



Approved Audit Service Provider Policy

Malta Gaming Authority



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1 Introduction

This Policy applies to:

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

Service Providers interested in performing systems audits/reviews, compliance audits, statutory audits, and/or agreed-upon procedures reports drawn up in accordance with ISRS 4400 (Revised) *Agreed-Upon Procedures Engagements*, 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 or report is required by the Authority in line with any binding instruments. The audits/reports 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 Systems Review, which is generally carried out one year after the licence issuance, or within a shorter timeframe should a systems audit not be required as part of the licence onboarding process. The Authority also reserves the right to request the licensee to undergo a Systems Review in any other instance the Authority deems fit;
- The Compliance Audit, which is carried out on licensees throughout the licence period as required by the Authority;
- The Statutory Audit, referred to in Article 41(2) of the Gaming Authorisations and Compliance Directive (Directive 3 of 2018, hereinafter the “Directive”);
- The Agreed-Upon Procedures Reports, referred to in Article 41(2)(b)(ii) and (iii) of the Directive.

This Policy shall enter into force with immediate effect, therefore any new applications for an Approved Service Provider shall be made in accordance with the requirements stipulated in this Policy. Service Providers which are minded to perform the Statutory Audit and/or Agreed-Upon Procedures Report of operators licensed by the Authority, shall be required to obtain the necessary approval prior to commencing the engagement for the financial years ending December 2022 onwards, by ensuring that the relevant application is submitted to the Authority by not later than 31 January 2023.

2 General Requirements for an Entity to act as an Approved Service Provider

A Service Provider shall fill in the Audit Service Provider application form via the Authority's Licensee Relationship Management System, which can be accessed through <https://portal.mga.org.mt/>, and submit the necessary documentation to apply for the approval.

Furthermore, the Service Provider shall adhere to the following requirements:

- The Service Provider must have:
 - at least two (2) partners or two (2) directors; or
 - at least one (1) partner or director and one (1) lead auditor;

that have been notified to the Authority and duly authorised in accordance with Section 4 below (hereinafter the "Approved Auditors");

- Without prejudice to the above, a lead auditor must be an Approved Auditor. Reference to a lead auditor shall include the persons ultimately responsible to perform the audits, draw up the reports, sign off the report and/or lead the audit team;
- For systems audits/reviews and compliance audits, the Approved Auditors, in the aggregate, must hold financial and IT qualifications, as applicable, in accordance with the requirements listed in Section 4 below. For the avoidance of doubt, should the minimum of two (2) Approved Auditors not hold the required financial and IT qualifications in aggregate, an additional Approved Auditor holding the missing qualification shall be appointed;
- For statutory audits and agreed-upon procedures reports, the Approved Service Provider shall provide proof to the Authority that it has access to expertise and resources of at least one (1) employee holding the relevant IT qualifications and experience listed in Section 4 below. Such person/s must not necessarily form part of the audit team, however, it shall be the Approved Service Provider's prerogative and responsibility to utilise such expertise whenever required. This notwithstanding, the person ultimately responsible for the provision of such IT expertise shall apply to the Authority to act as an Approved Auditor;
- Remit the non-refundable Service Provider approval fee of one thousand Euro (€1,000); and
- Remit the yearly Approved Service Provider maintenance fee of five hundred Euro (€500) in advance.

3 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 of the last three (3) years or transparency reports for the same period. For newly incorporated entities, a three (3) year financial forecast is to be submitted.
- A general description of operations including experience in the gaming industry, which shall include:
 - An organisational chart indicating the systems audit/review team, compliance audit team, statutory audit team and/or agreed-upon procedures team;
 - Full names and identification details of all persons conducting and involved in the audits, even if such persons are not Approved Auditors; and
 - Identified ongoing training requirements for all persons conducting and involved in the audits.
- A description of the approach and methodology adopted in carrying out the audits/reviews, including but not limited to, the identification of:
 - the client acceptance procedures, including but not limited to the identification and management of potential conflicts of interest between the parties involved in the engagement;
 - the Approved Service Provider's internal procedures which address the procedure to be followed in the event of 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 (applicable to systems reviews/audits and compliance audits);
 - the quality assurance mechanism which shall be maintained to ensure uniform processes;

- the accurate and detailed records and reports that will be held regarding testing, test results and compliance with the Authority's requirements;
 - the Approved Service Provider's internal policies and procedures which shall be in place to ensure effective security of the Authority and/or the licensee's data (as applicable);
 - the capability of understanding and achieving the outcomes required by the Authority through the audits and other applicable international standards;
 - in the case of systems reviews/audits and compliance audits, indication of the knowledge of the necessary systems, compliance requirements and/or financial requirements;
 - in the case of systems reviews/audits, compliance audits and agreed-upon procedures reports, the capability to submit results, audit reports and other relevant deliverables to the Authority in the required manner, which, where applicable, shall be in a format and medium approved by the Authority;
- 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 and/or directors (in whose remit the applicable engagements fall) as well as the Approved Auditors have financial interest, both directly and indirectly. Financial interest by way of direct or indirect shareholding, financial investment or financial contribution to the share capital or working capital, or the voting rights in an entity related to the gaming sector shall be considered as such if it is equivalent to at least ten per cent (10%). For the avoidance of doubt, indirect shareholding excludes situations where the partners and/or directors could not reasonably be expected to be aware of an indirect involvement, for example, where such involvement is through an investment fund wherein the portfolio manager invests on behalf of its clients on a discretionary basis.

In addition to the provision of the above information, the Service Provider must also accept the terms and conditions made available through the approval process.

4 Approved Auditors

As part of the approval process, applicants are required to submit an application for every natural person acting as an Approved Auditor.

Without prejudice to the requirements listed below in this Section, team members within the audit team who are not lead auditors and will not act as Approved Auditors are not required to submit the aforementioned application.

4.1 Qualifications of Approved Auditors – Systems audits/reviews and compliance audits

In the case of systems audits/reviews and compliance audits, an applicant who is a natural person shall satisfy the Authority's eligibility criteria only if:

- The applicant is 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 certification and/or an IT audit certification. For the avoidance of doubt, the Authority shall consider the following as acceptable IT qualifications, however, such list shall not constitute an exhaustive list and the eligibility of any other certifications shall be determined at the Authority's discretion:
 - Bachelor of Science in Information Technology;
 - Certified Information Systems Auditor (CISA);
 - Certified Information Systems Security Professional – Architecture (CISSP);
 - Certification in Risk and Information Systems Control (CRISC);
- 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.

4.2 Qualifications of Approved Auditors – Statutory audits and agreed-upon procedures reports

In the case of statutory audits and agreed-upon procedures reports, an applicant who is a natural person shall satisfy the Authority's eligibility criteria only if:

- The applicant is in possession of a warrant to act as an auditor under the Accountancy Profession Act (Chapter 281 of the Laws of Malta);

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

For the avoidance of doubt, the Service Provider shall also provide proof to the Authority that it has access to IT expertise and resources of at least one (1) employee who shall be the person ultimately responsible for the provision of such IT expertise and shall be deemed an Approved Auditor. In this regard, the Approved Auditor providing such IT expertise shall hold the relevant IT qualifications and experience in terms of Section 4.1 above.

4.3 Other application requirements related to Approved Auditors

Applications for natural persons to act as Approved Auditor shall be accompanied by a curriculum vitae. This shall include a description of the responsibilities in previous and current engagements during the last ten (10) years, indicating the extent to which this experience is relevant to the gaming industry.

5 Engagements to Conduct Audits

5.1 Engagements related to systems audits/reviews and compliance audits

Upon being appointed for an engagement by the licensee, the Approved 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;
- Provided that, consultancy work, assistance in the application process, implementation of the systems, book-keeping, accounting and internal audit services provided to the licensee by the Approved Service Provider, any affiliated entities or any one (1) or more of its employees, who shall be employed in the performance of the audit services for the two (2) years prior, shall be deemed as a conflict of interest;
- Confirm the timeframe to carry out the systems audit/review or compliance audit;
- Submit an Authorisation to Release Information form by the licensee.

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

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

- Carry out the review/audit;
- Ensure any relevant evidence to substantiate the audit/review is collected;
- Submit the final audit report to the Authority; and
- Forward any relevant evidence to the Authority when so requested by the latter.

5.2 Engagements related to statutory audits

Upon being appointed for an engagement by the licensee and, in any case, no later than the date upon which the annual maintenance fee falls due, the Approved Service Provider shall:

- Inform the Authority of all engagements entered into during the preceding twelve (12) months;
- Provide a declaration as prescribed by the Authority, confirming that none of the engagements constituted a conflict of interest as described in Section 5.1 above;
- Provide the names and identification details of all individuals forming part of the audit team assigned to the respective engagements.

Following completion of the statutory audit engagement, the licensee shall submit a copy of the auditor's management letter immediately upon receipt, but in any case by not later than nine (9) months from the licensee's financial year end.

During the course of the statutory audit engagement, should the Approved Service Provider become aware of any going concern issues related to the licensee and/or an anticipated qualification of the audit report, it shall inform the Authority forthwith, and in any case by no later than thirty (30) days after becoming aware.

5.3 Engagements related to agreed-upon procedures reports

Upon being appointed for an engagement by the licensee and, in any case, no later than the date upon which the annual maintenance fee falls due, the Approved Service Provider shall:

- Inform the Authority of all engagements entered into during the preceding twelve (12) months;
- Provide a declaration as prescribed by the Authority, confirming that none of the engagements constituted a conflict of interest as described in Section 5.1 above; and
- Provide the names and identification details of all individuals forming part of the team assigned to the respective engagements.

6 Compliance and Enforcement

6.1 Changes to the Approved Auditors

No changes may be made to the staff members acting as Approved Auditors of an Approved Service Provider without the prior written approval of the Authority.

6.2 Other changes to the audit team

Without prejudice to Section 6.1, for changes made to the complement of staff forming part of the systems audits/reviews and compliance audit team, other than any changes made to the Approved Auditors, the Approved Service Provider shall notify the Authority within thirty (30) days from such change and shall provide the Authority with the full name and identification details pertaining to the employees added to or removed from the audit team. The Authority retains the discretion to request any further documentation in this regard, if this is deemed necessary.

Without prejudice to Section 6.1, for changes made to the complement of staff forming part of the statutory audits, and/or agreed-upon procedures reports team, other than any changes made to the Approved Auditors, the Approved Service Provider shall notify the Authority upon payment of the annual maintenance fee, the names and identification details of all individuals forming part of the audit team assigned to the respective engagements entered into during the preceding twelve (12) months.

Moreover, irrespective of the type of engagement referred to herein, the Approved Service Provider shall be responsible for ensuring that changes to the staff complement do not have a material impact on the quality of the team's gaming knowledge, experience and expertise. In the event that the Approved Service Provider deems that the staff complement may pose a material impact on the quality of the team's gaming knowledge, experience and expertise, the Approved Service Provider shall immediately notify the Authority and shall not accept any further engagements until the matter is duly rectified. The Authority may, at its discretion, direct the Approved Service Provider not to accept any further engagements, if it deems that the staff complement poses a material impact on the quality of the team's gaming knowledge, experience and expertise, until the Approved Service Provider can prove that the matter has been duly rectified.

6.3 Outsourcing and subcontracting

Generally, it shall be prohibited to outsource or subcontract any part of the services to other persons and/or entities.

This notwithstanding, an Approved Service Provider shall not be precluded from:

- Outsourcing or subcontracting to an entity forming part of the same international network of member firms, which is subject to standardised and homogenous network-wide policies and procedures (hereinafter "International Network of Member Firms");

- Outsourcing or subcontracting to an entity which is an Approved Service Provider for the same type of engagement, provided that:
 - the ultimate responsibility for the engagement shall be borne by the engaging Approved Service Provider;
 - written prior approval is obtained from the Authority.

6.4 Information provided by the Authority

For systems audits/reviews and compliance audits, upon completion of an audit, the Approved Service Provider shall, as soon as is reasonably practicable and in no case later than ten (10) working days following the date of the effective completion, return to the Authority, if necessary, all information pertaining to the licensee that was provided by the Authority and permanently delete such information from its systems, unless they are obliged to retain it in accordance with a relevant law. For the avoidance of doubt, in cases of expiry or termination of the approval, information pertaining to the licensee that was provided by the Authority shall be returned to the Authority, if necessary, and permanently deleted with immediate effect, upon expiry or termination of the approval.

6.5 Termination

In the event that the Approved Service Provider terminates an audit engagement, the Approved Service Provider shall notify the Authority within thirty (30) days of such termination of services.

6.6 Suspension and Revocation

The Authority reserves the right to suspend or revoke an approval of any Approved Service Provider in case of unsatisfactory performance and/or any other non-adherence to this Policy. In case of suspension or revocation, the Authority shall give the Approved Service Provider a minimum of 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 Approved Service Provider, if:

- The Approved Service Provider, maliciously or due to gross negligence, fails to report to the Authority serious failures on the part of one (1) or more of its licensees for which the Approved Service Provider has carried out an audit/review and for which the Approved Service Provider should have been reasonably aware (e.g. in the event that such incident would have been within scope of any determined materiality threshold);
- Provided that a serious failure on the part of a licensee shall refer to any failure by the licensee to report accurate and complete information relating to player funds, compliance contributions and/or gaming revenue, misappropriation of player funds, as well as matters

that may affect the fitness and propriety of the persons running or holding a qualifying interest in the licensed operation;

- Three (3) or more reprimands are issued to the Approved Service Provider for failure to carry out the audits to the standard and with the diligence required by the Authority;
- The Approved Service Provider fails to report any conflict of interest to the Authority within twenty (20) days of identification; or
- The Service Provider outsources or subcontracts to any third party, in a manner that is not compliant with Section 6.3 above, any part of the audit services, even if such third party is part of the same group of companies.

6.7 Other powers of the Authority

6.7.1 Requests for information

For systems audits/reviews and compliance audits, the Authority requires all relevant evidence to be submitted by the Approved Service Provider together with the final audit report. The Authority may further request any clarifications or additional information, as necessary, with regards to any report, irrespective of the type of engagement.

If the report is not prepared in accordance with the standard referred to in Article 41(2) of the Directive or the standard required by the Authority, in the case of statutory audits and systems/compliance audits/agreed-upon procedures reports, respectively, the Authority may require the relevant licensee to undergo another audit under such conditions, as may be required.

6.7.2 Quality reviews

In addition to the review of each systems audit/review and compliance audit report to assess the licensee, the audits will be reviewed on a regular basis by the Authority to ensure that the service provided by the Approved Service Provider meets the minimum quality standards required. Such reviews will include an overall assessment of the performance of the Approved Service Provider, together with the requirement to submit documentation and evidence collected whilst conducting the reviews.

7 Confidentiality and Data Protection

The final systems audit/review and compliance audit reports are strictly confidential in nature and the Approved 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 Approved 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.

8 Term and Renewals

The authorisation to act as an Approved Service Provider is valid for five (5) years from the date of issue.

An Approved Service Provider is required to notify the Authority of its intention to apply for a renewal of the authorisation by not later than six (6) calendar months prior to the expiration of the authorisation.

The Authority retains full discretion to extend, review or remove the authorisation process in relation to Service Providers.

9 Adherence to Policy

The Authority shall grant the Service Provider the necessary authorisation to act as an Approved Service Provider only if the Service Provider satisfies the requirements and qualifications established in terms of this Policy.

Failure to adhere to any requirement or qualification established in this Policy shall give cause to the Authority to refuse the issuance of the authorisation or to revoke an existing approval of a Service Provider.

10 Concluding Remarks

Any queries related to this Policy are to be sent to policy.mga@mga.org.mt.

