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| **Frequently Asked Questions (FAQ) on audit to be completed by IPs** |
| 1. **Who should perform the audit**
 | The audit should be performed by an audit firm which is: 1. a professionally certified audit firm and
2. independent from the implementing partner.

The audit firm should confirm these 2 facts in writing to UN-Habitat. The statement should be filed and safeguarded for audit purposes. |
| 1. **How the audit should be conducted (i.e. terms of reference)**
 | UN-Habitat will require:1. an audit opinion on the project financial statements.
2. The financial statements should be prepared on a cash basis.
3. The audit will be conducted in accordance with the **International Standards of Auditing**.
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| 1. **How to select the audit firm**
 | The audit firm should be selected among the audit firms contracted by the major UN agencies operating in the country (i.e. UNDP, UNICEF, UNFPA etc..). UN-Habitat staff should be contacting these UN agencies at the country level and obtain 1) the names of the audit firms, 2) the rates pre-negotiated with them, 3) a copy of the contract (if possible) so UN-Habitat could take advantage of the UN agreed rates and 4) select the audit firm offering the lowest audit cost. |
| 1. **Who should pay the audit cost**
 | The audit cost will be paid by the IP from the project budget funded by UN-Habitat |
| 1. **What deliverables should be provided by the audit firm**
 | The audit firm should provide:1. An audit opinion in accordance with the **International Standards of Auditing**.
2. A management letter summarizing the weaknesses of in the internal controls of the IP
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| 1. **What to do with the audit report**
 | If the audit opinion in the audit report is an [unqualified audit opinion](https://www.wikiaccounting.com/unqualified-opinion/) (i.e. clean):1. Audit report is provided to the PMO and used to release the instalment which is conditional to the audit;
2. A copy of the audit report should be sent to Mohamed Robleh mohamed.robleh@un.org with a copy to Kevin Mtuweta kevin.mtuweta@un.org
3. The IP is formally contacted and requested to:
4. Remedy all the internal controls weaknesses reported by the audit firm in the management letter;
5. Submit a formal written report demonstrating that all the audit recommendations addressing the internal controls weaknesses were implemented fully;
6. With the exception of the last final payment, no other payment will be released unless satisfactory conclusion of above (ii)

If the audit opinion in the audit report is a [qualified audit opinion](https://www.wikiaccounting.com/qualified-audit-report/):1. A copy of the audit report should be sent to Mohamed Robleh mohamed.robleh@un.org with a copy to Kevin Mtuweta kevin.mtuweta@un.org
2. Mohamed Robleh (mohamed.robleh@un.org) should be consulted on the way forward
3. Payment should be release only with the approval of Mohamed Robleh (mohamed.robleh@un.org)
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| 1. **What to do with the audit requirement when the IP is a government entity**
 | Normally government entities are to be audited by their national audit offices (e.g. auditor generals) because of national legislations. However, national audit offices either do not audit projects (but rather consolidated corporate accounts) or conduct project audits with significant delays detrimental to the timely delivery of projects. Due to this challenge, the following is advised before signing the AoC with a government entity: 1. Inform the government partner that the audit should be conducted timely in order not to delay the timely implementation of the project,
2. Obtain a formal statement from the entity acknowledging and accepting that the audit will be conducted by their national audit office within reasonable timeframe, failure of which the entity accepts to contract private audit firms to undertake the audit.
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Should you require more guidance and assistance on this matter, please contact:

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| Mohamed Robleh mohamed.robleh@un.org or  | Kevin Mtuweta kevin.mtuweta@un.org |