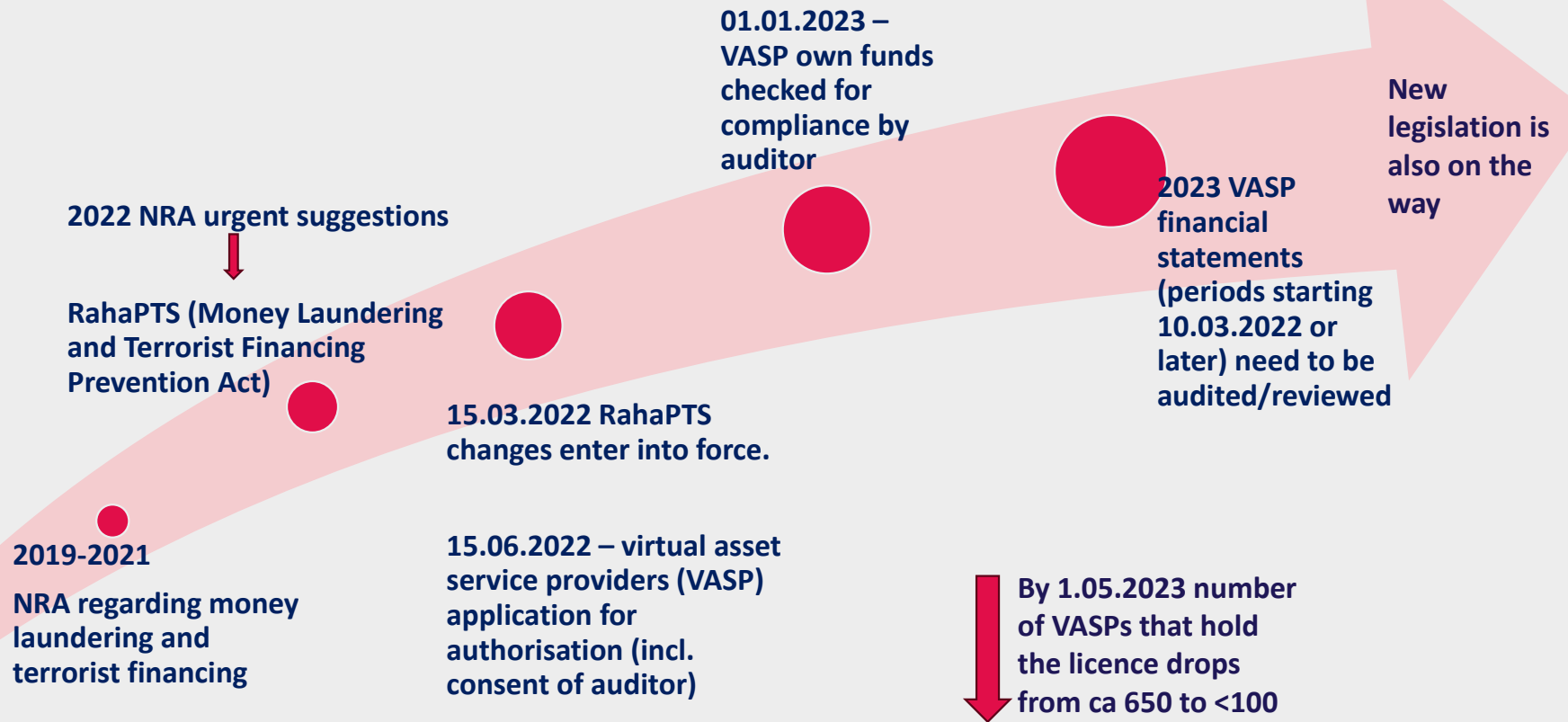


Auditing crypto-currency firms – VASP own fund audit, the Estonian experience

Angelika Ruubel / Head of methodology at the Estonian Auditors' Association



Past, present and future





Our challenges

- ▶ Few auditors that are considering to accept VASP as an assurance client
- ▶ All 650 VASP's will not find an auditor by 15.06.2022
- ▶ Own funds requirements are set on a high level, for rules the law refers to EU regulation, but it does not have application guidance in cryptocurrency context
- ▶ What auditing standard to apply?
- ▶ Do we have experience, knowledge and required skills?



Solutions

- ▶ Call out to the VASP community to help themselves by helping us to find experts who will provide their expertise for assurance engagement purposes
- ▶ There is no such thing as one „Cryptoexpert“ ; IT audit skills, legal view in complex matters are needed as well - > we encouraged all such experts to co-operate
- ▶ Event for all market participants to encourage communication and set the rules: „Framework for expert involvement“ was created
- ▶ Still a long way to go...



What auditors have learned so far?

- ▶ In most engagements, when auditor works with VASP for the first time, VASP also meets the auditor for the first time
 - ▶ Accounting quality
 - ▶ Did anyone think how to extract the data from applications?
- ▶ Differences in understanding world of crypto for auditors and crypto entrepreneurs
 - ▶ All is seen on blockchain and all transactions are public
 - ▶ is it true also for audit purposes?
 - ▶ Centralized vs decentralized transactions
 - ▶ Confirmation of transactions and transaction balances
 - ▶ 3rd party confirmations (wallets, transactions, balances) – lack of them, issue for auditor, alternative procedures?

<https://www.blockchain.com/explorer>
<https://etherscan.io/>
<https://bscscan.com/>



What auditors have learned so far?

- ▶ It is not unusual that most of VASP technical functions are outsourced -> Type 1 or Type 2 reports?
- ▶ When working with the expert, we need to explain assertions to them in the crypto context (and re-think them for ourselves in this context as well)
- ▶ The quality of the limited assurance audit reports including the quality of the description of the procedures that we perform is very important for the users
- ▶ There is still a long way to go, but all VASP financial statements (periods starting 10.03.2022 or later) need to be audited/reviewed by 30.06.2024

Thank you! Your questions are welcome.

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