

INTOSAI



*Foreword to
ISSAI 5530*

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- I. ISSAI 5530 has been prepared by the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid (WG AADA) and concerns the increased risk of fraud and corruption in the emergency phase following a disaster. It should be read in conjunction with the other ISSAIs in the series on disaster-related aid (ISSAIs 5500-5999), especially the introductory ISSAI 5500.
- II. All managers and auditors of disaster-related aid are confronted with an elevated risk of fraud and corruption. The level of risk depends on factors such as the strength of the National Integrity System, the adequacy of the preventive and detective controls in place, the extent to which disaster preparedness measures exist and the nature and magnitude of the disaster. There are specific additional risks of fraud and corruption in the emergency phase following a disaster because of the urgency of the situation which often means that controls do not operate normally. This increased risk has an impact on the objectives of audit work and on the way in which it is conducted. INTOSAI wished to address these issues in presenting this guidance.
- III. The fight against corruption is one of INTOSAI's five strategic priorities in the 2011-2016 strategic plan. Guidance to SAIs on the auditor's responsibilities relating to fraud in an audit of financial statements is available in the ISSAIs, notably in ISSAI 1240. ISSAI 5530 includes corruption as well as fraud in its scope because auditors of disaster-related aid encounter a wide range of abuse which is not fraud and not necessarily reflected in the financial statements via material misstatement or the misappropriation of assets. ISSAI 5530 is designed to help SAI auditors—both from countries affected by disaster and countries who have donated emergency relief funds—adapt their audit procedures to take account of the increased risk of fraud and corruption.
- IV. ISSAI 5530 begins by defining terms and the role of SAIs in the emergency phase following a disaster. The second part cites the guidance available to SAIs and raises issues of importance in the challenge posed by fraud and corruption. The third part provides illustrated examples of emergency phase risks and associated 'red flag' indicators of these risks. The final section suggests how SAI auditors may adapt audit procedures to better address the risks identified.
- V. INTOSAI thanks the SAI of the European Union, the European Court of Auditors, for drafting the guidance. It is grateful to other members of WG AADA¹ for their contributions and assistance and to other entities which provided examples and comments such as the World Bank, the Development Assistance Committee of the Organisation for Economic Cooperation and Development, the United Nations Office on Drugs and Crime, the European Commission, the Swedish International

¹ Since it was established in 2008, the Working Group has had a membership of between 18 and 23 SAIs with a balance of representatives from donor and potential aid recipient countries and from a wide variety of geographical locations. Membership has remained fairly constant over the six years of the life of the Working Group. In 2013, the following SAIs were members: Austria, Chile, China, the European Court of Auditors, France, Georgia, India, Indonesia, Jamaica, Japan, Kenya, Korea (Republic of), the Netherlands, Norway, Pakistan, Peru, the Philippines, Romania, Russian Federation, Sri Lanka, Turkey, the Ukraine and the United States of America. The Working Group was chaired throughout its existence by the European Court of Auditors, which also provided its secretariat.

Development Agency, Transparency International, Good Humanitarian Donorship, Humanitarian Accountability Partnership and the SAIs of Denmark, Israel, New Zealand, Spain and Thailand.