Audit Committee Report July 2004:

Members: Raimundo Beca, Veni Markovski, Thomas Niles and Njeri Rionge (in Chair).

The audit committee has reviewed the action points and suggestions emerging from its last meeting, held in Rome, Italy in March 2004.

We have reviewed the action points of our previous meeting and updated the schedules for the deliverables, with definite timelines in order to meet the requirements of ICANN's bylaws by the close of our next meeting in Cape Town, South Africa, as follows:

1. The call for proposal was issued and we are currently waiting for responses from potential Auditors. The Committee will review the findings and recommend to the Board successful short listed candidates for the Board to appoint an Auditor by the next meeting in Cape Town;

2. The preparation of the financial audit for FY 2003-04 is on schedule as required by the ICANN bylaws. We will review the draft and the final

financial Statement within the 120-day framework and forward them to the board for approval no later than September 30th, 2004.

The board will review and adapt the financial statement of accounts during the following board call scheduled for October 19th, 2004.

3. As noted in the Committee's last report, we are retaining the current auditor, KPMG, for ICANN's fiscal year 2003-04 accounts.

4. An analysis of ICANN's risk management process has been on going for the last four months and a contingency plan for business continuity is in the final review process. In addition, the introduction of a financial controls system and installation of new financial software are currently underway. As mentioned in our last report we are committed to the completion of these processes by December 2004.

5. In view of the importance of these projects, members of the Committee will visit ICANN's Marina Del Ray offices during October 2004 to:

- Conduct an official site audit of the financial management control system;
- Meet formally with the current auditors before the final financial statement goes to the Board for its approval;
- Obtain a complete report from the auditors which will facilitate the installation of the financial management system;

Interview the short-listed auditors before making a recommendation to the Board; and,

- Facilitate assistance where necessary to the financial team regarding the key result areas and key performance indicators.

6. It is the Committee's intention to meet our current deadline of January 2005, by forwarding the final adjustments in the financial system and policy, along with the recommendations of the auditors for fiscal 2004-05 by December 2004, to the Board for review and adoption

The committee is committed to meeting the action plans for this year 2004/05, which we believe will offer the ICANN board, staff and community at large the necessary support, as per the ICANN bylaws.

End Report

Audit Committee Chair – Njeri Rionge