



# **Consultation on the Revised Audit Service Provider Guidelines**

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## 1 Context

### 1.1 Background

The pace and scale of technological advancements in the gaming industry and the sophisticated IT systems that the operators make use of require constant monitoring and upskilling from any person who wishes to provide services to the dynamic gaming sector.

In order to safeguard and maintain the quality of audit services, in 2018 the Malta Gaming Authority ('MGA' or 'Authority') introduced a process whereby the service providers interested in performing relevant auditing work ('Service Providers') are required to apply to the MGA for their suitability to be assessed and approved. To this end, operators licensed by, or that are in the process of applying for a licence from the Authority, may engage any approved Service Provider of their choice, on free commercial terms, when a system and/or compliance review of their operations is required by the MGA within the required timeframes. The 2018 Guidelines for Audit Service Providers are applicable to the system and compliance audits.

Currently, twenty-one (21) local and international firms are eligible to perform such audits in line with the quality standards set by the Authority. The process proved to be effective, providing the MGA with the appropriate mechanism to approve independent and competent Service Providers as well as remove or suspend providers in case of unsatisfactory performance. The Authority has recently reviewed the requirements applicable to audit Service Providers to ensure that they remain up to date in view of the ongoing developments in the sector and in line with the MGA's expectations. The amendments that have been affected are listed in [Section 3](#) of this document.

Over the past years, the Authority has been carefully monitoring the quality of the statutory audits submitted by its licensees in view of non-existent requirements or guidelines in relation to the suitability of Service Providers interested in conducting such audits. The concerns that have transpired from the Authority's observations, as well as discussions held with different stakeholders, relate mainly to the lack of technical system expertise and knowledge relevant to the gaming industry by some professionals conducting statutory audits. To ensure a consistent approach to such audits and satisfactory quality of services, the Authority is proposing to extend the applicability of the revised Guidelines for Approved Audit Service Provider to statutory audits.

**In view of the above, the Authority encourages the gaming industry, Service Providers as well as wider interest groups to express their views and provide their feedback in relation to the updated Guidelines, so as to ensure that decisions are taken, and policies are adopted in a transparent and accountable manner.**

### 1.2 MGA's Consultation Objective

In line with the Authority's commitment to an open and transparent decision-making process, the MGA is issuing this consultation to communicate and refine its proposal in relation to Guidelines for Audit Service Providers and promote a greater understanding of the proposal itself.

The objective of this consultation is twofold:

1. To seek feedback from the industry in relation to the amendments introduced in the Guidelines for Audit Service Providers.
2. To seek feedback from the industry in relation to the applicability of said Guidelines to service providers interested in performing statutory audits to gaming clients.

### 1.3 Pre-Consultation Activities

Prior to engaging in this consultation, the Authority reviewed past queries related to the 2018 Guidelines and audit service provider approval process in order to address any gaps. Furthermore, the Authority held a number of informal discussions with industry professionals regarding the extension of Guidelines to statutory audits.

## 2 Consultation process

The following is the relevant information about the consultation process, including key dates and the process to forward queries to the MGA during the consultation period.

### 2.1 Period

This consultation is open to the public for a period of four (4) weeks set as follows:

<b>Opening date of consultation</b>	Thursday, 14 October 2021
<b>Closing date of consultation</b>	Thursday, 11 November 2021

In any instance, where an extension of the consultation period is deemed necessary, either by the MGA or following a request made by the interested parties due to exceptional circumstances that warrant the MGA to issue an extension, a notice to this effect will be published on the MGA's website. The Authority reserves the right to grant or refuse any such requests at its own discretion.

The process is open for all stakeholders and interested parties, including, but not limited to, gaming operators, Service Providers to the gaming industry, industry experts and general citizenry.

### 2.2 Queries

Any queries and requests for clarifications that contributors may have in respect of the contents of the consultation paper, feedback from the interested parties and any request for modification or deletion of a submitted contribution to this consultation process shall be sent to the following email address: [policy.mga@mga.org.mt](mailto:policy.mga@mga.org.mt).

All queries will be acknowledged in writing within two (2) working days from receipt.

The Authority will consider only those contributions that clearly identify the originator of the contribution, contact information, and a clear statement of which interest group they represent (as expounded in [Section 2.3](#) below).

### 2.3 Transparency

Following the consultation process, the Authority will publish the summary of the feedback as well as the individual responses on the MGA's website (<https://www.mga.org.mt/consultations->

[publications/](#)). The following information will be published: interest group which the respondent represents/belongs and all related documents and individual contributions.

Respondents shall indicate which of the below interest groups they fall under:

- Gaming operators
- Service Providers to the industry
- Industry experts
- Industry representative bodies
- Citizen
- Others

**Please note that all submissions received will be anonymised and made public, indicating only the interest group which the respondent represents or to which it belongs. A respondent may request that part of its submission be redacted or kept confidential, giving reasons for such a request.** If the request is acceded to by the Authority, the part of the submission indicated by the respondent will be redacted before publication.

The MGA will ensure that any data that is confidential to the operator's environment or business or that allows the respondent to be identified is kept confidential at all times, by redacting such data from their submission and not disclosing it in the consultation reports.

## 2.4 Post-consultation

The Authority will consider all responses carefully when finalising its proposals but will only alter its position if it believes there is a sound basis to do so.

Following the consultation process, the MGA intends to publish its decision, including the final version of the Guidelines and any other supporting documents, by the end of the year 2021.

## 2.5 Data Protection Statement

As part of this consultation, individuals are invited to forward their recommendations, views and opinions on the revised Guidelines. The Authority intends to collect the following information:

- name of the organisation or individual responding to the consultation, and
- the contact details of the individual (email and/or contact number).

The personal data that may be collected throughout the course of the consultation process consist of the name, surname and contact information (email address and/or contact number) of the individual submitting a contribution and such personal data will be processed by the Authority in accordance with the relevant provisions of the General Data Protection, Regulation (EU) 2016/679. Personal data will not be made available to third parties.

The above-mentioned personal data shall be processed for the purpose of gathering feedback from stakeholders regarding the Revised Audit Service Provider Guidelines. The contact information shall be collected to allow the Authority to contact contributors to request any necessary clarifications regarding their submissions.

The personal data shall be processed on the basis of Article 6(1)(e) of the General Data Protection, Regulation (EU) 2016/679, in that the contact information is needed to properly fulfil the Authority's function "to consult with the general public or a specific segment thereof, as the case may be, on all matters which the Authority considers necessary and, or desirable" as applicable by virtue of Article 7(1)(g) of the Gaming Act (Chapter 583 of the Laws of Malta).

Contributors may also contact the Data Protection Officer of the Authority with any concerns or queries relating to personal data on the following email address: [dpo.mga@mga.org.mt](mailto:dpo.mga@mga.org.mt). Moreover, the Authority's privacy policy can be found [here](#).

As the MGA is a public authority, it must abide by the obligations under the Freedom of Information Act (Chapter 496 of the Laws of Malta). All documents held by the Authority, including documents related to this public consultation process, may be released following a request made in terms of the Freedom of Information Act, unless such request may be subject to an exemption arising from the same Act. In accordance with Article 5(3) of the Freedom of Information Act, a document containing personal data will only be released if such personal data can be deleted, and such release will be made in accordance with Articles 13(1) and (2) of the same.

### 3 Consultation

The MGA used the current version of the Guidelines as the basis for the proposed changes. No major amendments have been made in terms of general structure of the document. The full amended text of the Guidelines can be found in [Annex 1](#) below.

The amendments to the Guidelines aim to clarify the existing text and framework. The main amendments that have been introduced are:

- I. The extension of the applicability of the Guidelines to statutory audits as per Section 1 of the amended Guidelines.
- II. New applications are to be submitted via the Authority's Licensee Relationship Management System as per Section 2 of the amended Guidelines.
- III. The validity of the authorisation has been extended from two (2) to five (5) years as per Section 2 of the amended Guidelines.
- IV. Specification of the twenty (20) day period (commencing from the day of identification of the conflict) within which conflicts of interest must be reported to the Authority as per Section 4 of the amended Guidelines.
- V. Requirement to disclose a list of all entities related to the gaming sector in which the partners/directors of the Service Provider have a financial interest, both directly and indirectly as per Section 3 of the amended Guidelines.

The requirements related to the extension of the applicability of the Guidelines to statutory audits (I) will be applicable in relation to the submission of Audited Financial Statements for the accounting year ending 31 December 2022, that are to be submitted in 2023, and any submissions that are due thereafter. All other requirements (II-V) will start to apply from the date that the MGA publishes the amended version of the Guidelines following this consultation process.

Any comments and feedback in relation to the amended Guidelines are to be submitted in writing on [policy.mga@mga.com.mt](mailto:policy.mga@mga.com.mt), by not later than the closing date indicated in [Section 2.1](#) above.

# Approved Audit Service Provider Guidelines

## 1 Introduction

These Guidelines apply to:

- Any company and/ or partnership that is applying for an approval and, or holds an authorisation, to act as an approved audit service provider (hereinafter the “Service Provider”); and
- Any natural person employed with the Service Provider that is applying for an approval and, or holds an authorisation, to act as an approved lead auditor.

Service Providers interested in performing Systems Audits, Compliance Audits and/or Statutory Audits may apply to the Malta Gaming Authority (hereinafter the “Authority”) for their suitability to be assessed. Operators licensed by the Authority may engage any approved Service Provider of their choice, on free commercial terms, when an audit is required by the Authority in line with any binding instruments. The audits hereby being referred to are:

- The Systems Audit, which is carried out as part of the Authority’s licence onboarding process or when deemed necessary by the Authority.
- The Compliance Audit, which is carried out on Licensees throughout the licence period as required by the Authority.
- The Statutory Audit, which is carried out in accordance with international financial reporting standards as required by Article 41(2) of the Gaming Authorisations and Compliance Directive (Directive 3 of 2018, hereinafter the “Directive”).

## 2 General Requirements of an Entity to act as an Approved Service Provider

A Service Provider shall fill in the relevant application form via the Authority’s Licensee Relationship Management System and submit the necessary documentation to apply for the approval.

Furthermore, the Service Provider shall:

- Satisfy the requirements listed in this document;
- Ensure that the approved audit firm at all times has:
  - at least two partners or two directors; or
  - at least one partner or director and one lead auditor;

duly authorised by the Authority;

- Ensure that at all times the approved audit team in the aggregate hold financial and/or IT qualifications, as applicable, further to the requirements listed in section 4 below.
- Remit the non-refundable Audit Service Provider approval fee of one thousand Euro (€1,000); and
- Remit the yearly Service Provider maintenance fee of five hundred Euro (€500) in advance.

As part of the approval process, applicants are required to submit a “*Change in Personal Details*” application for every natural person that takes ultimate responsibility for the system audits, compliance audits and/or statutory audits (i.e. directors and/or signatories of the audit). For the avoidance of doubt, lead auditors or any team member within the team are not required to submit the aforementioned application, subject to the requirements mentioned in Section 5 below.

The Authority may grant the necessary authorisation to the Service Provider to act as an approved auditor only if the applicant satisfies the qualifications and requirements determined for such purpose. The approval is valid for five (5) years from the date of issue. A decision by the Authority to extend, review or remove this regime might be taken, when and as deemed necessary.

### 3 Audit Service Provider Application Requirements

In order to be approved by the Authority to provide audit services, the Service Provider must, *inter alia*, provide the following information:

- A general description of the entity, which shall include:
  - Certificate of registration/partnership;
  - Statutory documentation;
  - Shareholding/partnership structure;
  - Audited financial statements (for the last three years) or transparency reports (for the same period). For newly incorporated entities, such entities are to submit a 3-year financial forecast.
  
- A general description of operations including any experience in the gaming industry, which shall include:
  - An organisational chart which includes the systems audit team, compliance audit team and/or statutory audit team;
  - Curriculum vitae of all persons conducting and involved in the audits; and
  - Ongoing training requirements for all persons involved in audits.
  
- A description of the approach/methodology adopted in carrying out the reviews, including but not limited to:
  - the client acceptance procedures;
  - the ability to identify any situation or incident involving the integrity of any central communications system, reporting tools, gaming equipment or associated gaming equipment approved for use under the Maltese licence;
  - maintaining a quality assurance mechanism to ensure uniform processes;
  - maintaining accurate and detailed records and reports regarding testing, test results and compliance with the Authority’s requirements;
  - maintaining adequate security measures;
  - the capability of understanding and achieving the outcomes required by the Authority through the audits and other international standards;
  - the understanding of the necessary systems, compliance and/or financial requirements;

- the capability to submit results to the Authority in the manner required thereby, which shall be in a format and medium approved by the Authority; and
  - the ability to submit audit reports and other relevant deliverables in such manner as the Authority may require.
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- Auditing accreditations/ certifications, if applicable;
  - Professional indemnity insurance for an amount of not less than one million Euro (€1,000,000); and
  - A list of all the entities related to the gaming sector in which the partners/directors have financial interest both directly and indirectly.

The Service Provider must also accept the terms and conditions made available through the approval process.

## 4 Criteria to be met by the Audit Service Provider

It is prohibited to sub-contract any part of the services to persons and/or entities that are not approved by the Authority to carry out audits.

In case of System and/or compliance audits, the Authority requires all relevant evidence to be submitted by the Service Provider together with the final audit report. Furthermore, it must be noted that the Authority may request clarifications or additional information with regards to any audit report. If the report is not of the standard required by the Authority, the latter may require the relevant licensee to undergo another audit under such conditions as the Authority may require.

In case of statutory audits, the audit needs to be in line with Article 41(2) of the Directive.

In addition to the review of each report to assess the licensee, the audits will be reviewed on a regular basis to ensure that the service provided meets the quality standards required by the Authority. Moreover, the Authority shall conduct quarterly quality reviews on the Service Providers.

Based on its findings, the Authority reserves the right to remove or suspend any Service Provider from the approved list in case of unsatisfactory performance. In case of suspension or removal, the Authority shall give the Service Provider no less than twenty (20) days to show cause for the suspension or revocation of its approval not to take place. This notwithstanding, the Authority may revoke the approval with immediate effect, by written notice to the Service Provider, if:

- The Service Provider, maliciously or due to gross negligence, fails to report to the Authority serious failures on the part of one or more of its licensees for which the Service Provider has carried out an audit;  
    Provided that the Authority shall, at its sole discretion, determine what amounts to a serious failure on the part of a licensee;
- Three (3) or more reprimands are issued to the Service Provider for failure to carry out the audits to the standard and with the diligence required by the Authority;

- The Service Provider fails to report any conflict of interest to the Authority within twenty (20) days of identification; or
- The Service Provider subcontracts or otherwise outsources to any third party, any part of the audit services without the prior written approval of the Authority, even if such third party is part of the same group of companies or network of member firms or has a similar relationship with the Service Provider.

Upon expiry or termination of the approval, the Service Provider shall, as soon as is reasonably practicable and in no case later than ten (10) working days following the date of effective termination, furnish and/or return to the Authority all information pertaining to the Authority.

## 5 Qualifications of a Natural Person to act as an Approved Lead Auditor

In the case of System/ Compliance audits, an applicant who is a natural person shall be in possession of a warrant to act as an auditor under the Accountancy Profession Act (Chapter 281 of the Laws of Malta) and/or an IT and/or IT audit certification shall satisfy the Authority as to the qualifications referred to hereunder only if:

- The applicant has suitable post-qualification experience in IT audits of not less than three (3) years during the last seven (7) years, or not less than five (5) years during the last ten (10) years;
- The applicant is able to communicate fluently in English; and
- The Authority is satisfied that the applicant has a sound knowledge of the applicable laws and any other relevant binding instruments and/or guidelines.

In the case of Statutory Audits, an applicant who is a natural person shall be in possession of a warrant to act as an auditor under the Accountancy Profession Act (Chapter 281 of the Laws of Malta) and shall satisfy the Authority as to the qualifications referred hereunder only if:

- The applicant is able to communicate fluently in English; and
- The Authority is satisfied that the applicant has a sound knowledge of the applicable laws and any other relevant binding instruments and/or guidelines.

The applicants shall submit their curriculum vitae to the Authority to apply for the necessary approval.

The Service Provider shall ensure that the persons whom it assigns to perform the audits are amongst the ones that have been made known to the Authority and accepted thereby. An approved lead auditor should always be present on-site during any audits. Employees that do not qualify as lead auditors but are involved in the system audit, compliance audit and/or statutory audit process must also be notified to and approved by the Authority. No changes may be made to the complement of staff which the Service Provider shall assign to perform the audits without the prior written approval of the Authority.

In such cases of proposed changes to the complement of staff, the following procedure shall be adhered to:

1. The Service Provider shall notify the Authority in writing that it would like to add and/or remove one or more employees to the complement of staff which are assigned to provide the audit services;
2. In case of additions, the request shall be accompanied by a copy of the curriculum vitae and qualifications of the proposed new employee, notwithstanding the Authority's ability to request any further documentation it deems necessary; and
3. The Authority shall, as soon as is practicable, respond in writing to the request, confirming whether the request for involved employees or lead auditor is approved or otherwise.

## 6 Engagements to conduct Audits

Upon being appointed for an engagement by the licensee, the Service Provider shall:

- Notify the Authority of the appointment by the licensee to act as its auditor;
- Submit a statement confirming that it and any affiliated entities and employees who shall perform the audit services are free from any conflict of interest;
  - For this approval, assistance in the application process, implementation of the systems, bookkeeping, accounting and internal audit services provided to the licensee by the Service Provider or affiliated entities or any one or more of its employees who shall be employed in the performance of the audit services for the past two (2) years shall be deemed as a conflict of interest.
  - In terms of any consultancy work rendered to prospective or licensed entities, the Service Provider would be required to obtain prior approval from the Authority before accepting the engagement.
  - Any services rendered before the abovementioned timeframes are to be listed together with the necessary detail with respect to the nature and scope of the professional services and business relationship, parties involved and timeframe of the mandate.

For system and/or compliance audit the service provider shall:

- Submit an Authorisation to Release Information form by the licensee;
- Confirm the timeframe to carry out such an audit.

On the basis of the above-submitted information, the Authority shall determine whether or not to approve the engagement.

Upon the engagement being approved by the Authority, the Service Provider shall:

- Carry out the on-site audit; and
- Submit the final audit report to the Authority.

The final audit report is strictly confidential in nature. The Service Provider and its employees shall adhere to the Professional Secrecy Act (Chapter 377 of the Laws of Malta). All confidential information

provided by the licensee to the auditor shall be deemed to be a professional secret for the purposes of the Professional Secrecy Act and the Criminal Code (Chapter 9 of the Laws of Malta).

The Service Provider shall process any personal data in compliance with the General Data Protection Regulation (EU) 2016/679 (GDPR), the Data Protection Act (Chapter 586 of the Laws of Malta) and any other applicable laws.

## 7 Renewals

The Authority shall grant the Service Provider the necessary authorisation to act as an approved auditor only if the applicant satisfies the qualifications and requirements determined for such purpose. A Service Provider is required to notify the Authority of its intention to apply for the renewal of the certificate not later than six (6) calendar months prior to its expiration.

## 8 Concluding Remarks

Any queries related to this guidance are to be sent to [info.mga@mga.org.mt](mailto:info.mga@mga.org.mt).