**GUIDANCE NOTES ON COMPLETING**

**INTERNAL CONTROL SYSTEM (ICS)**

**BACKGROUND AND OVERVIEW**

The Alderney eGambling Ordinance, 2009 (“Ordinance”, with citation to specific sections cited as, e.g. “Ord.22”) provides that an eGambling licensee may exercise its eGambling licence only if it has obtained the approval of the Alderney Gambling Control Commission (“Commission”) for its Internal Control System (“ICS”) and the licensee effects gambling transactions under and in accordance with that system.

An Internal Control System is defined as “a **system of controls and administrative and accounting procedures used by an eGambling licensee for the conduct of eGambling**.”

The system needs to be documented and submitted to the Commission for approval in accordance with the provisions of Schedule 11 of the eGambling Regulations, 2009 (“the regulations”, with citation to specific regulations cited as, e.g. “R.100”).

The Commission requires licensees to operate pursuant to robust, well documented and auditable internal controls. The Commission will undertake regular inspections of the licensee’s operations to assess whether the licensee is conducting its business in a controlled manner, in conformity with law and regulation, and to assess the correct application of the procedures documented in the approved ICS, and whether the licensee’s current approved ICS remains relevant and appropriate to the business. The licensee must therefore ensure all operational changes are addressed in the ICS, and secure the Commission’s formal approval prior to implementing any such change.

## Purpose of Guidelines

A licensee’s Internal Control System should be designed to provide the following:

1. Administrative control, which includes details of the licensee’s organisational structure and details all appropriate procedures and decision-making processes regarding the administration of transactions
2. Accounting control, which includes the structure of this function, and all procedures and records concerning the safeguarding of assets and the reliability of financial records, so as to provide reasonable assurances on the following:
   1. Transactions are executed in accordance with management’s general and specific authorisation, including the requirements of the Alderney legislation.
   2. Transactions are so recorded to permit the preparation of financial statements.
   3. Access to assets is permitted only in accordance with management authorisation.
   4. The segregation of incompatible functions so that no employee is in a position to perpetrate or conceal errors or irregularities, or engage in theft or other collusive and improper behaviours.
3. Control over the operation of customer accounts and the calculation of results of gaming activities.
4. Safeguards in relation to the physical and electronic security of the licensee’s systems.

## Interpretation of the Guidelines

The guidelines aim to provide applicants and licensees with an outline of the main areas which should be incorporated into an internal control system. The Commission does not require a full ICS submission at the time of the initial licence application; at that stage, an applicant needs only to provide an outline of the internal controls and to explain how it intends to establish and implement full and comprehensive arrangements. However, if a draft ICS is submitted with the application for licensure, it will be considered in the application process.

The ICS review process is first and foremost a dialogue, designed to allow each licensee to describe how it proposes to mitigate the risks associated with its business, considering the areas of risk observed in these guidelines. The Commission has set forth its general goals in these guidelines, and the licensee must describe how it can best meet these goals. The Commission recognises that control systems will vary, due to the wide variety of eGambling activities, business models, and technical systems, and to the changing nature of the gaming environment. The Commission will therefore expect to work closely with each applicant, seeking to understand their business needs and operational structure, but also directing them if necessary.

The Commission is mindful that a particular risk can be mitigated through the employment of a procedure, technology or different forms of controls. Therefore, the means by which the licensee prefers to mitigate the risks associated with its business remain largely discretionary. The Commission may grant leeway towards mitigating a risk where it is satisfied that an individual requirement would not be appropriate for a particular system, or where appropriate compensating controls have been adopted. The licensee retains discretion to define compensating controls which nonetheless meet the overall goal set forth in the guideline. However, where the guideline speaks in terms of “must” or “shall,” the matter is not reserved to the licensee’s discretion, as indicated by citation to relevant Regulation or section of the Ordinance.

It is important that an ICS addresses each point in this document in order that the Commission can accurately determine whether the system provides satisfactory, effective and comprehensive operational control (R.180).

Items marked T are “Technical Standards,” generally applicable to the licensee’s operations, and standards which the Commission will evaluate when assessing the suitability of gambling equipment (GE). The Commission may make written exception for meeting a Technical Standard upon sufficient justification. Items marked G in addition to a T are Guidelines mixed with the Technical Standard, and the licensee must meet the technical element in addition to mitigating the risk with procedural controls which the licensee should describe in the ICS.

Guidelines supported by citation to authority are directory in nature; they define controls which must be implemented. Guidelines not supported by citation to authority are less directory, and instead define the risks of concern, leaving it more to the licensee’s discretion to mitigate the risk when defining the suitability of the control environment.

## Review Process

Where the Commission considers that an ICS submission is not satisfactory, the ICS will be returned to the licensee, together with reasons for the decision and, where appropriate, guidance on how the submission may be changed to meet Commission requirements (R.183). The licensee will then be invited to resubmit the ICS after making any necessary changes. When the Commission determines that the proposed ICS is acceptable, it will affirmatively notify the licensee accordingly (R.185). The licensee should never presume that a control system, or change to an existing control system, is approved without written confirmation of the fact.

## Changing the ICS document

Once an ICS is approved, the Commission will expect the licensee to adhere the provisions and controls it contains. Any changes to an approved control system will require Commission approval. The Commission acknowledges that the control environment needs to adapt to changing business or operational needs; however, licensees must ensure that all significant internal changes are accurately reflected in their ICS document by notifying and seeking formal approval from the Commission in advance, prior to implementing significant changes (R.188 et seq.). The licensee should submit any proposed changes to the ICS to the Commission in accordance with the provisions of Schedule 12 (R.188 et seq.).

These guidelines will be reviewed and reissued, as required. Licensees will be obligated to conform their ICS programmes to new guidelines.

## Instructions for preparation of an initial ICS

A standard cover page is included in the ICS template - the “Internal Control System - Cover Page.” The formal submission of the ICS should include this.

The standard table of contents is included - please conform to this Regulatory requirement (R.176).

**Do’s and Don’ts.**

**Do:**

* Use the prescribed index and ordering of subjects.
* Describe the risks and controls specific to each risk that has been identified.
* Describe each process from start to finish, clearly and in logical order.
* Describe a new or proposed operation in the present tense, as though it already exists. Remember that the document will be verified against future work practices, and thus it cannot be initially approved with any uncertain or conditional phraseology.
* Version control the document, and use version-controlled appendices for information that is likely to change. *We suggest you may find it expedient to link your appendices to text by numbering them consistent with the location in the ICS (e.g. Appendix 1.2, when providing reference material in conjunction with ICS section 1.2.*
* When citing to appendices include reference to the page or section number, so as to pinpoint the text in context, with reasonable accuracy and to facilitate the efficiency and easy use of the ICS.
* Keep the document simple, we expect you should use the document in your daily operations. Cumbersome documents do not foster or encourage utilisation.
* Number each page of the submission sequentially.

**Don’t:**

* Simply copy the ICSG text and state that you comply. You should describe how you meet the described control.
* Duplicate text. Instead cross reference and centralise discussion on any repeating topic in the ICS.
* Insert names of individuals when describing a process – use titles or positions instead. The position description is more accurate than the incumbent in the position, who may move on to different responsibilities.