

Impact of the Delayed 2020-21 NSW State Budget on the Consideration of Going Concern

Background

This guidance provides Treasury's views on the impact of the deferral of the 2020-21 NSW State Budget, and the related Appropriations Bill on the appropriateness of adopting the going concern concept in preparing agency financial reports.

In accordance with AASB 101 *Presentation of Financial Statements* (AASB 101), agencies are required to assess their ability to continue as a going concern [AASB 101.25]. Where the agency is aware, in making its assessment, of material uncertainties related to events or conditions that may cast doubt on its ability to continue as a going concern, then the agency is required to disclose those uncertainties in its financial statements.

Discussion

In assessing whether the going concern assumption is appropriate, agencies are required to consider all available information about possible future events beyond the financial reporting period (up to 12 months following the reporting period). This includes consideration of potential sources of funding. In certain circumstances, this could include management obtaining letters of financial support.

It is Treasury's view that the delay of the 2020-21 Budget and Appropriation funding, on its own, does not change an agency's ability to continue as a going concern and therefore would not require a letter of financial support. This is based on the ability of the Treasurer to authorise payment of sums out of the Consolidated Fund (up to the equivalent to 75% of the 2019-20 amount appropriated – adjusted for consumer prices) to meet the requirements of the annual reporting period under s.4.10 of the GSF Act (as modified by clause 6 of Schedule 2 of the GSF Act). Additionally, the COVID-19 Legislation Amendment (Emergency Measures – Treasurer) Act 2020 (effective 14 May 2020) provides a contingency to ensure funding is available for agencies to meet any exigencies of Government until the Budget is tabled if a supply bill is not tabled in Parliament (see clause 7 of Schedule 2 and section 4.13 of the GSF Act).

Disclosure requirements for FY2019-20

While funding implications arising from the delay of the 2020-21 Budget are not considered by Treasury to give rise to material uncertainty requiring disclosure in the going concern note, it is recommended that an appropriate disclosure is included in agencies' financial reports. This disclosure should outline the process of replacement funding obtained by agencies during the period.

The following form of disclosure is recommended for inclusion in the Appropriations note (Note 3(a)) within the Financial Reporting Code 2019-20.

The *Department/Agency* receives its funding under appropriations from the *Consolidated Fund / grant funding received from Department X which receives appropriations from the Consolidated Fund*. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in *November/December 2020*. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.