

## **An Independent Reasonable Assurance Report**

[Systems Audit based on “Systems Auditor Control Objectives – Part C” (30th October 2018) as issued by the Malta Digital Innovation Authority and in line with “Assurance Engagements other than Audits or Reviews of Historic Financial Information” ISAE3000 (Revised)]

### **To the Board of Directors of VAIOT LTD**

We were engaged by **VAIOT LTD** (hereinafter referred to as ‘the Company’ or ‘the Auditee’) to perform a reasonable assurance engagement on the Company’s controls. This engagement was conducted as requested by the Company as part of its requirements as an entity which, registered its Whitepaper for the VAI token with the Malta Financial Services Authority (hereinafter referred to as ‘MFSA’), and is licensed by the MFSA.

### ***Subject Matter Information and Underlying Subject Matter***

#### Scope of the Audit Engagement

The objective of this engagement is to provide an opinion on whether in all material respects:

- The *description* provided by the Company (represented solely in the form of a Whitepaper document titled “*Vaiot Whitepaper*”, hereinafter referred to as the “description”) presents the Innovative Technology Arrangement (ITA) that was designed and implemented throughout the period from 3<sup>rd</sup> April 2023 to 27<sup>th</sup> June 2023;
- The controls stated in the description were suitably designed to meet the applicable criteria outlined within Section 2 of the Malta Digital Innovation Authority’s (hereinafter referred to as ‘the MDIA’) “Systems Auditor Control Objectives – Part C” (30<sup>th</sup> October 2018);
- The controls operated effectively during the period from 3<sup>rd</sup> April 2023 to 27<sup>th</sup> June 2023, in order to meet the applicable criteria outlined within Section 2 of the MDIA’s “Systems Auditor Control Objectives – Part C” (30<sup>th</sup> October 2018).

The Auditor Control Objectives referred to above are based on 5 key principle areas consisting of security, processing integrity, availability, confidentiality, and the protection of personal data.

#### Underlying Subject Matter

The subject matter relevant to this engagement was mainly:

- (i) qualitative, due to the fact that the Company’s project is still in its primary stages; and
- (ii) historical, given that this engagement covers the period from 3<sup>rd</sup> April 2023 to 27<sup>th</sup> June 2023, as a result of which there could be differences between this assurance report and future ones, particularly since the Company is expected to develop further its systems in line with its “*Vaiot Whitepaper*” roadmap.

### ***Applicable Criteria***

The applicable criteria for this assurance report were solely based on the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018), as applicable for an IVFAO Type 2 Auditee.

The measurement and evaluation methods were carried out in line with the guidelines outlined within the MDIA's "Systems Auditor Report Guidelines – Part B" (30<sup>th</sup> October 2018). For any cases in which the control objective was not deemed from our end to be applicable to the Company, the test result was denoted as 'Not Applicable' and our reason for such non-applicability was provided accordingly, unless already deemed inapplicable in the guidelines outlined within the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018).

### ***Inherent Limitations***

Our report is solely based on the documentation provided by the Company and on the internal systems to which we were given access. The Innovative Technology Arrangements (ITA) in scope consisted of the Company's VAI Token present within its Ethereum-based Main Net.

Our report is solely focused on the control objectives outlined within the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018).

Furthermore, this report should not be considered significantly relevant for future periods if significant changes are carried out by the Company. Any future audits carried out having the same objectives as this report, should ensure that operating effectiveness of any controls are fully tested without giving any reliance to this assurance report.

### ***Specific Purpose***

Our assurance report is solely based on the control objectives outlined within the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018) as applicable for an IVFAO Type 2 Auditee.

Our report is intended only for the Company and the MFSA in its capacity as the regulator on virtual financial assets and is therefore not to be considered suitable for any other purpose. Consequently, our report should not be distributed to, or used by any other parties.

### ***Relative Responsibilities***

#### **Directors' Responsibilities**

The Directors of the Company are responsible for designing, documenting and implementing suitable policies and procedures to be fully compliant with the applicable requirements set out by the MFSA and MDIA. This responsibility includes the identification of risks related to systems, processes, material issues and corresponding changes in policies, commitments with respect to sustainability performance and design, implementation and maintenance of internal controls, and other applicable guidelines and regulations.

In particular, the Auditee should identify the risks that would prevent the control objectives from being met for the proposed ITA in the following areas:

- Products and services provided by the ITA.
- Components of the ITA used to provide the products and services.
- Environment in which the ITA operates.
- Commitments the Auditee has made to users of the ITA and parties affected by the ITA.
- ITA requirements that derive from laws and regulations affecting how the ITA functions and products and services are provided, and Business objectives of the Auditee.

The Auditee is responsible for:

- Determining the type of Audit to be performed (Type 1 or Type 2), in accordance with the requirements set out by the Authority or respective Lead Authority.
- Determining the scope of the engagement/boundaries of the system. This includes:
  - The services, business units, functional areas, and activities or applications that will be of interest to users.
  - The applicable criteria that will be covered by the Systems Audit Report. This is determined based on the needs of the Systems Audit Report users.
  - The period to be covered by the description and Systems Audit Report.
  - Whether any Auditee's sub-contractors will be included in, or carved out of, the Systems Audit Report.
- Preparing a description of the ITA, including the provision of the necessary Blueprint (or equivalent) which highlights the functionality of the ITA.
- Providing a written assertion in which the Auditee confirms, to the best of its knowledge, that:
  - The ITA description is fairly presented as implemented throughout period.
  - Controls were suitably designed throughout the specified period to meet the Control Objectives.
  - Controls operated effectively throughout the reporting period (Type 2 Report only).
  - Having a reasonable basis for its assertions through monitoring or other procedures.

In line with the requirements set out within the MDIA's Systems Auditor Report Guidelines – Part B, we are also enclosing the Auditee's declaration with respect to the information it has provided to us (refer to "Appendix B").

#### Our responsibility

Our responsibility is to report on whether, in all material respects, the Company's description of the ITA is fairly presented and whether the controls included in the description were, in all material respects, suitably designed/implemented and operated effectively to meet the control objectives set out within Section 2 of the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018), during the period from 3<sup>rd</sup> April 2023 to 30<sup>th</sup> June 2023.

FACT Technologies Ltd is a certified Systems Auditor by the MDIA, as evidenced through the certificate issued by the same Authority:

<chrome-extension://efaidnbmnnnibpcajpcgiclfindmkaj/https://www.mdia.gov.mt/wp-content/uploads/2022/11/Certificate-Fact-18032022.pdf>

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000 (Revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

This standard requires that we plan and perform our engagement to obtain a reasonable level of assurance on whether the Company is complying with the requirements set out by the MDIA (referred to in the Subject Matter Information and Underlying Subject Matter paragraph).

The nature, timing and extent of procedures selected depend on our judgement. While all the criteria listed within the MDIA's checklist were addressed accordingly, particular focus was placed on understanding the full project scope and the actual stage at which the Company currently is within its roadmap.

In performing this engagement, we also held discussions with management to have an understanding of the Company's activities, as well as the main team members participating in the project and made enquiries to and obtained representations from management regarding the Company's systems, and written policies and procedures and, specifically, about the controls' operating effectiveness and compliance to the requirements of the MDIA's "Systems Auditor Control Objectives – Part C" (30<sup>th</sup> October 2018).

For the purpose of this engagement, two (2) technical experts were involved in order to assess and provide expert opinion on the controls that were set out by the Company, namely:

- (1) Mr. Loc Phan Van (Information Security Manager) – having extensive experience in information security, blockchain technologies, code reviews and in ITAs; and
- (2) Mr. John Micallef (Head of Lab) - having extensive experience in information assurance assignments and assessment of policies and procedures.

A Subject Matter Expert declaration is being enclosed together with this report (refer to "Appendix A") in line with the requirements set out by the MDIA's "Systems Auditor Report Guidelines" – Part B (30<sup>th</sup> October 2018).

### ***Applicable Quality Control Requirements***

FACT Technologies Ltd applies the International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented principles and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### ***Compliance with Independence and Other Ethical Requirements***

We have complied with the independence and all other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

### ***Summary of the Work Performed***

The table within “Appendix C” provides a detailed overview of the work performed including the suitability of the applicable criteria. The table includes the control objectives, the control activities specified by the Company, our testing of operating effectiveness, and the test results, in line with requirements set out within the MDIA’s “Systems Auditor Control Objectives – Part C” (30<sup>th</sup> October 2018).

### ***Basis for Qualified Conclusion***

In addition to the inherent limitations mentioned in the “Inherent Limitations” section, during the performance of the procedures outlined in the “Summary of Work Performed” section of our report (listed in detail in Appendix C), we noted the following:

- i. For Objectives number (1) and (2), the initial testing iteration on the deployment of the token code on the current test-net identified some minor vulnerabilities, which were communicated to the Auditee, and were subsequently accepted by the Auditee as considered to be within the Company’s risk appetite;
- ii. Objectives number (4), (15) and (55) could not be properly attested to in terms of MAC Address Whitelisting since the Auditee’s employees are working remotely and not from the Company Offices;
- iii. In relation to Objective number (12), it was noted that the Auditee has not identified a Human Resources Officer to oversee workforce standards in terms of conduct, background screening, enforcement, and related processes; and
- iv. In relation to Objective number (44), the Auditee could not attest to the implementation of a full-scale disaster recovery test.

### ***Qualified Conclusion***

In our opinion, on the basis of the procedures performed and the evidence obtained, except for the effect of the matters described in the “Basis for Qualified Conclusion” section of our report, in all material respects, the description fairly presents the ITA that was designed and implemented during the period from 3<sup>rd</sup> April 2023 to 27<sup>th</sup> June 2023, and, also in all material respects, the controls stated in the description were suitably designed and operated effectively to provide reasonable assurance that the control objectives set out in the MDIA’s “Systems Auditor Control Objectives – Part C” (30<sup>th</sup> October 2018) were met, insofar as applicable to the state of the project during the period from 3<sup>rd</sup> April 2023 to 27<sup>th</sup> June 2023.



Desmond Pace  
Director for, and on behalf of  
**FACT Technologies Limited**

**Date: 27<sup>th</sup> June 2023**