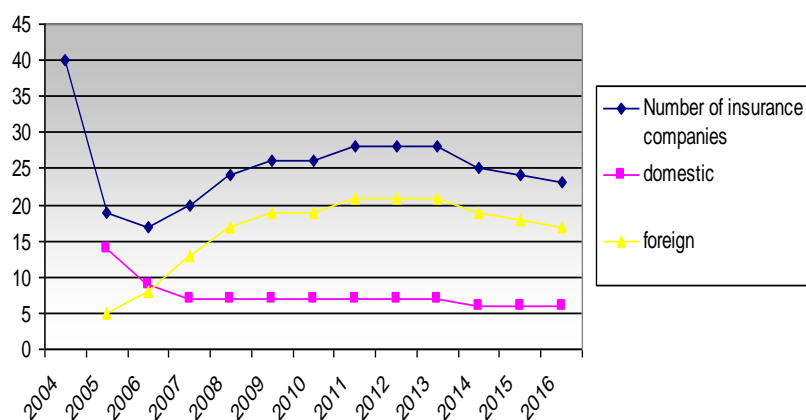
Theoretical background of the research consists of the regulations which define financial reporting, audit of financial statements, and operations of insurance companies.

According to the Accounting Law, regular annual financial statements of legal entities applied by the IFRS include: (Accounting Law, 2013, Article 2) balance sheet, income statement, statement of other results, statement of changes in equity, statement of cash flow, and notes to the financial statements. Legal audit is compulsory for annual financial statements of large and medium-sized legal entities, public companies in compliance with the law governing the capital market regardless of size, and for all entities or entrepreneurs whose revenue for the last fiscal year exceeded EUR 4,400,000 in dinar equivalent. All insurance companies are reporting entities since they are public companies or medium or large legal entities (Audit Law, 2013, Article 21). Auditor's opinion can be: unmodified, modified, adverse, disclaimer of opinion and unmodified opinion with emphasis of matter (special warnings and problems that licensed certified auditor wants to point out but without expressing qualified opinion) (Audit Law, 2013, Article 30).

Considering the importance of the truthfulness of financial reporting in insurance companies, the audit is performed only by licensed certified auditors employed in an audit firm (prohibition for independent auditors) (Insurance Act, 2014, Article 182). The importance of audit in the insurance sector is confirmed by the emphasized control of the National Bank of Serbia when it comes to the selection of audit firm that will be engaged by a company. Namely, insurance company will be obliged to request prior approval of the NBS on the proposal of the decision on the choice of auditor (Insurance Law, 2014, Article 183). If the auditor is elected without the approval of the NBS, that choice is considered null and void (Insurance Law, 2014, Article 183).

The reason for analyzing qualifications of opinion is the turbulence of this part of financial system. The question arises as to whether the qualifications in auditor's report could be interpreted as an indication of future financial problems or the closure of an insurance company?

In 2006, there was the smallest number of insurance companies (17) in the Republic of Serbia. In the coming years there was a constant increase in the number of companies due to the entry of foreign insurance companies into our market until 2013, when there were 28 (Jovković, 2015). The insurance sector at the end of 2015 consisted of 24 insurance companies, after the end of 2016 there were 23 companies and in 2017 another company ceased to operate. Insurance companies are in majority foreign ownership (74%). These companies generate 94.1% of life insurance premiums and 62.5% of non-life insurance premiums at sector level. (Insurance Sector in Serbia, Report for 2016, page 12.) In the period between 2004 and 2016, the number of companies operating in the insurance sector changed as shown in the Graph 1.



Graph 1 Number of Insurance Companies in the RS between 2004 and 2016
source: Independent calculation of the author based on data in individual Insurance Sector Reports, www.nbs.rs/ Insurance Supervision

RESEARCH METHODOLOGY

The research was conducted in 2016 and 2017 and included financial statements of all insurance companies operating in the RS in the period between 2009 and 2016. Financial and audit reports were downloaded from the database of the Business Registers Agency (www.apr.rs), while the insight into the structure of the insurance sector and the list of insurance companies was downloaded from the NBS database (www.nbs.rs).

An adequate methodological instrument was used in the paper, such as systemic thinking, in the case of defined problem of researching the influence of various factors on the quantification of auditors' opinions, as well as of their individual or synergetic action on the final outcome of the continuation of company's operations. Furthermore, comparative method will be used as a suitable scientific method for the purpose of comparing basic characteristics of operations of the companies that were issued unmodified opinion and those who were issued qualification in auditor's opinion. Along with the above methods, analytical methods and a statistical method which includes statistical descriptions and trend analysis will be a part of the scientific instrument. Collected data will be summarized in tables, and on the basis of them the corresponding graphic representations will be prepared and presented, after which the analysis will be performed in order to obtain final conclusions.

By using scientific method of content analysis, the aim of the paper is to consider auditor's opinions in reports and analyze the nature and frequency of the cause of the qualifications in auditor's opinion in order to examine the consequences which follow after the issuance of the qualifications. By deeply analyzing operation characteristics, the source of the capital of the companies that were issued qualifications, we seek to consider the usability of auditor's report for users and the ability to react to the early signals of future financial scenarios of such companies. The paper tested the following hypotheses:

- H1: Unmodified auditor's opinion on financial statements is linked to the profitable business of insurance companies.
- H2: Qualification in auditor's opinion on financial statements indicates the likelihood of company's business closure in the upcoming period.
- H3: Audit firms which reported qualified opinion recorded a decline in the share of audit services market in insurance sector.

RESEARCH RESULTS

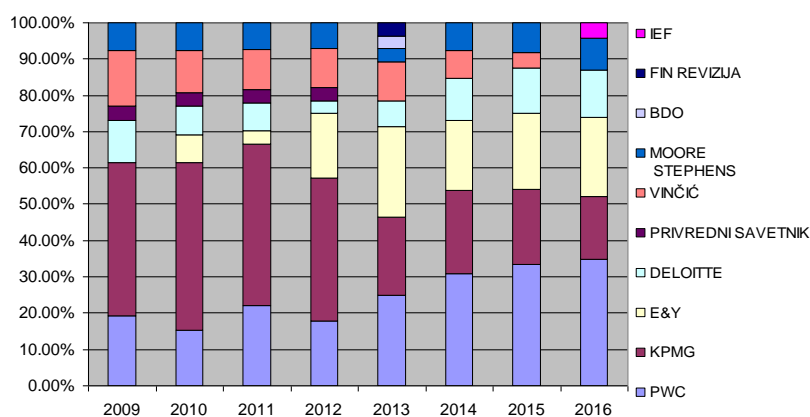
Researching of the form of auditor's opinion in insurance companies has been conducted separately for companies that have been issued unmodified opinions in all years of the analysis and for companies that have been issued some form of qualification, whether it is qualified opinion or unmodified opinion with emphasis of matter. The Table 1 provides data on relative participation of audit firms in the auditing of financial statements of all companies.

Table 1 Participation of audit firms in the audit of insurance companies

Companies	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
PWC	19.23%	15.38%	22.22%	17.86%	25.00%	30.77%	33.33%	34.78%
KPMG	42.31%	46.15%	44.44%	39.29%	21.43%	23.08%	20.83%	17.39%
E&Y	0.00%	7.69%	3.70%	17.86%	25.00%	19.23%	20.83%	21.74%
Deloitte	11.54%	7.69%	7.41%	3.57%	7.14%	11.54%	12.50%	13.04%
Privredni savetnik	3.85%	3.85%	3.70%	3.57%	0.00%	0.00%	0.00%	0.00%
Vinčić	15.38%	11.54%	11.11%	10.71%	10.71%	7.69%	4.17%	0.00%
Moore Stephens	7.69%	7.69%	7.41%	7.14%	3.57%	7.69%	8.33%	8.70%
BDO	0.00%	0.00%	0.00%	0.00%	3.57%	0.00%	0.00%	0.00%
IEF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.35%
Fin revizija	0.00%	0.00%	0.00%	0.00%	3.57%	0.00%	0.00%	0.00%
Σ	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Σ Big Four	73.08%	76.92%	77.78%	78.57%	78.57%	84.62%	87.50%	86.95%

Source: Author's calculation based on disclosed financial statements of individual companies

Analyzing the trend in relative participation movement, it can be noted that PWC, Deloitte, and E&Y audit firms recorded growth in that period, while KPMG recorded the opposite trend of movement and with the initial 42.31% dropped below 20%. Cumulatively speaking, for all audit firms of the "Big Four", the dominant share with the upward trend from 73.08% in 2009 to 87.5% in 2015 can be noticed. Vinčić domestic firm recorded a downward trend in the analyzed period by more than 10%. The Graph 2. presents the participation of certain audit firms in the insurance sector.



Graph 2 Participation of audit firms in the audit of insurance companies between 2009 and 2016

Source: Author's calculation based on disclosed financial statements of individual companies

Analysis in Companies with Unmodified Opinion

An overview of companies that were always issued auditor's unmodified opinion, achieved periodic results, and the auditors they engaged are given in the Table 2.

Table 2 Insurance companies that were always issued auditor's unmodified opinion between 2009 and 2016

No.	Company Name	Net result 2009.	Auditor 2009.	Net result 2010.	Auditor 2010.	Net result 2011.	Auditor 2011.	Net result 2012.	Auditor 2012.
1.	Generali	121,449	PWC	219,505	PWC	522,622	PWC	786,540	E&Y
2.	Energoprojekt garant	127,620	Moore Steph.	133,257	Moore Steph.	64,862	Moore Steph.	118,990	Moore Steph.
3.	Grawe	190,743	Vinčić	298,553	KPMG	169,525	KPMG	355,902	KPMG
4.	Merkur	(53,460)	KPMG	(20,905)	KPMG	(46,964)	KPMG	1,904	KPMG
5.	Sava životno	(11,189)	KPMG	(83,696)	KPMG	(97,103)	KPMG	(54,558)	KPMG
6.	Uniqa život.	82,729	KPMG	91,480	KPMG	(57,228)	KPMG	(57,882)	KPMG
7.	Wiener	29,612	KPMG	174,676	KPMG	170,362	KPMG	215,610	KPMG
8.	SOGAZ							(44,808)	PWC
9.	Generali Re	64,280	PWC	108,359	PWC	98,699	PWC	104,578	E&Y
10.	Wiener re	54,082	KPMG	75,781	KPMG	11,325	KPMG	90,986	KPMG
No.	Company Name	Net result 2013.	Auditor 2013.	Net result 2014.	Auditor 2014.	Net result 2015.	Auditor 2015.	Net result 2016.	Auditor 2016.
1.	Generali	1,283,194	E&Y	1,429,964	E&Y	2,548,972	E&Y	2,693,808	E&Y
2.	Energoprojekt garant	61,180	Fin revizija	72,827	Moore Steph.	64,891	Moore Steph.	69,268	Moore Steph.
3.	Grawe	345,677	KPMG	493,564	KPMG	314,715	KPMG	667,800	KPMG
4.	Merkur	(37,026)	KPMG	24,434	KPMG	19,225	KPMG	12,400	KPMG
5.	Sava životno	(65,480)	E&Y	(32,811)	E&Y	(34,845)	E&Y	(25,396)	E&Y
6.	Uniqa život.	15,532	PWC	128,258	PWC	122,780	PWC	95,831	PWC
7.	Wiener	201,441	KPMG	276,841	KPMG	351,069	KPMG	275,400	KPMG
8.	SOGAZ	45,588	PWC	64,239	PWC	25,861	PWC	29,441	PWC
9.	Generali Re	79,108	E&Y	62,117	E&Y	100,058	E&Y	49,097	E&Y
10.	Wiener re	61,493	KPMG	68,006	KPMG	67,540	KPMG	63,562	KPMG

Source: Author's calculation based on disclosed financial statements of individual companies

By analyzing the data in previous table, it is noted that the largest number of companies that were always issued auditor's unmodified opinion are foreign companies. Of all the companies that were issued auditor's unmodified opinion, only the Energoprojekt garant is a domestic company, which represents the share of 10% in 2016. It will be considered which auditors were engaged by the companies that were always issued auditor's unmodified opinion. The Table 3 provides an overview of the relative participation of audit firms.

Table 3 An overview of audit firms that have always reported unmodified opinion on insurance companies' financial statements

Auditor	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
KPMG	55.56%	66.67%	66.67%	60.00%	40.00%	40.00%	40.00%	40.00%
PWC	22.22%	22.22%	22.22%	10.00%	20.00%	20.00%	20.00%	20.00%
Moore Stephens	11.11%	11.11%	11.11%	10.00%	0.00%	10.00%	10.00%	10.00%
Vinčić	11.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
E&Y	0.00%	0.00%	0.00%	20.00%	30.00%	30.00%	30.00%	30.00%
Fin revizija	0.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	0.00%

Source: Author's calculation based on disclosed financial statements of individual companies

Based on data in the table, "KPMG" had the largest share in auditor's unmodified opinion on insurance companies in the first four years of the analysis, while E&Y came closer to that share in the coming period and has recorded a growth in market share since 2012. The auditors belong to the so-called "Big Four" and are the largest foreign audit firms. Table 2 shows data on periodic result, which enables the analysis of the performance of companies that were always issued auditor's unmodified opinion. The classification of companies according to the achieved periodic result has been performed (in the Table 4). It is noted that there is a significant difference in the number of companies that operated at a profit and were issued auditor's unmodified opinion on financial statements in relation to the number of loss-making companies which were issued the same form of opinion. In the last three years, only one loss-making company was issued unmodified opinion, while the number of profitable companies with the same form of opinion is nine times higher. In percentage terms, out of all companies that were issued auditor's unmodified opinion between 2014 and 2016, 90% are profit-making companies, while only 10% are loss-making insurance companies.

Table 4 Overview of the share of insurance companies that were always issued auditor's unmodified opinion according to achieved periodic result

Periodic result	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
Loss	2	2	3	3	2	1	1	1
Profit	7	7	6	7	8	9	9	9
Σ Companies	9	9	9	10	10	10	10	10

Source: Author's calculation based on disclosed financial statements of individual companies

Analysis in Companies with Qualifications in Audit Report

Qualifications in auditor's opinion can be issued as: qualified opinion, adverse opinion and disclaimer of opinion (Eilifsen, Messier, Glover & Prawitt, 2014, p. 595). Unmodified opinion with emphasis of

matter is a form of unmodified opinion (International Standards and Audit Reports, 2013, pp. 705-708). Since the auditor with this form of opinion draws users' attention to important issues in financial statements, for the purpose of research in this paper, unmodified opinion with emphasis of matter is categorized as qualification in opinion and the subject of the research is the reason given as a basis for this opinion. Appendix 1 provides a tabular presentation of companies that, at least once in the analyzed period, were issued unmodified opinion with emphasis of matter. By analyzing the given data it can be noticed that most of the companies were issued unmodified opinion with emphasis of matter only once (8/12 companies). Two companies which were most often issued unmodified opinion with emphasis of matter, even for five years consecutively, are: Millennium and Sava non-life insurance companies. The Table 5 provides an overview of audit firms that issued unmodified opinion with emphasis of matter.

Table 5 Audit firms which issued unmodified opinion with emphasis of matter of opinion on insurance companies' financial statements between 2009 and 2016

Unmodified opinion with emphasis of matter	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
Deloitte	33.33%	0.00%	16.67%	0.00%	16.67%	50.00%	50.00%	50.00%
Privredni Savetnik	16.67%	25.00%	16.67%	25.00%	0.00%	0.00%	0.00%	0.00%
KPMG	50.00%	50.00%	33.33%	25.00%	16.67%	0.00%	25.00%	0.00%
Moore Stephens	0.00%	0.00%	0.00%	0.00%	0.00%	25.00%	0.00%	0.00%
PWC	0.00%	0.00%	0.00%	0.00%	33.33%	0.00%	0.00%	0.00%
BDO	0.00%	0.00%	0.00%	0.00%	16.67%	0.00%	0.00%	0.00%
E&Y	0.00%	0.00%	16.67%	25.00%	16.67%	0.00%	25.00%	25.00%
Vinčić	0.00%	25.00%	16.67%	25.00%	0.00%	25.00%	0.00%	0.00%
IEF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.00%

Source: Author's calculation based on disclosed financial statements of individual companies

In the last two years of the analysis, Deloitte audit firm issued half of all unmodified opinion with emphasis of matter to all insurance companies that were issued such opinion. In the first two years of the analysis KPMG had that status, while in the central part of the analysis there was no domination of one audit firm.

In table 10 in Appendix A, in addition to the research, there is also an overview of insurance companies that were issued qualified opinion at least once in the analyzed period. From the data it is noted that As insurance company was issued qualified opinion most often (even 4 times), while Triglav is the only one that was issued either a unmodified opinion with emphasis of matter or qualified opinion but never

unmodified auditor's opinion during all the years included in the research. The second place, according to the number of issued qualified opinions, share Takovo Insurance and Dunav Company. The Table 6. provides an overview of the auditing firms that reported qualified opinion.

Table 6 Overview of the share of auditors' firms and qualified opinion in insurance companies' audit reports

Form of opinion	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
Qualified opinion	2	1	1	2	2	1	0	2
Auditor	Vinčić	Vinčić	Vinčić	KPMG Vinčić	KPMG Vinčić	E&Y	/	PWC

Source: Author's calculation based on disclosed financial statements of individual companies

Qualified opinion was most often issued by domestic auditing firm Vinčić, whose share in the audit of the financial statements of the insurance sector has been steadily decreasing. KPMG, which also reported qualified opinion in two consecutive years, recorded a downward trend in the provision of audit services to the insurance sector. According to the research results given in Table 1, in 2009 KPMG had a share of 42.31%, while in 2016 it recorded only the share of 17.39% in auditing services in the insurance sector. Domestic firm Vinčić had worse trend, from the initial 15.38% in 2009 it lost all engagements in the last year of the analysis, and it does not provide audit services to companies any more.

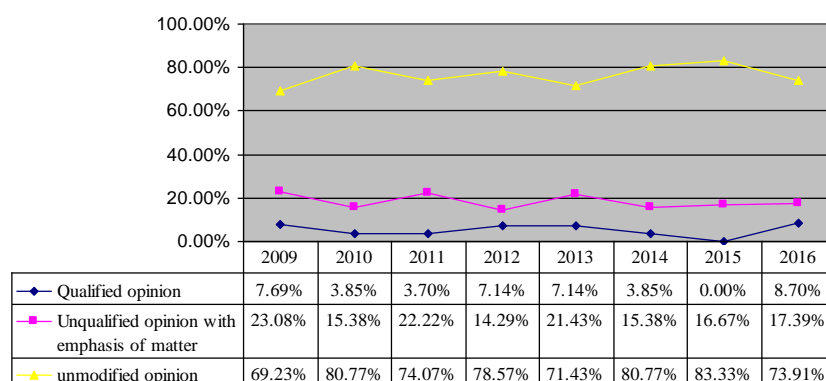
The Table 7. lists the reasons for modifying auditor's opinions and their relative share. It is noted that the most common basis (more than a third of the reasons) for qualified opinion is problem with accounts receivable and placements which includes: overestimation of revenues, uncoordinated accounts receivable, overestimation of accounts receivable, and depreciation of shares. Unmodified opinion with emphasis of matter is most often the result of higher costs of conducting insurance than the expenses loading with a share of 32.14% in all bases of qualifications. It is noticed that the same reason was also present in qualified opinion and it occupies the second place immediately after the problem with accounts receivable and revenue. Problems with fixed assets are second important for auditors when they issue unmodified opinion with emphasis of matter. Inadequate treatment of intangible assets was noticed, investment property does not fulfil the conditions for such classification, the assessment of investment property is inadequate or there is no evidence of ownership over construction objects. It is noticed that dis-concentration of the reasons for unmodified opinion with emphasis of matter is greater than when it comes to reasons for qualified opinion, where auditors identified a smaller number of reasons for the qualification, but their occurrence is more frequent.

Table 7 The share of reasons for the qualification in auditor's opinion

Reasons for qualification	Qualified opinion	Unmodified opinion with emphasis of matter
Problem with accounts receivable	38.46%	3.57%
Problem with fixed assets	3.85%	14.29%
Effects of transfer prices and financial crisis	0.00%	10.71%
Costs of conducting insurance/expenses loading	23.08%	32.14%
Guarantee fund < capital stock	0.00%	7.14%
Negative relevant technical result	0.00%	3.57%
Inadequate information system	15.38%	0.00%
Principle of permanency	0.00%	7.14%
Problems with technical reserves	15.38%	8.93%
Problems with previous financial statements	3.85%	3.57%
Lack of the NBS solution	0.00%	3.57%
Correction / non-existence of provisions	0.00%	5.36%

Source: Author's calculation based on disclosed financial statements of individual companies

The Graph 3. provides an overview of movements in the trend of all forms of auditor's opinion in the analyzed period. It is noticeable that in 2014 and 2015, the share of qualified opinion decreased, while the growing trend of unmodified opinion can be noticed. In the last year of the analysis, the largest relative share of qualified opinion in the structure of all issued auditor's opinions observed for the entire period covered by the analysis was recorded.



Graph 3 Relative share of certain forms of opinion in the audit report for insurance companies

Source: Author's calculation based on disclosed financial statements of individual companies

Audit report and auditor's opinion should disclose to shareholders and other interested parties the quality and reliability of financial statements prepared by the management. What is the fate of companies that have received qualifications in audit report? Basler life insurance and Basler non-life insurance with unmodified opinion with emphasis of matter only in 2013 was taken over in 2014 by Uniqa Insurance. Metlife Insurance was issued unmodified opinion with emphasis of matter in 2014 and in 2015 it entered the procedure of voluntary liquidation. In July 2014, Takovo Insurance's operating license was revoked, and in the years preceding on two occasions it was issued qualified opinion and unmodified opinion with emphasis of matter. Non-life insurance As, which was most often issued qualified opinion, in May 2016, entered the procedure of voluntary liquidation. The last two companies that were issued qualified opinion for financial statements in 2016 are Axa life insurance and Axa non-life insurance and at the end of that year they were purchased by the Vienna Insurance Group (www.axa.rs). When looking at the cumulative business development of companies that had qualifications in auditor's opinion, the following can be concluded: of 18 companies that had some form of qualification 7 of them disappeared from the insurance market, which makes up 39% of the total and cannot be considered insignificant. Therefore, every third company with qualification in auditor's opinion at some point in the future ceased to exist. In the future, we will witness the fate of Triglav, which is the only company that had some form of qualification in auditor's opinion in all years. Insurance companies which were not always issued unmodified opinion and at least in one year during the analyzed period were issued unmodified opinion with emphasis of matter or qualified opinion operated as provided in the Table 8.

Table 8 Overview of the share of insurance companies that were issued qualifications in auditor's opinion according to the achieved periodic result

Net result	Auditor's opinion	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.
Loss	Unmodified opinion	5	5	6	4	4	6	5	1
	Unmodified opinion with emphasis of matter	3	1	2	2	5	3	1	0
	Qualified opinion	1	1	0	1	1	1	0	2
Profit	Unmodified opinion	4	7	5	8	6	5	5	6
	Unmodified opinion with emphasis of matter	3	3	4	2	1	1	3	4
	Qualified opinion	1	0	1	1	1	0	0	0
Σ Insurance companies		17	17	18	18	18	16	14	13

Source: Author's calculation based on disclosed financial statements of individual companies

The smallest number of unmodified opinions was found in the companies which were operating at a loss, while at the same time qualified opinion and unmodified opinion with emphasis of matter were most commonly recorded in the insurance companies operating at a loss. When analyzing the ownership structure of companies with qualifications in opinion, the share of companies financed with domestic capital is considerably larger than in the case of auditor's unmodified opinion (Dunav, Dunav Re, Globos, Takovo, AMS, etc.)

CONCLUSION

Independent auditor confirms or denies the credibility of disclosed financial statements, thus suggesting investors and insured persons the financial security and stability of the insurance company. Due to the obligation to audit financial statements, company's management is discouraged to commit financial fraud or present false financial reports. (Gramling, Rittenberg, Johnstone, 2012, p. 129)

The role of the audit profession in further development and maintenance of the stability of insurance sector as a part of financial system was analyzed. For this purpose, auditor's opinions were considered and reasons for the qualifications for the issuance of either qualified opinion or unmodified opinion with emphasis of matter were analyzed. Based on the conducted research, the following conclusions can be made:

- Only 10 companies operated in Serbian insurance market, in the observed period between 2009 and 2016, which were always issued unmodified auditor's opinion, of which only one domestic company;
- In insurance companies that were always issued unmodified auditor's opinion, the companies that operated at a profit had a dominant share, which confirms the first research hypothesis;
- PWC audit firm has the largest market share in the audit of insurance companies and covers a third of the insurance market;
- Firms of the "Big Four" record a constant increase in the share in the auditing of companies, from 73% to almost 87%;
- 39% of insurance companies that were issued some form of qualification in auditor's opinion have disappeared from the insurance market, whether they entered the process of voluntary liquidation, or they have been revoked operating license, or have been taken over by another company, which confirms the second hypothesis;
- KPMG auditing firm issued the largest number of unmodified opinions (40% of all unmodified opinions) while Deloitte has the largest share in unmodified opinion with emphasis of matter. In previous years, qualified opinion was most often issued by

domestic auditing company Vinčić whose share in the audit of the insurance sector decreased from 15.38% in 2009 to 0% in 2016, which confirms the third hypothesis.

- Problems with accounts receivable are the main reason for the issuance of qualified opinion, while the larger costs of conducting insurance than the expenses loading is the main reason for unmodified opinion with emphasis of matter.

The results of the research indicate the importance of the correct use of auditor's opinion on financial statements by users, but it should not be considered as a crucial indicator and guaranty of the truthfulness of financial statements. Audit as a profession seeks to meet the demands of its users by implementing new methods of auditing checks in order to improve the quality of auditing and therefore the level of credibility that provides via financial statements. (Jovković, 2013, p. 306) Improving the audit process and adapting to the changed requirements of audit service users should be a continuous activity that should inevitably be implemented in future. The contribution of the paper to business economy, potential investors, insured, and the professional public is reflected in a detailed and thorough analysis of the situation, trend of movements, and frequency of the form of opinion issued by auditors to insurance companies. Special accent has been placed on the analysis of the cause of qualifications and consequences of continuing the operations of the companies that were issued such form of opinion, with the purpose of using auditor's issued opinion in a future period. Limitations of the research that the author of the paper has encountered, which are limited research period and the need for a deeper analysis of the causes of qualifications, will be eliminated in future research.

Appendix A

Table 9 Overview of insurance companies which were at least once issued unmodified opinion with emphasis of matter

<i>Insurance Companies</i>	DDOR	GLOBOS	MILENIJUM	SAVA NEŽ.	SOCIETE GENERALI	UNIQA NEŽIV.
Net result	260,663	14,475	17,486	(142,973)	(12,081)	(66,952)
2009 Auditor's opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion with emphasis of matter
<i>Auditor</i>	DELOITTE	MOORE STEPH.	Pr. savet.	KPMG	DELOITTE	KPMG
Net result	1,068,109	19,311	30,853	9,483	(51,040)	191
2010 Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	E&Y	MOORE STEPH.	Pr. savet.	KPMG	DELOITTE	KPMG
Net result	224,763	45,470	6,614	17,734	(44,176)	(290,485)
2011 Auditor's opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion
<i>Auditor</i>	E&Y	MOORE STEPH.	Pr. savet.	KPMG	DELLOITTE	KPMG
Net result	263,713	1,890	20,676	12,406	(22,509)	680
2012 Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	E&Y	MOORE STEPH.	Pr. savet.	KPMG	E&Y	KPMG
Net result	47,960	(146,932)	(514,676)	14,670	16,277	10,998
2013 Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	E&Y	MOORE STEPH.	BDO	E&Y	E&Y	PWC
Net result	151,229	596	(324,110)	22,572	91,037	(99,107)
2014 Auditor's opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	PWC	MOORE STEPH.	PWC	E&Y	DELOITTE	PWC
Net result	219,765	(725,882)	23,977	(70,074)	24,949	(230,424)
2015 Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	PWC	MOORE STEPH.	PWC	E&Y	DELLOITTE	PWC
Net result	338,478	(19,699)	279,517	14,355	63,935	66,385
2016 Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
<i>Auditor</i>	PWC	MOORE STEPH.	PWC	E&Y	DELLOITTE	PWC

	<i>Insurance Companies</i>	DDOR RE	DUNAV RE	BASLER ŽIV.	BASLER NEŽ.	METLIFE	AMS
	Net result	(2,046)	130,475	(6,409)	(29,002)	(127,278)	117,098
2009	Auditor's opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
	Auditor	DELOITTE	KPMG	PWC	PWC	PWC	Vinčić
	Net result	32,043	171,615	(21,121)	(13,432)	(104,331)	60,630
2010	Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
	Auditor	E&Y	KPMG	PWC	PWC	DELOITTE	Vinčić
	Net result	48,191	209,311	(33,727)	(48,254)	(152,075)	75,681
2011	Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
	Auditor	KPMG	KPMG	PWC	PWC	DELLOITTE	Vinčić
	Net result	29,878	213,463	1,055	763	(192,789)	80,822
2012	Auditor's opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion
	Auditor	KPMG	KPMG	PWC	PWC	DELLOITTE	Vinčić
	Net result	15,040	(123,387)	(29,489)	(78,974)	(186,346)	12,448
2013	Auditor's opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
	Auditor	E&Y	DELOITTE	PWC	PWC	DELOITTE	VINČIĆ
	Net result	11,926	(75,057)	/	/	(44,401)	2,868
2014	Auditor's opinion	Unmodified opinion	Unmodified opinion	/	/	Unmodified opinion with emphasis of matter	Unmodified opinion
	Auditor	PWC	KPMG	/	/	DELOITTE	VINČIĆ
	Net result	5,043	343,057	/	/	/	16,089
2015	Auditor's opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	/	/	/	Unmodified opinion
	Auditor	PWC	DELOITTE	/	/	/	VINČIĆ
	Net result	2,795	184,020	/	/	/	87,406
2016	Auditor's opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	/	/	/	Unmodified opinion with emphasis of matter
	Auditor	PWC	DELOITTE	/	/	/	IEF

Source: Author's calculation based on disclosed financial statements of individual companies

Table 10 Overview of insurance companies which were at least once issued qualified opinion

Insurance Companies	As neživotno	Dunav	Triglav	Takovo	AXA neživotno	AXA životno
Net result	(100,285)	146,600	12,417	58,132	/	(32,567)
2009 Auditor's opinion	Qualified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Qualified opinion		Unmodified opinion
Auditor	VINČIČ	KPMG	KPMG	VINČIČ		KPMG
Net result	(236,377)	223,184	(228,660)	30,797	/	(46,467)
2010 Auditor's opinion	Qualified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter		Unmodified opinion
Auditor	VINČIČ	KPMG	KPMG	VINČIČ		KPMG
Net result	75,681	268,806	(257,306)	7,090	(13,179)	(78,880)
2011 Auditor's opinion	Qualified opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
Auditor	VINČIČ	KPMG	KPMG	VINČIČ	PWC	PWC
Net result	(1,583)	72,016	(499,494)	(127,330)	(65,680)	(99,958)
2012 Auditor's opinion	Unmodified opinion with emphasis of matter	Qualified opinion	Unmodified opinion with emphasis of matter	Qualified opinion	Unmodified opinion	Unmodified opinion
Auditor	VINČIČ	KPMG	E&Y	VINČIČ	PWC	PWC
Net result	(124,221)	15,976	(670,138)	2,586	(243,205)	(52,542)
2013 Auditor's opinion	Qualified opinion	Qualified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion	Unmodified opinion
Auditor	VINČIČ	KPMG	KPMG	VINČIČ	PWC	PWC
Net result	(51,873)	(1,373,943)	(79,436)	/	(348,562)	(43,863)
2014 Auditor's opinion	Unmodified opinion	Unmodified opinion with emphasis of matter	Qualified opinion	Unmodified opinion with emphasis of matter	Unmodified opinion	Unmodified opinion
Auditor	KPMG	DELOITTE	E&Y	VINČIČ	PWC	PWC
Net result	(151,914)	370,318	7,308	/	(455,915)	(52,301)
2015 Auditor's opinion	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	/	Unmodified opinion	Unmodified opinion
Auditor	KPMG	DELOITTE	E&Y	/	PWC	PWC
Net result	/	897,766	118,384	/	(193,630)	(47,783)
2016 Auditor's opinion	/	Unmodified opinion with emphasis of matter	Unmodified opinion with emphasis of matter	/	Qualified opinion	Qualified opinion
Auditor	/	DELOITTE	E&Y	/	PWC	PWC

Source: Author's calculation based on disclosed financial statements of individual companies

REFERENCES

- Andrić, M., Krsmanović, B., Jakšić, D., (2009) Revizija teorija i praksa [Audit Theory and Practice] Subotica: Faculty of Economics in Subotica
- Gramling, A., Rittenberg, L., Johnstone, K. (2012), *Auditing*, Toronto: Cengage Learning,
- Dorfman, M., (2008). Introduction to Risk Management and Insurance. New Jersey: Pearson Prentice Hall
- Eiliefsen, A., Messier, W., Glover, S., Prawitt, D., (2014) Auditing & assurance services. New York: Mc Graw Hill
- Insurance Act, Official Gazette of the RS. No. 55/04 and 70/04 and corrections and amendments published in the Official Gazette of the RS. No. 61/05, 85/05, 101/07 and 63/2009 Decision of the Constitutional Court, 107/09, 99/11, 119/12, 116/13 and 139/14 (2014)
- Accounting Law, Official Gazette of RS. No. 62 (2013)
- Audit Law, Official Gazette of the RS No. 62 (2013)
- Jovković, B., (2013). Sistem interne kontrole kao podrška upravljanju u osiguranju [Internal Control System as a Support to Management in Insurance], In: Stojanović, R., (Ed.): XLIV Simpozijum Računovodstvo i poslovne finansije u savremenim uslovima poslovanja, Računovodstveno regulatorno okruženje: podsticaj ili ograničenje privrenog rasta (305–323). Beograd: Savez računovođa i revizora Srbije
- Jovković, B., (2015). Ocena stabilnosti i perspektive sektora osiguranja u Republici Srbiji [Assessment of the Stability and Perspectives of Insurance Sector in the Republic of Serbia]. In: Stojanović, R., (Ed.): XLVI Simpozijum Računovodstvo i poslovne finansije u savremenim uslovima poslovanja, Aktuelni problemi i perspektive računovodstva i finansija (331–355). Beograd: Savez računovođa i revizora Srbije
- International standards and audit reports, quality control, reviews, other assurances and related services (2013), Translation Belgrade: Association of Accountants and Auditors of Serbia
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2009*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2009._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2010*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2010._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2011*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2011._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2012*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2012._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2013*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2013._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2014*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2014._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2015*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2015._godinu.
- Insurance Sector in Serbia, *Insurance Sector in Serbia - Report for 2016*, the National Bank of Serbia, www.nbs.rs/nadzorosiguranja/izvestaj_za_2016._godinu.
- Serbian Business Registers Agency, www.apr.
- Axa life insurance and Axa non-life insurance, www.axa.rs
- National Bank of Serbia, www.nbs

АНАЛИЗА РЕВИЗОРСКИХ ИЗВЕШТАЈА ОСИГУРАВАЈУЋИХ КОМПАНИЈА У РЕПУБЛИЦИ СРБИЈИ

Биљана Јовковић

Универзитет у Крагујевцу, Економски факултет, Крагујевац, Србија

Резиме

Циљ овог рада је испитивање учесталости квалификовања мишљења у извештају ревизора осигуравајућих друштава и анализирање разлога који су условили неизношење позитивног мишљења ревизора. Предмет истраживања су подаци из обелодањених ревизорских извештаја свих осигуравајућих компанија у периоду од 2009. до 2016. године. Подаци су прикупљени прегледом достављених финансијских извештаја и ревизорских извештаја Агенцији за привредне регистре на сајту www.apr.rs.

Истраживање је спроведено тако што су сва осигуравајућа друштва стратификована у два стратума: (1) сва осигуравајућа друштва која су у анализираном периоду увек добила само позитивно мишљење ревизора; (2) осигуравајућа друштва која су добила бар једном у периоду који је анализиран неки облик квалификације – мишљење са резервом или позитивно са скретањем пажње.

Резултати истраживања у првом стратуму показују да су компаније које су увек добиле позитивно мишљење ревизора доминантно страна осигуравајућа друштва, ангажују углавном стране ревизорске куће и послују са добитком. Резултати истраживања у другом стратуму указују на то да је највећи број друштава која су имала само по једном мишљење са скретањем пажње, најчешће пута скретање пажње добила су друштва „Миленијум” и „Сава неживотно осигурање”, ревизорска кућа „Deloitte” у последњој години анализе изнела је половину укупног броја позитивних мишљења са скретањем пажње, док је „PWC” изнела оба мишљења са резервом. Анализом разлога за квалификације ревизора може се уочити да проблеми са потраживањем доминирају када је реч о мишљењу са резервом, док је прекорачење трошкова спровођења осигурања у односу на режијски додатак основни разлог за скретање пажње ревизора. Сагледавање карактера квалификација ревизора у извештају и разматрање пословања друштава у периоду од осам година омогућило је анализу развоја пословања друштва у периоду након изношења мишљења ревизора. Резултати истраживања указују на то да је 39 % компанија које су добиле неки облик квалификације у наредном периоду нестало са тржишта осигурања било одузимањем дозволе за рад, улажењем у процес добровољне ликвидације или преузимањем од стране неког другог друштва.