

ISRE 2410 - Proposed Appendix 2 – Illustrations of Going Concern Sections of Auditor's Reports on Interim Financial Information

This **Agenda Item** sets out draft content for a proposed Appendix to proposed ISRE 2410 (Revised). It is intended to be read in conjunction with **Agenda Items 2-B** and **2-C** and is presented separately for ease of reading.

Appendix 2

(Ref: Para. A150, A150a)

Illustrations of Going Concern Sections of the Independent Auditor's Interim Review Report

- **Illustration 1:** The going concern section of an unmodified auditor's report on interim financial information when the auditor's report on the most recent annual financial statements of the entity included a Material Uncertainty Related to Going Concern section and:
 - The events or conditions that led the auditor to conclude that a material uncertainty existed remain, and
 - Management has identified and adequately disclosed a material uncertainty related to going concern in the interim financial information.
- **Illustration 2:** The going concern section of an unmodified auditor's report on interim financial information when the auditor's report on the most recent annual financial statements of the entity did not include a Material Uncertainty Related to Going Concern section and:
 - Events or conditions have been identified in the interim period that may cast significant doubt on the entity's ability to continue as a going concern, and which have not been alleviated by management's plans.
 - Management has identified and adequately disclosed a material uncertainty related to going concern in the interim financial information.
- **Illustration 3:** The going concern section of an unmodified auditor's report on interim financial information of a publicly traded entity when significant judgments were made by management in concluding at the interim reporting date that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The auditor has determined that management's disclosures are adequate.

Illustration 1

Material Uncertainty Related to Going Concern

Our auditor's report on the Company's audited financial statements as at December 31, 20X0 and for the year then ended included a Material Uncertainty Related to Going Concern section, which referred to Note 4 of those financial statements. Note 4 indicated that *[describe the events or conditions]*.

We draw attention to Note C in the accompanying interim financial information, which indicates that the Company incurred a net loss of xxx during the three-month period ended March 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by xxx. Note C also states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Illustration 2

Material Uncertainty Related to Going Concern

We draw attention to Note C in the accompanying interim financial information, which indicates that *[describe the events or conditions]*. Note C also states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Illustration 3

Going Concern

We draw attention to Note C in the accompanying interim financial information, which describes the uncertainties faced by the Company, the significant judgments made by management in assessing the entity's ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.