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# Going concern guidance for audits

With Academy auditing underway the final piece of the puzzle for most audits are the potential post balance sheet events and the going concern status of the academy.





The concept of going concern is the assertion that the academy can continue operating for at least 12 months beyond the date of signing the financial statements. The assertion must be made by the Trustees of the Academy and assessed by the auditor.

The big issue currently is inflationary pressures and the funding not keeping up with these rising costs.

Whilst the Trustees must assure themselves that the Academy is a going concern evidence must also be presented to the auditors.

This is of course assuming the Academy is a going concern – if it does not have sufficient evidence to support this assertion or if it is known that it cannot or will no longer remain a going concern (for example if it is being transferred to a MAT) the accounts will be prepared on a non-going concern basis.

The auditors will be able to help with this approach to the accounts which will involve inclusion of all items as current assets and liabilities and valued on a recoverable basis.

To prepare for the auditors (and to satisfy Trustees) the following should be prepared:

- Future forecasts for at least 3 years and review of these forecasts.
- This must include cash flow forecasts.
- Retrospective review of prior year forecasts to determine accuracy against actual results.

- Detailed list of assumptions used in preparing the forecasts.
- Guidance on how these forecasts would change, and the Academy's ability to continue as a going concern as a result, due to increased costs, lower pupil numbers etc
- This is known as sensitivity analysis – to check if the Academy can withstand unexpected bumps.
- Other major events or known incidents such as a fire after the year end or loss or theft of assets or an adverse Ofsted rating etc should be assessed.

## The next step

Any problems or worries about this area and what is needed – ask the auditor, or reach out to [Jonathan Antill](#)!

**Let's talk! Send an enquiry to your local UHY expert.**

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