

# Welcome

## be in the know and act better



### Message from the Managing Director of FACT Group

Welcome to the second issue of our newsletter. We have had positive feedback from members within CPAAI network as well as from clients.

In this edition we included an update on the strong growth registered in the Funds sector in Malta and the double tax treaty between Malta and Hong Kong among other news.

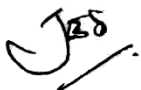
We are pleased to announce the launching of new services within FACT group related to Internal Audit Services and to IT Consulting Services. These services are available to all industries who may wish to benefit from independent professional assessments such as can be offered by our firm.

As most of you probably know, I have been a member of the board of the Malta Lotteries & Gaming Authority for the last seven years. After my resignation last April, FACT can now offer all our services, including the IT Consulting Services in particular, to the Remote Gaming industry.

To this end, we have employed a new member of staff – Andrew Galea – who brings with him years of experience in the i-Gaming sector as well as other areas such as IT Consulting. This will help FACT offer our clients further services in the IT sector such as IT Compliance Reviews and IT audits.

Enjoy reading and please do contact us should you need to know more about our offices, the services we provide and the solutions our jurisdiction can support.

Enjoy Summer and the Olympics!



Jesmond Pace  
Managing Director



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## FACT Group – Internal Auditing

**FACT Group has extended its range of services on offer to clients with the introduction of Internal Auditing services.**

The provision of these professional services include advisory, risk management, internal audit and systems review to all types of organisations, whether these are private or public. With these services we feel we can help clients improve operations, manage risks and hence add value for both owners and stakeholders alike.

The internal audit needs of each organisation are unique. Due to demand for a high level of service and expertise, many organisations prefer to have us meet all of their internal audit needs under a continuous, full-service outsourcing arrangement. Under this arrangement, we perform various internal audit assignments and report our findings to the audit committee in order to assure the proper degree of objectivity and independence.

We utilise an internal audit methodology which focuses on the identification and assessment of risks faced by the entity, as well as on the continuous improvement of business processes in terms of control and efficiency. The primary step in any internal audit engagement is for us to obtain a comprehensive understanding of the organisation's objectives, its risk management priorities, regulatory environment as well as the various needs of its critical stakeholders.

The internal audit methodology in use is a risk-based business process approach, which ensures that the right controls are built into the appropriate places within each relevant aspect of the organisation, inefficient controls are identified and eliminated and control gaps between business units or functions are identified and corrected. Testing procedures are used to validate control effectiveness in mitigating risks and helping the organisation achieve its objectives. It is understood that each client differs and therefore it is important for the internal auditor to understand the client's key requirements and how these can be met in the most efficient and cost effective manner, whilst ensuring consistency, quality of service and most of all independence.

Throughout the various stages of our methodology, we plan to regularly report to the Board on the progress made in our assignment. The methodology applied ensures that appropriate focus is given to the application of appropriate controls in the higher risk areas. It also allows us to advise the Board on the effectiveness of its risk framework and risk management procedures. Moreover emphasis is placed on adding value to our clients by driving efficiency and effectiveness.

For more information please contact us on [info@factgroup.net](mailto:info@factgroup.net)

## **FACT IT Consultancy and Remote Gaming Services**

**FACT group has also added a new service in order to offer a wider range of services to our existing ones. In fact, IT Consulting Services have been just added to our list where we would specialise on particular IT consulting work, mainly related to the remote gaming sector, amongst other industries who can use such service.**

Andrew Galea has recently joined FACT group to head these services. His past experience with a local mid-tier audit firm has exposed him to several projects involving large online gambling operators, where he was part of a team in charge of ensuring that their operations are in line with the Remote Gaming Regulations of Malta. Andrew has also worked directly with the Lotteries and Gaming Authority (LGA) on secondment where he was in charge of assisting with the application process of new licensees.

Andrew has also been involved in several IT related consultancy and auditing work for local companies/clients.

The intention of FACT group is to offer Information Systems Consultancy and i-Gaming services. This includes Key Official Services (KOS), i-Gaming Consultancy, IT Audits and Consultancy services, the compilation of company Policies and Procedures as well as Policies and Procedures which are in line with the requirements issued by the LGA; both of which are based on the ISO 27001 standard.

For more information contact us on [info@factgroup.net](mailto:info@factgroup.net).





### **Strong growth in Malta's fund sector**

**In just a couple of years Malta has established itself as a fund domicile of international repute, serving not only the domestic market but also European and international markets. The country is home to a considerable number of retail and non-retail funds as well as to fund managers and administrators.**

While in 1995 there were only five Collective Investment Schemes licensed, the number has increased to more than 500 today making the funds sector the fastest growing financial sector in Malta.

During 2011, the authority issued 179 new Collective Investment Scheme licences (including sub-funds), of which 163 were Professional Investor Funds, 14 UCITS funds and two Non-UCITS funds. The number of new licensed Professional Investor Funds in 2011 went up by almost 60% over the previous year.

The funds sector also registered growth of around 4.2% in aggregate net asset value over the previous year. Net asset value totalled over 8.3bn as at the end of last year.

However, in view of the financial crises and the resultant economic uncertainty and low investor sentiment, despite the growth recorded in net asset value over the last three years, the NAV still remains significantly below the peak value reached in June 2008 when the number of licenced funds was around half the number of licensed funds in 2011.

A key aspect of the sector's success is the country's legislation for Professional Investor Funds. The net asset value of Professional Investor Funds totalled over 5.8bn in 2011, an increase of over 12% over the period 2010-2011. The increase was generally contributed by a number of new PIFs, which started operating during the year. UCITS and non-UCITS retail funds did not experience the same growth in the net asset value despite a growth in the number of these highly qualified and multilingual human resources as well as the highly competitive set up and ongoing operational costs.

The Malta Funds Industry Association remains committed to continue working hard with the various players in the Industry in order to sustain and ensure the future growth of the Industry.

## Double taxation agreement with Hong Kong signed but not ratified

**The double taxation agreement between Malta and Hong Kong has been signed but still has to be ratified and come into effect. Usually, some months elapse between the signing and the ratification and usually too, the coming into effect takes place at the beginning of a financial year.**

**Simon Galpin, director-general of InvestHK, paid a one-day visit to Malta in July.**

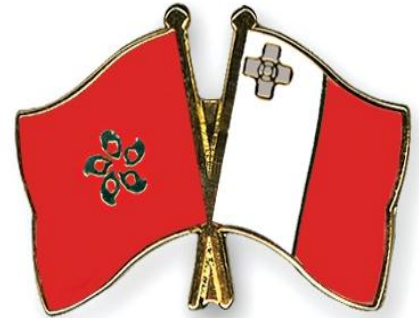
During this short visit, Mr Galpin gave an interview to the Malta Business Weekly in which he spoke about Hong Kong and InvestHK which was established in July 2000 ([www.investhk.gov.hk](http://www.investhk.gov.hk)) and is the Hong Kong Government's Department responsible for attracting foreign direct investment to Hong Kong. The department helps overseas companies that want to set up an office in Hong Kong. Over the past 11 years, it has attracted and assisted over 2,400 foreign and Mainland Chinese companies to set up or expand in Hong Kong. Many overseas companies, including Maltese, choose Hong Kong to enter the Mainland Chinese market and even the Asia-Pacific region. And, at the same time, Mainland Chinese companies settle down in Hong Kong to enter the Western markets.

The fact that the double taxation agreement has been negotiated and signed between the two countries, Mr Galpin said, is a sign of the very good relations between Malta and Hong Kong. Even before it gets ratified, such an agreement is a sign that Malta has now reached the level of countries that already enjoy a double taxation agreement with Hong Kong.

Being on this list is an important marker for Malta especially in the financial services sector. There is a lot of interest, especially from Malta Enterprise, on the ratification process as this agreement is seen as opening doors that were previously closed to Maltese businessmen.

The Hong Kong business sector does not have any relationship with North Africa, which on the whole is an underserved area as far as Hong Kong is involved. So Malta's links with this area are perceived to be very important by the Hong Kong government sectors.

Though the Hong Kong economy is slowing down because of the international situation, it expects a 1-3% growth for 2012. Unemployment is low at 3.4%. Inflation, on the other hand, is still high at 5.9% coming down from 6.4% in the fourth quarter of 2011. Hong Kong is extremely important because it is the best gateway to doing business with China. Companies, especially those who have never before traded with China find it easier to do so through Hong Kong. It has the financial intermediaries, the infrastructure, and the cultural mediation to enable and facilitate such trade exchanges.





## LOAN GUARANTEE SCHEME LAUNCHED

**Malta Enterprise has launched the Micro Guarantee scheme, through which enterprises with less than 20 workers – including start-ups and self-employed – may be granted a guarantee to help them secure a loan from commercial banks participating in the scheme.**

The Micro Guarantee scheme, which enters into effect on August 1st, 2012, will therefore facilitate access to loans of up to €100,000 for eligible enterprises, which may use the funds to finance projects leading to business enhancement, growth and development. Malta Enterprise will receive applications for support under this scheme until December 1st, 2013.

Beneficiaries of the scheme will be able to obtain loans at favourable conditions, whereby they shall be required to provide only 10% (or less) of the value of an eligible loan as security.

The guarantee may only be used to support a new loan and may not be used to support overdrafts or other revolving credit facilities.

Eligible costs include the investments in acquiring tangible assets such as machinery and equipment; fittings, fixtures, refurbishment and restoration of commercial properties; investments leading to significant growth or to the development of a new market; immovable property linked to a business development project; as well as working capital linked to such investments.

For any further information, please contact us at [info@factgroup.net](mailto:info@factgroup.net)



## FACT auditor promoted to premier football league

May was a special month for FACT's auditor, Matthew Sapiano. Having played with Melita Football Club since the age of 16 in the goalkeeper position, Matthew proudly saw his team being promoted to Malta's premier league on the 7th May and winning the first division championship on the 12th May.

Matthew has been playing football since the age of 6 and holds the late David Cluett, one of Malta's finest ever goalkeepers, as his inspiration. Following in his hero's footsteps as goalkeeper, Matthew has seen his team rise from third division over 10 years ago to the premier league this year. With close to 200 appearances with the senior Melita team, Matthew is the 2nd most capped player in the current squad and considers Melita to be his second family.

He believes that Melita's head coach, Martin Gregory, ex player with the Maltese national team, along with all the present coaching staff, have helped to foster a strong sense of self-belief in the players and is looking forward to the exciting challenge of playing in the Premier league during the 2012/2013 season which kicks off in August.

During an office celebratory lunch Jesmond congratulated Matthew and praised his persistence in following his dreams. Jes believes that this is vital for success in life. He also believes that practicing sports or being otherwise active helps bring the proper balance into everyday life.

Matthew has been with FACT Group since June 2005 and is head of our Auditing department. He is engaged to be married to Miran in July of next year.



Matthew Sapiano

## Fact Group

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## About FACT Group

FACT Group evolved from a small practice established in 1998 by Jesmond Pace, the Senior Partner and FACT group Managing Director. Services have rapidly evolved for a significant portfolio of clients and expanded to an international client base as well as servicing the local business community.

Its successful growth may be attributable to establishing an ethos within the organisation of efficiency and fairness based upon personnel dedication & commitment to plying their profession at FACT. Over the years, FACT group employed young, experienced and qualified and semi-qualified staff to compliment the respective teams in each service area.

All management and staff at FACT group are cultured and trained to give attention to quality, commitment, diligence and efficiency in the way we work and for each assignment that we do.

We apply a "can-do" and "responsible" attitude in all that we do to exceed the expectations of our clients.

**Disclaimer:** *Information on this newsletter is intended mainly to provide information about FACT Group's activities and general news relative to the industry where FACT Group operates and is also used as an informative / marketing tool to provide general information on particular, selected and specific subjects.*

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