



AUDIT APPROACH TO ASSESSING THE CONSEQUENCES OF DISASTERS

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27/10/2023



Introduction and Audit Purpose



Guide based on compliance auditing principles and ISSAI standards

Purpose: Confirm compliance of damage and loss assessment process with approved methodology

Strategic risk-based approach for audit scope

Long-term nature of damage and loss assessment

Initiating audits during assessment process

Intermediate Audits and Guiding Principles

Intermediate audits to prevent inconsistencies

Supporting compliance during assessment

Audit timing based on extent and risks

Basic audit principles: ethics, independence, professional judgment, due diligence, scepticism

Quality control, audit team management and skills, audit risk, materiality, documentation, communication principles

Audit Subject and Purpose

Audit subject: Compliance of damage and loss assessments with approved methodology

Objective: Confirm compliance with Resolution No. 326

Declaration of non-conformity if any area cannot be confirmed

Resource-efficient planning through a risk-based approach

Criteria for selecting areas of damage and loss assessment

- 1 Strategic importance of the direction
- 2 Positive audit results and recommendations implementation at the state level
- 3 Interest from the public, international organizations, and media
- 4 Officially approved methodology
- 5 Availability of relevant resources at the Accounting Chamber

Selecting control objects among those responsible for damage and loss assessment

Criteria for selecting control objects

- **Strategic importance of the control object**
- **Risks of fraud and inconsistency with approved methodology**
- **Scale of losses and damages, including monetary value**
- **Funding from state and international donors**
- **Availability of relevant information**

Potential involvement of internal and external auditors, including the State Audit Service of Ukraine, for efficient resource utilization

Key Audit Questions and Criteria



Key audit question: Has damage and loss been assessed in accordance with the approved methodology?

Sub-questions specified based on approved methods to support the key question

Audit criteria are methods developed and approved by relevant ministries following the Procedure for determining damage and losses (Cabinet of Ministers of Ukraine Resolution No. 326, March 20, 2022)

Internal Control Assessment for Damage and Loss Assessment Process



Internal Environment:

- Organizational structure of the responsible group.
 - Tasks and functions for each member.
 - Internal documents, skills, and knowledge of the group.
 - The damage and loss assessment process.
- Procedure for reporting assessment results

Risk Management:

- Officials responsible for risk coordination.
 - Risk identification and response procedures.
- How management informed about risk assessments

Control Measures:

- Responsibilities among group members.
 - Control and monitoring procedures.
- Procedures to ensure compliance with approved assessment methodology

Information and Communication Exchange:

Information exchange within the group and externally.

Timely access to accurate information and relevant documentation

Implementation of Monitoring:

- Continuous monitoring during assessment.
 - Management measures to correct inconsistencies.
- Mechanism for reporting internal control system deficiencies

Understanding the Responsible Control Object



Strategy and Integrity

- Consider the strategy of the responsible object regarding damage and loss assessment.
- Evaluate the issue of honest management.

Internal Damage and Loss Assessment Process

- Evaluate and understand the internal assessment process.
- Understand the process of summarizing assessment results.

Damage and Loss Assessment Methodology

- Ensure access to and familiarization with the methodology of all subordinate control objects.
- Check availability of regulatory documentation for assessment process
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Audit team assesses risks of deficiencies and misstatements

- **Main Risks for Control Objects:**

- Assessment alignment with approved methodology

- Inadequate or biased assessors

- Lack of understanding of the assessment methodology

- Unreliable assessment results

- Incomplete or non-consolidated assessment results

- Related party involvement in evaluation

- Single assessment subject with multiple objects

- Missing or incorrect assessment documentation

- **Auditors must assess and identify fraud risks**, including fraud and corruption risks in government property damage and loss assessments

Materiality, Sampling, and Audit Plan

Materiality

- Determined using qualitative and quantitative characteristics and professional judgment

Qualitative indicators

- Based on specifics of damage and loss assessment and auditor's judgment
- Clear indicators can be the novelty of the destroyed / damaged property, the value of the future economic benefit, acquisition with grant funds, public interest

Audit plan

- Summarizes planning stage assessments, approach, and audit details
- Determine what, how and when will be audited



THANK YOU FOR YOUR ATTENTION!



27/11/2023

