



CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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# Working with the Regulators in a time of change

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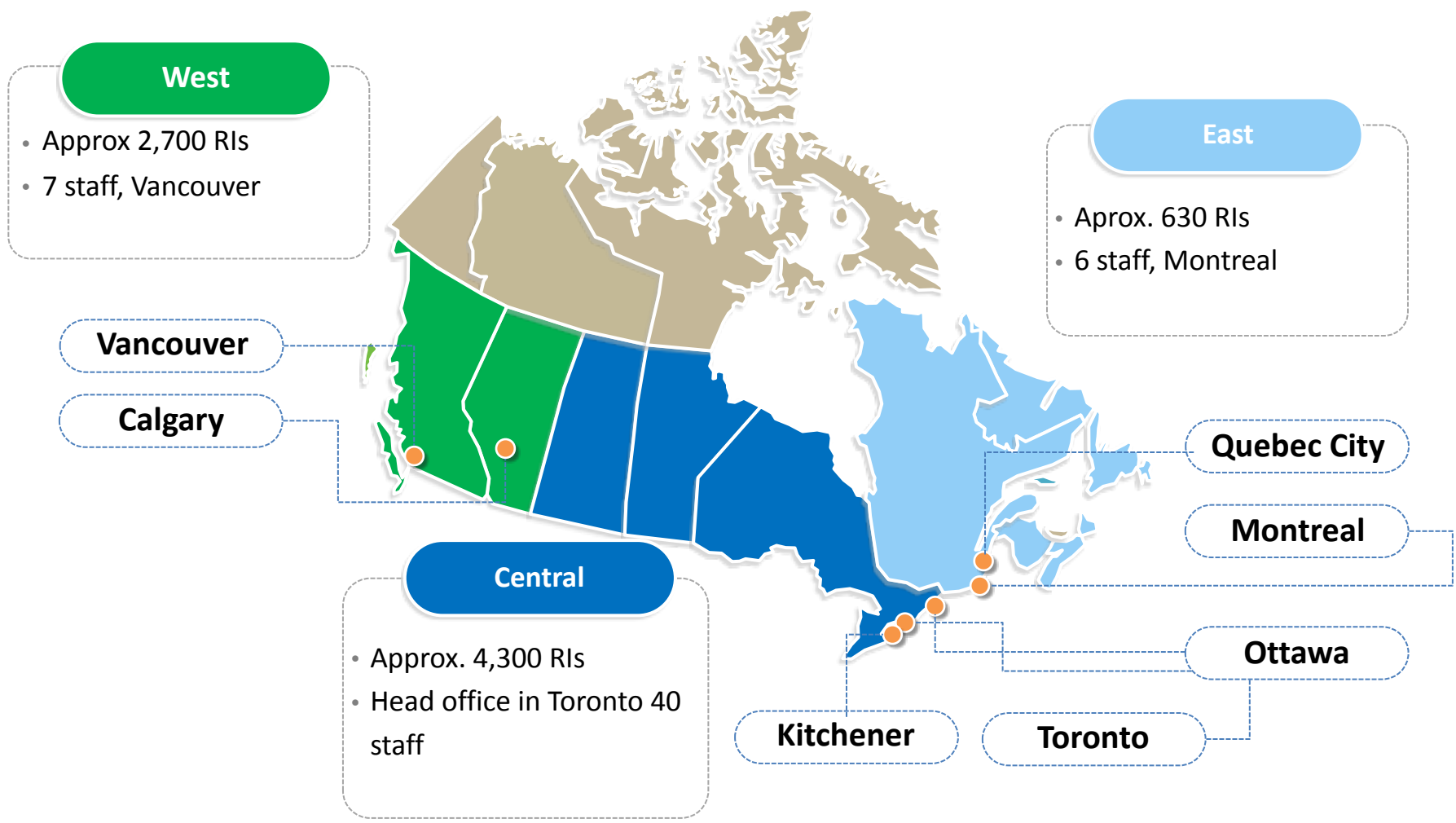


# Agenda

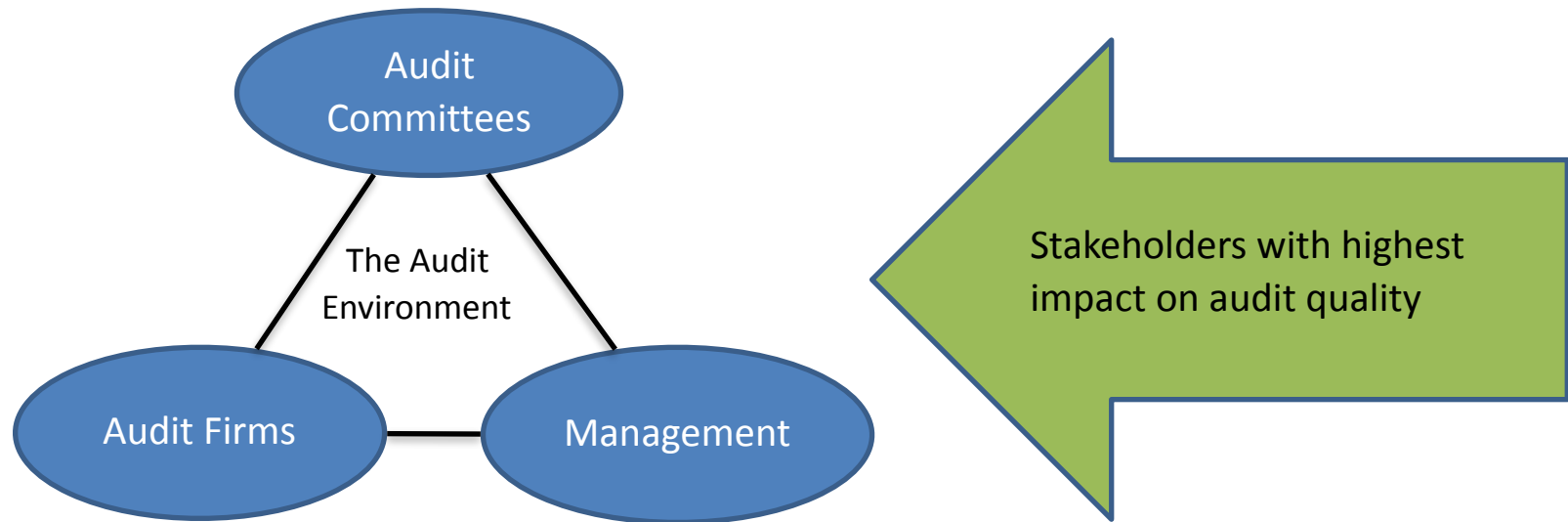
- Introduction to CPAB
  - Inspections
  - Stakeholder Engagement
- Current and emerging issues
  - Bitcoin and Blockchain technology
  - The Cannabis Industry in Canada
  - The Expanded Auditor's Report and changes in auditing standards
- Questions?

- Inspections
- Stakeholder Engagement
  - Audit Quality Indicators Pilot and meetings with Audit Committees
  - Industry and other forums
- Interactions with other organizations such as the Provincial Securities Commissions and the Auditing and Assurance Standards Board (AASB).
- To promote audit quality, protect stakeholders and advance developments in global audit regulation, we engage with our international counterparts and continue to be active in IFIAR.

# Where we work



# Who we engage with



Creates a “Pull Factor” by Audit Committees to embed Audit Quality early into the process.



# Current and Emerging Issues

In the current environment, there is more pressure on auditors to understand the risks facing companies while also maintaining focus on audit quality. In light of these current trends, driven by the development of certain technologies and new markets, CPAB has included the following topics for today's discussion:

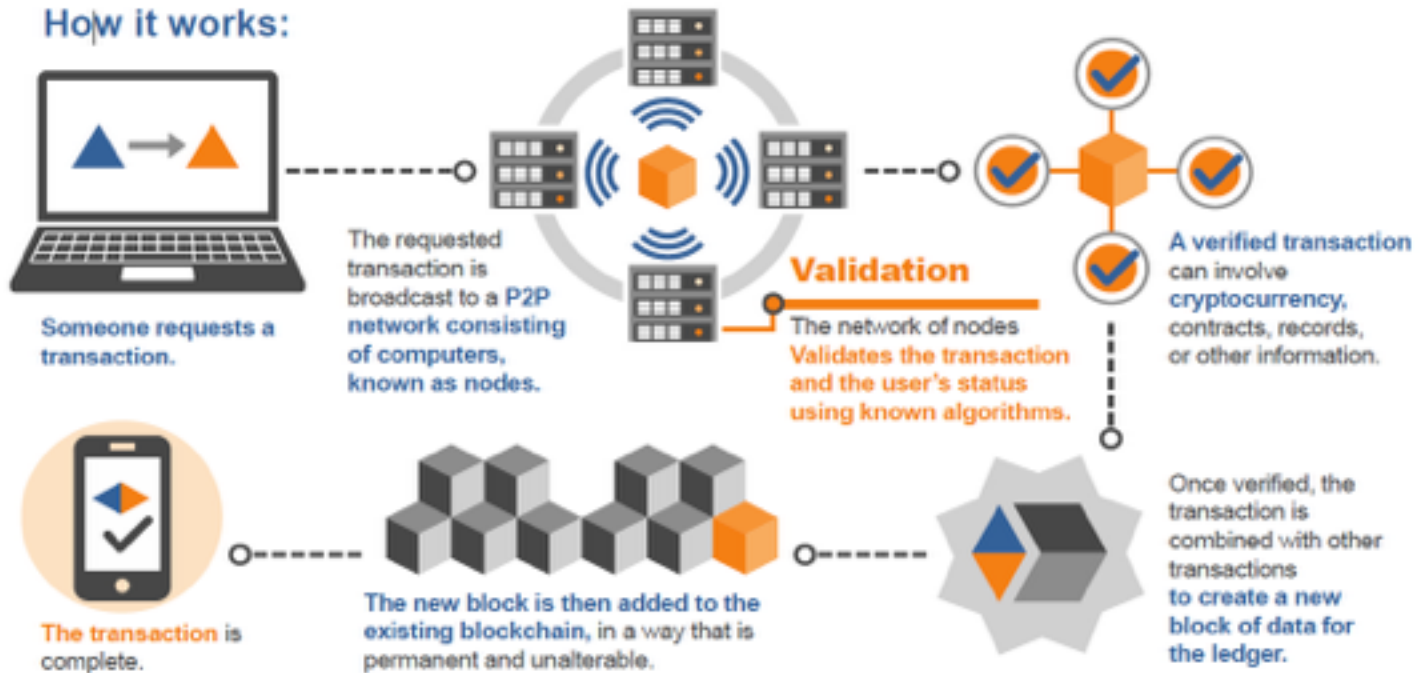
- Bitcoin and Blockchain technology
- The Cannabis Industry in Canada
- The Expanded Auditor's Report and changes in auditing standards

# What is Bitcoin and Blockchain?

- Bitcoin is a “peer-to-peer electronic payment system”, that allows for online payments [to move] from one party to another without going through a financial institution.” **That is making digital transactions possible without a “trusted intermediary.”**
- Bitcoin uses **distributed ledger technology and adds a consensus layer on top — the blockchain.** Blockchain is a technology that creates a database that’s distributed across the internet but can only be accessed by users with heavily encrypted and secure keys.
- Blockchain technology offers a way for **untrusted parties to reach agreement on a common digital history.** This is important because digital assets and transactions can be easily faked and/or duplicated. Blockchain technology attempts to solve this problem without using a trusted intermediary.

# Understanding the Bitcoin Transaction

(Source: World Energy Council White Paper Version 1.0- Developing the Role of Blockchain)





# Bitcoin and Blockchain Technology

## Potential Audit and Preparer Considerations

- **Automated controls:** Auditors are required to assess whether effective controls exist in the security of the underlying environment to validate transactions before they are executed.
- **Existence and occurrence:** Auditors would be required to assess whether loss mitigation and effective disaster recovery including back up procedures exist in the event of phishing attacks, which could present a fraud risk.
- **Safeguard of assets:** Auditors would be required to understand the physical and logical access controls in place to verify the users and the security of their cryptographic keys in managing their identities.
- All of the above is heavily reliant on IT



# The Cannabis Industry in Canada

## History and Timeline

### June 2013

- The Canadian Government enacted the Marijuana for Medical Purposes Regulations (MMPR) which govern the production, distribution and use of medical marijuana in Canada. These regulations became substantially effective on April 1, 2014.

### June 2015

- The Supreme Court of Canada expanded the definition of medical cannabis to include any form of the drug, including but not limited to brownies, teas, or oils.

### April 2017

- A bill to legalize cannabis by July 1, 2018 was introduced to Parliament. It would allow for national use by individuals 18 and over, and possession of 30 grams. Provinces could further restrict possession, sale and use. Provisions were not made for legal sales.



# The Cannabis Industry in Canada

## Potential Audit and Preparer Considerations

- **Independence and ethical requirements:** Auditors would be required to understand the varying laws and regulations, which will help drive the risk rating and assessment of the entities and their operations.
- **Safeguard of assets:** Auditors will be required to assess the controls in place to safeguard assets from unauthorised personnel, embezzlement and accidents (e.g. fires).
- **Estimates:** Auditors will be required to understand and evaluate the estimates used in determining the value of the assets in the financial statements; such as yield percentage, wastage and age of plants.
- **Use of specialists:** Specialists may need to be engaged to verify the existence and valuation of the cannabis assets as required under the relevant auditing and accounting guidelines.

# Expanded Auditor's Report and changes in auditing standards

There are several auditing standards which have changed with effective dates beginning December 15, 2018 and earlier application permitted. Some of the more significant changes are as follows:

- **CAS 700**, Forming an Opinion and Reporting on Financial Statements, deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the **form and content** of the auditor's report issued as a result of an audit of financial statements.
- **CAS 701**, Communicating Key Audit Matters in the Independent Auditor's Report deals with the auditor's responsibility to **communicate key audit matters** in the auditor's report.

**For a full list of standards and its changes, please visit the AASB's website.**



# Disclaimer

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Thank You