

## Disaster Management

Disaster, be it man-made or an act of god, has always been there, and will always remain; but everybody's concern is to minimise its occurrence and impact. India is vulnerable to natural disasters on account of its unique geo-climatic conditions. Floods, droughts, cyclones, earthquakes and landslides have been a recurrent phenomena. To deal with these situations the Ministry of Home Affairs of Government of India has set up the National Disaster Management Division (NDMD).

Professional Accountants, as responsible citizens of the country, also need to devote their abilities and skills to ensure that the disaster affected people receive all their due benefits from society. This,

responsibility. The Institute has published background material on "Accounting Aspects of Disaster Management". The professional accountants need to evaluate the quantifiable damage in financial terms. Besides this, the professional accountants are also required to clearly understand the financial impact of the disaster. These include the post disaster rehabilitation measures as well as the verification of end use of funds, and the provision of assurance and auditing services for inter-organisational transfer of funds.

What is important for professional accountants to realise is that disasters can be seen as events, with levels of probabilities attached to them and, can therefore be planned for. It is true that a disaster is

ations, benefits do not reach the beneficiaries and most often economic rehabilitation is either delayed or does not happen at all.

It is from this point of view, therefore, that the financial control of a disaster management programme becomes imperative. End use of funds must be attested. In fact, financial control of the total programme must be the cornerstone of disaster management since otherwise, scarce resources will always be wasted. Considering that in an emergency, resources are scarcer than ever.

### The Points of Control

#### Preparedness phase

- Critical analysis of alternative plans from the financial angle, including evaluation of methods of damage estimation, associated costs for disaster mitigation, investment requirements for prevention, etc.
- Critical analysis of alternative plans from the financial angle, in regard to estimates of collateral damage and damage control expenditures to be directly incurred.
- Personnel Training Cost.
- Evaluation of strategies used for utility services with respect to costs.
- Procedures for obtaining financial clearance, and procedures for on the spot checking of material, while

making certifications necessary, etc.

#### Mitigation phase

- Examinations, from the financial angle, of the procedures for procurement of emergency equipment and supplies, and the exercise of audit procedures for verifying actual supplies, of cash expenditure.
- Financial control over expenditures on utilities including transport.
- Re-verification of the extent-of-damage valuations, etc.

#### Post-incident phase

- Examination from the financial angle of methods and procedures governing the distribution of money, etc., to the affected population, and auditing procedures to control leakage and pilferage.
- Certification procedures to attest to end-use of rehabilitation funds.
- Continued use of government machinery and equipment by disaster management teams and the costs thereof.
- Cost allocations.

It is clear then that the critical points of financial control are related in general to supplies, procurement, deployment of resources, etc. The essential point to keep in mind is that such control must be exercised in ways such as not to hold up or hamper on-going activities.

There are many techniques for doing the evaluation of alternative plans, the most common being Cost-Benefit Analysis, Social Cost-benefit

analysis, Economic Rate of Return and Internal Rate of Return. On a more advanced front, for evaluation of alternative plans, there are three methods:

- Discriminant Analysis.
  - Multi-criteria Evaluation Method using mixed data and,
  - Cluster Analysis.
- Chartered Accountants can specifically be involved in the following:
- Evaluating the possible extent of financial damage caused by different kinds of disasters including the verification of estimates and the valuation of disaster affected assets.
  - Evaluating the different alternative plans for coping with disaster from the financial perspective.
  - Evaluating the procedures in place and, the procedures and systems plans for mitigation from the viewpoint of financial effectiveness and prudence.
  - To advise, devise and evaluate different plans for assuring that resources would be available for disaster mitigation at the time and place needed.
  - To advise on alternative plans for post-disaster management, and rehabilitation with specific attention to assuring financial security to the affected, availability and proper use of financial resources for

generating new economic opportunities, etc.

- To be involved with city management organisations, community organisations, corporate, the government, and the various levels of agencies during the process of disaster mitigation to ensure that the financial systems and procedures are followed as per designed plan.
- To be involved with the co-coordinating organisations during the post-disaster phase to ensure the smooth flow of financial benefits to the beneficiaries, and to also assure that the area remains financially attractive for investing companies including companies offering financial services.
- To be engaged in the continuous audit of the disaster management process.
- To advise at the corporate level on creation of necessary reserves and financial management subsequent to the occurrence of disasters.
- To advise governments on the prudent use of financial resources in making allocations for Disaster Management. □

Disasters have been an untiring and unwanted companion of man since he came into being. These disasters pose a threat, not only to people, structures and economic assets, but they are also capable, of derailing the normal growth schedule of the society. Disaster is sometimes also used to describe a, "catastrophic situation in which the normal patterns of life have been disrupted and extraordinary emergency interventions are required to save and preserve human lives and/or the environment".

therefore, represents the wider social responsibility, which Chartered Accountants must shoulder. The Institute has taken the first step in giving a concrete shape to this re-

an emergency, however, if one does not have a plan, then the economic, human and particularly, the financial dimensions of that emergency becomes uncontrollable. In such situ-

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