

## Audit Requirements - FAQ

Question	Response
Is the audit conducted on the account for the auction proceed alone or for ICANN as a whole?	The audit is conducted on the financial statements of ICANN which includes the auction proceeds. In addition to the ICANN audit, which already includes PTI, ICANN now also performs a separate audit of PTI as it has its own financial statements as a separate legal entity.
Is there a special account for the revenue from auction?	As referring to the revenue from invested auction proceeds, yes, the income generated from the investment of auction proceeds is reinvested along with the rest of the auction proceeds, which are fully segregated in specific accounts, dedicated to auction proceeds. A conservative approach is applied with regards to investing – as approved by the Board and even more conservative than the one used for the Reserve Fund. Investments are made in USD as well as a number of international bonds but to a relatively limited extent.
Regarding the fiduciary requirements that disbursements be made in accordance with ICANN’s mission, are the same auditors in charge of judging the level of accordance?	Auditors verify that the organization acts legally, including that the activities of the organisation are consistent with its mission. Auditors generally do this by evaluating what processes the organization has in place to ensure that its activities comply with its mission.
Because the auction proceed account is expected to be handled on its own... This implies and expenses of managing it has to be kept separately. And not covered by ICANN?	Any audit fees cover the whole audit of financial statements of ICANN - costs are not called out with regards to which parts are covered. There may be a need to separate out general costs in relation to auction proceeds, but this has not been determined yet.
How are investment choices made and what happens with the returns, are those tracked in ICANN's financial statements?	Conservative choices made based on information available, interests are put back into the accounts.
To the extent that ICANN has incurred costs to date (in supporting the CWG DT, this CWG and any other costs), should they be (a)	For community to provide input on.

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absorbed by ICANN as part of general operation or (b) booked against the capital proceeds from the ICANN auctions?	
If a separate organization is in charge of disbursing the funds, is it possible to "transfer" the legal requirements onto this separate agency?	ICANN ultimately has the same obligation, whether it is ICANN or another entity does the job of evaluation and disbursement. If it is another entity, additional mechanisms would need to be put in place to ensure that those obligations are met. For example, auditing procedures before it starts, recurring checks, insight into evaluation process, controls after funds are disbursed etc. ICANN would need to carry out its own audit of this other entity - form would need to be decided. ICANN's obligation does not stop at the time of disbursement - a whole set of monitoring and verification obligations start at that point.
Is the cost of ensuring the funds is well utilized going to be removed from the auction funds?	The costs of monitoring that the grants are used in accordance with the original intent will be part of the overall costs of administering the auction proceeds.
Is staff the one to develop the process to be used in verifying if the funds is used appropriately and not the CCWG?	These processes will be developed to ensure that the fiduciary obligations of the officers and directors are met. Such development will be supported by the organization with community input as appropriate.
Is the process in the previous question going to rely solely on the mechanism provided by the CCWG? (i.e whether the mechanism was adhered to) If no, does staff intend to share such separate process with the community for comments before finalizing?	These processes have not been developed nor has the process to organize and gather community input on them.
Is Xavier generally saying the cost of giving this to a third party(or foundation) to handle is same with if the funds is managed by ICANN staff? If no which will have more operational cost implications?	It is unclear as of yet what the costs incurred by ICANN to manage the disbursements would be if ICANN would do it itself, a foundation created by ICANN would do it, or a third party would do it. More information about each of these cases would need to be defined or obtained in order to be able to compare the costs of each option.

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<p>Considering Alan's comment about small grants and Xavier's response, if a bulk funds were disbursed by ICANN to a third party which further then gets disbursed to the end user. Who then would be liable for the utilization of the funds from ICANN's perspective? is it the third party or the end user?</p>	<p>The matter of liability is tied to who is responsible, and what level of responsibility is considered.</p> <p>The party who holds and uses the funds, and the end user are responsible for using the funds in accordance with the conditions under which they have been granted.</p>
<p>Assuming the CCWG decides to invest some of these funds strategically and expend the interest instead. To what extent does/will that have implications on the not-for-profit status of ICANN?</p>	<p>This would need to be further evaluated.</p>
<p>Is there any implications on ICANN not-for-profit status if she manages the funds vis if it's managed by a third party?</p>	<p>This would need to be further evaluated.</p>