

In Brief

A plain and simple overview of auditing considerations related to cryptocurrencies

The rise of cryptocurrencies is increasing global interest and scrutiny by organizations, investors, regulators, governments, and others. Do you understand the implications?

Why is this topic relevant to you?

Canada is experiencing a surge in companies with cryptocurrency holdings or transactions. This creates new audit risks for auditors as most lack experience in dealing with cryptocurrencies. On top of that, each cryptocurrency has its own unique features and characteristics bringing unique challenges in auditing each particular cryptocurrency. To help, Chartered Professional Accountants of Canada (CPA Canada) released guidance, [Audit Considerations Related to Cryptocurrency Assets and Transactions](#), as a first step to assist auditors.

Engagement considerations

- Should you accept or continue an engagement for a client with material cryptocurrency holdings or transactions?
- Do you have the appropriate experience and skillset to identify and assess all the risks of material misstatement and related assertions?
- Will you be able to obtain the audit evidence your need through designing and performing the right responses to those risks?

We want to hear from you!

- What challenges are you experiencing in this space?
- What steps should the AASB take to address these challenges?

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Why address auditing cryptocurrencies now?

While some may believe that the general impact on audits of blockchain technology may be a few years out, the rapid rise of cryptocurrencies has a more immediate effect on auditors and their clients.

A blockchain is a digital ledger, created to capture transactions conducted among various parties in a network. Although the existence of blockchain technology promises to transform entire industries, its immediate impact is affecting assurance providers through its more prominent use for cryptocurrencies.

While market capitalization of cryptocurrencies continues to be highly volatile, as of July 1, 2018, it was approximately USD\$270 billion, with over 1,600 cryptocurrencies in circulation.¹ It's becoming increasingly common for financial statements to show cryptocurrency balances and the results of cryptocurrency transactions.

¹ <https://coinmarketcap.com>

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About the new CPA Canada Guidance

CPA Canada's guidance on [Audit Considerations Related to Cryptocurrency Assets and Transactions](#) is a key first step in assisting auditors in understanding the risks in auditing cryptocurrencies.

To support auditors who may have little or no experience with cryptocurrencies, CPA Canada's new guidance highlights some relevant resources and a preliminary list of matters for auditors to consider. It includes the following:

- Client acceptance and continuance considerations, including:
 - integrity of the client;
 - management's level of understanding of cryptocurrency risks and internal controls; and
 - knowledge and experience of the engagement team (including auditor's experts).
- Obtaining an understanding of the entity's information system for cryptocurrency transactions, including:
 - reference sources to enable readers to obtain additional background information on blockchain technology;
 - a simplified example of a process to purchase cryptocurrency; and
 - a description of various types of cryptocurrency wallets.
- Examples of matters to consider in identifying and assessing risks of material misstatements in cryptocurrency transactions and balances, including:
 - controls over cryptocurrency exchanges;
 - loss of a private key and loss of the cryptocurrency itself;
 - related party transactions; and
 - valuation.

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Next steps?

“A key priority of the AASB is to support stakeholders as they deal with assurance issues related to rapidly emerging cryptocurrency activities. It is critical that our stakeholders engage with us on a timely basis so that we can provide support and guidance.”

— Ken Charbonneau,
AASB Chair

The AASB is actively monitoring and engaging with stakeholders on this critical topic on an ongoing basis. It is gathering information on possible next steps to assist auditors facing the emerging challenges such as those raised in CPA Canada’s guidance paper. The AASB wants to hear from you.

- What challenges are you experiencing in this space?
- What do you think the AASB’s next steps should be to address the challenges?

Stay up to date

Stay up to date with this important topic, sign up for [The Standard](#) to receive weekly emails from the AASB, as well as CPA Canada’s [Member News](#).

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