

1 April 2021

To: NHS provider and commissioner organisations Chief Financial Officers /  
Directors of Finance

Dear Colleague,

### **Updated guidance on assessing going concern**

The purpose of this letter is to explain updates to guidance being issued to NHS finance teams this week in a form that can be shared with other stakeholders (for example non executive directors) where an organisation may wish to do.

Local auditors conduct their work with reference to auditing standards which apply to all types of entity. Auditors are required to evaluate management's adoption of the going concern basis and management's assessment of any material uncertainties over that basis that may require disclosure.

The Public Audit Forum issues guidance to auditors on how auditing standards should be applied in the public sector. Its publication 'Practice Note 10'<sup>1</sup> was revised in late 2020. This updated guidance to auditors, approved by the Financial Reporting Council, explains that where the applicable financial reporting framework provides that the anticipated continued provision of services is a sufficient basis for going concern, then this should determine the extent of the auditor's procedures on going concern. This is the case in the NHS, with the DHSC Group Accounting Manual (GAM) and NHS foundation trust annual reporting manual (FT ARM) both based on the HM Treasury Financial Reporting Manual (FReM) where this definition applies.

This means that, for the 2020/21 year end onwards, while management in NHS bodies will still need to document their basis for adopting the going concern basis, this assessment should solely be based on the anticipated future provision of services in the public sector. This means that it is highly unlikely that NHS organisations would have any material uncertainties over going concern to disclose. If you think this applies to your organisation, please contact NHS England and NHS Improvement using the relevant email address in the header to this letter. Updated

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<sup>1</sup> <https://www.public-audit-forum.org.uk> with link to Practice Note 10 document at bottom of page

versions of the DHSC GAM and FT ARM issued this week provide further guidance. This will also mean that auditors' work on going concern is now equally straightforward with limited audit work necessary.

Where organisations are disclosing circumstances of a completed or planned change in organisational form (ie legal demise of an entity and continued provision of services by another entity), this disclosure should be cross-referenced in the statement on going concern.

There are separate requirements relating to financial sustainability as part of auditors' work to evaluate the entity's value for money in its use of resources. The scope of auditors' work in this area has changed from 2020/21. More detail is provided in the National Audit Office (NAO)'s audit code and associated guidance. The DHSC GAM and FT ARM explain the different focus of these two areas of work given the specific definition of going concern in operation in the public sector.

Please ensure your organisation has considered this updated guidance and notes our guidance that disclosures of material uncertainty on going concern are unlikely to be required from this forthcoming year end.

Yours sincerely



Adrian Snarr  
Director of Financial Control