



TRUSTEES' SHORT GUIDE SERIES

Assessing going concern.

A practical guide

October 2026

pem.



Trustees of charities have a responsibility to ensure that the charity is financially sustainable, able to meet its debts as they fall due and has more assets than liabilities. This state is embodied in the term 'Going Concern'.

An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative to do so. Trustees are required to make an assessment of their charity's ability to continue as a going concern when they prepare the accounts.

Assessing going concern

The SORP sets out clear expectations of charity Trustees:

*In making this assessment, a charity's trustees **must** take into account all available information about the future for **at least, but not limited to, 12 months** from the date the accounts are approved.*

*When a charity prepares its accounts on a going concern basis this **must** be disclosed **along with** confirmation that it has considered information about the future...Charities **must** also disclose **any significant judgments** made in assessing the charity's ability to continue as a going concern...where there are no material uncertainties about the charity's ability to continue to report on a going concern basis, this judgment **should** be disclosed.*

*When the trustees are aware, in making their assessment, of **material uncertainties** related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern, the charity **must** disclose those uncertainties. A charity not reporting on a going concern basis **must** disclose that fact, together with the basis on which it prepared the financial statements and the reason why it is not regarded as a going concern.*

(SORP 2026 3.17-19)

The auditor is required to evaluate management's assessment of going concern and report on that within the audit report, evaluation the sufficiency and adequacy of the evidence obtained to support the going concern disclosures and the completeness of those disclosures.

An independent examiner is required to check that trustees have considered the financial circumstances of the charity and for those preparing accruals accounts that trustees have made an assessment of going concern. An independent examiner is not required to report directly on going concern in their report, but may do so if they consider it necessary in their professional judgment. The key actions to guide charities through the process are set out below. The amount of detail required at each step will depend on the individual charity circumstances.

- Communicate to the board of Trustees/Directors the concept of going concern and the commitment that is being made when the accounts are approved
- Prepare an initial paper setting out details of your assessment
- Conclude on the basis of going concern
- Prepare financial statements disclosures
- Submit the paper to your auditor/independent examiner for review and comment
- Provide any supporting evidence to your auditor/independent examiner as requested
- Approve the specific representation within the letter of representation on going concern
- Review your auditor/independent examiner's opinion.

The Charity Commission provides tools as part of its [Trustee Finance Toolkit](https://www.charitycommission.gov.uk/trustee-finance-toolkit) to help charities assess and strengthen their financial resilience.



Management's assessment

Management's assessment for most charities may be expected to take the form of a board paper for trustees' review.

The assessment should include an explanation of the process and the reasons for the resulting conclusion, including:

- Who has prepared and reviewed the assessment
- The period considered
- The reports considered
- The significant judgments and assumptions made
- 'What if' scenarios or other sensitivity analysis
- Uncertainties and material uncertainties.

Supporting documentation that trustees, auditors and independent examiners should expect, includes:

- Latest available management accounts
- Budgets and forecasts (including cash flow forecasts) covering a period of at least 12 months from the date of approval of the financial statements
- Supporting workings for any key assumptions that may have been made in the forecasts
- Copies of minutes of board meetings at which either going concern, future revenue streams and budgeting or the financing of the entity is discussed
- Any other relevant documentation referenced to in the going concern assessment.

Judgements and assumptions will need to be made about the future. Trustees should expect a commentary to be included in the assessment highlighting the key assumptions impacting the forecast figures.

Some elements of a forecast may be known, such as lease payments, employee pay rises, signed grant/contract income. Other elements of a forecast may be 'best guess' at the time of drafting, such as income from a fundraising campaign not yet started, or the costs of dilapidations or other liabilities. There are some income and costs that will fall between these extremes, that management will be able to predict more securely based on past behaviour or other indicators, such as membership income or repeated project delivery costs. Therefore it is important to make clear in the forecast the risk of not receiving income and the flexibility and certainty around costs, which costs are fixed costs and what could be delayed or avoided or have an unknown element.



Understanding the risks and considering **‘what if’ scenarios** helps demonstrate that the assessment is robust and the impact of the assumptions have been fully considered. Methods include:

- **Sensitivity analysis** – this involves measuring the impact on forecasts of changing individual assumptions (for example, the impact of a grant being delayed, a contract value not increasing as expected, membership retention being less than expected)
- **Stress tests** – this involves identifying adverse scenarios and understanding their effects on the entity (for example what if: No unrestricted funds could be raised? A major donor pulls out? The quality of services falls damaging reputation? Debt covenants are broken? Finance facilities are not available?)
- **Scenario analysis** – this involves identifying multiple and potentially more complex scenarios and understanding the outcome if multiple factors change at the same time
- **Reverse stress test** – this is a stress test that starts from a situation where the business would fail and identifying what one or more scenarios in which this could occur and assessing the likelihood of those scenarios.

The testing of the assumptions should help trustees identify whether there are any material uncertainties, that is those uncertainties which could cause the charity to fail, or at least cause significant doubt on its ability to continue. These are likely to form part of the charity’s stress testing as highlighted above and may include:

- Breach of bank covenant or risk over future support
- Significant funding stream renewal or re-tender
- Continued operational / unrestricted deficits
- Onerous loan financing
- Charity Commission or other regulatory investigation.



Next steps

Trustees should agree with management the plan for making an assessment of going concern. The timing, process and responsibilities should be clearly assigned. The timing is likely to depend on when information is available in the financial cycle and when the accounts are to be signed. The assessment must look forward at least 12 months from the date the accounts are to be signed rather than to the following year end, therefore more than the annual budget will be required.

Trustees should make sure that they have the opportunity to challenge the assumptions and judgments prior to the auditor/independent examiner review.

Resources

- [PEM guide to management accounts](#)
- [PEM guide to reserves](#)

Charity Commission

- [Building Financial Resilience](#)
- [Trustee Finance Toolkit - Advice and guidance for charity trustees](#)
- [Improving your charity’s finances \(CC12\) - GOV.UK](#)
- [Charity reserves: building resilience \(CC19\) - GOV.UK](#)

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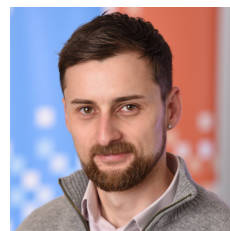
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