

## Cryptocurrency and Audit Considerations

We have recently updated our audit considerations of Cryptocurrency. Within this update we examine the common cryptocurrency exchanges, hot and cold wallets and our audit approach.

### Cryptocurrency platform structures

There are differing audit considerations specific to each cryptocurrency platform. We consider and classify these generally via two differing cryptocurrency platform types as follows:

- ▶ Exchange - Where the platform matches buyers and sellers
- ▶ Brokers - Where the platform supports one side of the transaction into the market

As auditors we review each platform and the audit assertions we are required to evidence for Part A of our audit report. The key audit assertions, where evidence varies, based on the control environment of the platform are:

- ▶ rights and obligations
- ▶ existence
- ▶ accuracy, occurrence and completeness of the transactions.

To support an understanding of whether we are able to evidence the assertions for Part A purposes, we review the individual platform and the information provided by the entity on the structure of the control environment made available for retail customers.

### Cryptocurrency Platforms – support Part A audit assertions

Our review of the above information indicates that the following platforms support the relevant Part A audit assertions. This is based on the information made available for retail customers, and this information being provided for audit purposes:

| Platform            | Type     | Points of Note   |
|---------------------|----------|--|
| Caleb & Brown       | Broker   | Broker holds assets on behalf of the fund. No sub-custodian arrangement          |
| CoinSpot            | Exchange | Assets are 100% reserved. No sub-custodian arrangement                           |
| Coinstash           | Exchange | Assets are 100% reserved. Self-custody arrangement. No sub-custodian arrangement |
| Independent Reserve | Exchange | Assets are 100% reserved. No sub-custodian arrangement                           |
| Swftyx              | Exchange | Assets are 100% reserved. Self-custody available. No sub-custodian arrangement   |

The trustees are responsible for the governance of an SMSF. As part of this responsibility the trustees may have more extended control environment considerations than those that we consider for audit assertion purposes. For instance, one of these considerations would be digital security arrangements to support the

safe custody of the assets. Such considerations are a governance matter, and we encourage trustees to consider these in choice of platform.

### Cryptocurrency Platforms that do not support Part A audit assertions

| Platform                        | Type             | Points of Note & Part A qualification   |
|---------------------------------|------------------|---|
| Binance                         | Platform         | Custodial and non-custodial wallets,<br>Sub-custodian arrangement in place and no available report associated with the control environment<br>Transactions available in Excel CSV data file format<br>Existence is supported by reconciliation of the detailed transactions<br><br>PART A QUALIFICATION FOR KEY ASSERTIONS NOT SUPPORTED (WHERE MATERIAL TO THE FUND)<br>Existence, rights and obligations<br>Accuracy, occurrence and completeness of transactions |
| Crypto Tax Software e.g. Koinly | Secondary record | Koinly - Transactions available in Excel CSV data file format. This is a secondary record source<br><br>PART A QUALIFICATION FOR KEY ASSERTIONS NOT SUPPORTED (WHERE MATERIAL TO THE FUND)<br>Existence, rights and obligations<br>Accuracy, occurrence and completeness of transactions  |

### My client has a platform that is not listed?

The above listed platforms represent the common platforms accessed by Evolv SMSFs audit clients to invest in Cryptocurrency and the review of the records we receive for audit purposes. Should your client have a platform that is not listed, and you would like us to consider our audit response, please contact your client service manager; provide the platform details, and we will review the platform to confirm our Part A response. We will also add this to our ongoing general library information.

### Cryptocurrency held in a Wallet

There are differing audit considerations specific to cryptocurrency held in wallets. We consider and classify these generally via hot and cold wallets, noting that there are different types of crypto wallets:

- ▶ Hot Wallet - An on-line wallet storage product
- ▶ Cold Wallet - An off-line wallet storage product

As for cryptocurrency platforms, as auditors we consider the audit assertions we are required to evidence for Part A of our audit report. The key audit assertions are as above and noted as follows:

- ▶ rights and obligations
- ▶ existence
- ▶ accuracy, occurrence and completeness of the transactions.

| Wallet      | Audit assertion evidence requirements  | Part A qualification and Emphasis of Matter   |
|-------------|--|---|
| <b>Hot</b>  | <p>The title is unable to be held in the fund name. The title is required to be held in the trustee name/s and an Acknowledgement of Trust in place to support the fund Rights &amp; Obligations to the asset</p> <p>The Wallet ID &amp; Blockchain website details are required to support the existence and the accuracy, occurrence &amp; completeness of transactions for the year of audit.</p> <p>The Wallet is usually accessed post year end by the auditor, and we may be unable to access a statement for the year of audit.</p> | <p>PART A QUALIFICATION FOR KEY ASSERTIONS NOT SUPPORTED (WHERE MATERIAL TO THE FUND) and the evidence is not provided as noted.</p> <p>Existence, rights and obligations<br/>Accuracy, occurrence and completeness of transactions</p> <p>This can occur for many reasons:</p> <ul style="list-style-type: none"> <li>▪ the trustee may not be comfortable providing the wallet ID for security purposes</li> <li>▪ certain wallets can only be accessed by the owner</li> <li>▪ the provided wallet ID may be unable to be accessed or is accessed and no cryptocurrency is evidenced</li> </ul> <p>EMPHASIS OF MATTER<br/>As a hot wallet can only be accessed at the time of the audit we note that the existence is supported indirectly at year end based on the date the wallet is accessed for audit verification purposes.</p> |
| <b>Cold</b> | <p>The title is unable to be held in the fund name. The title is required to be held in the trustee name/s and an Acknowledgement of Trust in place to support the fund Rights &amp; Obligations to the asset</p> <p>A screenshot (timed and dated) of the Wallet including address is required to support existence and the accuracy, occurrence &amp; completeness of transactions for the year of audit.</p>  | <p>PART A QUALIFICATION FOR KEY ASSERTIONS NOT SUPPORTED (WHERE MATERIAL TO THE FUND) and the evidence is not provided as noted.</p> <p>Existence, rights and obligations<br/>Accuracy, occurrence and completeness of transactions</p> <p>This usually occurs as the trustee may not be comfortable providing the wallet ID for security purposes.</p> <p>EMPHASIS OF MATTER<br/>As a wallet screenshot date may not be at year end we may note that the existence is supported indirectly at year end based on the date the wallet is accessed for audit verification purposes.</p>   |

## Part B - Investment Strategy Considerations

As noted above, trustees are responsible for the governance of an SMSF. As part of this responsibility and pursuant to R.4.09 of SISR the trustees are responsible for considering the risks attached to an investment

in Cryptocurrency. This includes the nature of the cryptocurrency held, the investment platform or other form utilised to invest and / store the asset and consideration of their knowledge and understanding of this asset class. The trustees have other obligations pursuant to R4.09 of SISR investment strategy considerations that also may be pertinent to the fund circumstances.

Where Cryptocurrency is >30%, we request a specific declaration from the trustees to support their consideration of the risks attaching to an investment in Cryptocurrency to support R.4.09 SISR compliance, in the initial year of investment. An example template is available in the client library.