



Waiver of Going Concern - Impact on Audit Report

Article 38-quater of Law No. 77, paragraph 2, provides that "When preparing the financial statements for the year ending 31 December 2020, the evaluation of the items and the prospect of the company's continuation may in any case be carried out on the basis of the results of the last financial statements closed on or before 23 February 2020. Obviously, without these prerequisites, the company cannot avail itself of this exemption.

All other provisions relating to the information to be provided in the notes to the financial statements and in the report on operations, including those relating to risks and uncertainties arising from subsequent events, are confirmed.

The company that makes use of the waiver of continuity must provide information in the accounting policies pursuant to point 1) of Article 2427 of the Italian Civil Code. In particular, when preparing the financial statements, the company must disclose in the notes to the financial statements any significant uncertainties regarding the company's ability to continue as a going concern for a foreseeable future period of at least twelve months from the balance sheet date. It is important to underline that the adverb "at least" must be interpreted in the logic that the preparer of the financial statements must certainly consider, through a prospective plan, the 12 months but must also take into account the commitments already signed at the end of the financial year but with subsequent expiry dates that will impact the prospective financial statements; furthermore, the notes to the financial statements must represent these circumstances and, as far as possible and reliable, the foreseeable effects that they could have on the company's financial position and income statement.

In March 2021, Assirevi published the research paper No. 240 where guidelines are provided for the preparation of the audit report in cases of activation of the exception to the provisions relating to the going concern perspective provided for by Article 38-quater of DL 34/2020. In this regard, the auditor, in the performance of his duties, may be faced with a number of circumstances, such as:

- the choice made by the directors to avail themselves of the exemption, having assessed that in the previous year the valuation of the items had been carried out with a view to continuity, in application of paragraph 21 and/or 22 of OIC 11 as well as of Article 7 of the "liquidity" decree
- the updating of the directors' assessment of the appropriateness of the going concern assumption, through the analysis of indicators of continuity, such as, for example, the analysis of cash flow, the level of capitalisation and prospective EBITDA, etc.;
- the updating of the directors' assessment of the appropriateness of the going concern assumption.

With reference to the circumstances examined above, the Assirevi document provides examples of audit reports on the use of the going concern exception by Associates.

In particular, it is illustrated that the audit report shall contain a specific paragraph (usually at the same level as the emphasis paragraph), which shall refer to the exception illustrated in the notes to the financial statements.

In addition, a paragraph on "Other matters" is provided, which shall contain and refer to the activities and information that the directors have disclosed in the notes to the financial statements concerning the assessment of going concern, as required by paragraph 10 of Interpretative Document No. 8 of the OIC.

Finally, an example of a qualified opinion is illustrated in the case of deficiencies in the information, when the information is deficient and/or lacks all the relevant information concerning the significant uncertainties about the company's ability to operate as a going concern for a period of at least twelve months; consequently, the notes to the financial statements do not include the directors' assessment of the existence of the going concern assumption as required by the aforementioned paragraph 10.