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# **Basis for Conclusions** ***ASA 570 Going Concern and ASA 2025-4*** ***Amendments to Australian Auditing*** ***Standards***

Prepared by the **Auditing and Assurance Standards Board**



**Australian Government**

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**Auditing and Assurance Standards Board**

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### **Contact Details**

Auditing and Assurance Standards Board  
Phone: (03) 8080 7400  
E-mail: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)

### **Postal Address:**

PO Box 204, Collins Street West  
Melbourne Victoria 8007  
AUSTRALIA

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**Basis for Conclusions ASA 570 *Going Concern* and ASA 2025-4 *Amendments to Australian Auditing Standards***

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Basis for Conclusions ASA 570 *Going Concern* and ASA 2025-4 *Amendments to Australian Auditing Standards* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the standards by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 570 or ASA 2025-4.

No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

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## **BASIS FOR CONCLUSIONS**

### **ASA 570 Going Concern and ASA 2025-4 Amendments to Australian Auditing Standards**

#### **Background**

1. In accordance with its mandates under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus.
2. The AUASB has issued ASA 570. ASA 570 is consistent with ISA 570 (Revised 2024), *Going Concern*, issued by the IAASB in April 2025. Refer paragraphs 10-11 of this Basis of Conclusions document for further detail on the compelling reason amendments.
3. In March 2022, the IAASB approved a project proposal to undertake certain targeted actions to revise extant ISA 570 (Revised). The project objectives that support the public interest included enhancing or clarifying extant ISA 570 (Revised) to:
  - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
  - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
  - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
4. The IAASB released an exposure draft of proposed revised ISA 570 in April 2023 and in May 2023 the AUASB exposed the IAASB exposure draft to gather feedback from Australian stakeholders to inform its submission to the IAASB. Comments letters from stakeholders are available on the AUASB website.
5. The AUASB also sought input by hosting a series of virtual roundtable meeting with stakeholders representing assurance providers from medium and large audit firms, the public sector and the professional accounting bodies across Australia.
6. The comment period closed on 14 August 2023. The AUASB received written comment letters from:
  - [Nexia Australia](#)
  - [Pitcher Partners](#)
  - [Chartered Accountants Australia and New Zealand](#)
  - [CPA Australia](#)
  - [Deloitte Touche Tohmatsu Australia](#)

- [Ernst & Young Australia](#)
7. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in August 2023.
  8. The AUASB monitored the development of ISA 570 to ensure that the AUASB's issues raised were appropriately addressed. Further details regarding the development of ISA 570 and how the IAASB addressed feedback on their exposure draft can be found in the [ISA 570 Basis for Conclusions](#) on the IAASB's website.

### **Substantive Comments raised by Australian Respondents on Exposure**

9. The AUASB received feedback from respondents on the Australian exposure of ISA 570 with the substantive comments included in the submission to the IAASB relating to:
  - (a) Financial reporting requirements;
  - (b) Evaluation of management's assessment of going concern; and
  - (c) Enhanced transparency in the auditor's report.

The AUASB included these matters in its submission to the IAASB. The Appendix details substantive feedback received from Australian stakeholders and how those matters have been addressed in the final ISA 570.

#### *Compelling reasons assessment*

10. The adoption of international standards and any changes to adopted standards are governed by the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate "compelling reasons" tests which must be met to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
11. The AUASB has made the following compelling reason amendments upon adoption of ISA 570 in Australia as ASA 570:
  - (a) Including a diagram of the auditor's decision-making process for going concern, extracted from the IAASB's Basis for Conclusions of the revised ISA. The AUASB decided to include an updated version of the going concern diagram in extant ASA 570 as an appendix to ASA 570. This diagram provides a useful summary for auditors on the overall application of the standard.
  - (b) Removing the optional sub-heading "No material uncertainty exists" included within the example auditor's reports as it was considered that this may lead to inconsistencies in practice and confusion in the market.
  - (c) Amending the example auditor's reports for *Corporations Act 2001* requirements..
12. The revised ASA 570 includes a reminder paragraph carried over from extant ASA 570 that the opinion by the auditor of a *Corporations Act 2001* financial report covers the solvency statement made by the directors in the director's declaration that forms part of the financial report.

*Early Adoption*

13. Because of the potential confusion for users of auditors' reports for the same or similar periods within the marketplace lack consistency, the AUASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects should preferably be early adopted as a package, rather than on a piecemeal basis.

**Conclusion**

14. The AUASB voted to approve and issue ASA 570 and ASA 2025-4 on 14 May 2025.
15. In reaching its conclusions the AUASB considered:
- (a) all stakeholder feedback;
  - (b) the IAASB's due process and consideration as to whether ISA 570 should be re-exposed; and
  - (c) whether the amendments made to ISA 570 by the IAASB since exposure:
    - (i) were in response to submissions from stakeholders on the exposure draft,
    - (ii) have not changed the fundamental approach and principles on which the standard is based, and
    - (iii) did not require the re-exposure of the standard.

\* \* \*

**Appendix**

**How the substantive comments raised in the AUASB submission to the IAASB have been addressed in the final ISA 570**

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
1	<p><i>Changes to IFRS accounting standards</i> The AUASB recommended that the IAASB continue to liaise with the IASB on amendments to IFRS accounting standards to cover financial report disclosures currently deriving from extant ISA 570/ASA 570.</p>	<p><i>Lack of action by IASB is not an impediment to continuing the existing requirements.</i> The IAASB has encouraged the IASB to amend its standards. In the absence of change, the IAASB and AUASB sought to work within the confines of the existing accounting standards requirements.</p>
2	<p><i>Evaluating management’s assessment</i> The requirements in ED-570 should articulate the extent of work effort required by the auditor in circumstances where the entity has not prepared a detailed assessment of going concern, and in instances where the entity is clearly a going concern. Specific substantive comments included:</p> <ul style="list-style-type: none"> <li>○ The requirement for the auditor to design and perform audit procedures in all circumstances may be seen as inconsistent with ISA 315 <i>Identifying and Assessing the Risks of Material Misstatement</i>.</li> <li>○ In circumstances where the auditor (and TCWG) has not identified any events or conditions that may cast significant doubt, the auditor should be able to use their professional judgment to determine the extent of work required.</li> </ul>	<p><i>Recommendations have substantively been addressed by the IAASB.</i> A clarification that an evaluation of management’s assessment is always required but application material recognises that the nature, timing and extent of work is appropriate to the circumstances of an engagement – paragraph 17 and A35. Paragraph 19 (the work effort paragraph around evaluating management’s assessment) has been amended as follows:</p> <ul style="list-style-type: none"> <li>○ To clarify that the nature and extent of the auditor’s procedures is proportionate to the results of risk assessment procedures.</li> <li>○ The requirement for assumptions now includes an evaluation only for <i>significant</i> assumptions.</li> <li>○ Scalability examples are included at application material A46.</li> </ul> <p>As it relates to management NOT performing an assessment, the final ISA 570 clarifies that it is a requirement for the auditor to request management to make an assessment. Application material A33 has been included to support the requirement by explaining that a lack of assessment may be a limitation on the audit evidence the auditor is able to obtain. The IAASB confirmed in its deliberations that management’s assessment is fundamental to support management’s assertion (whether explicit or implicit) that it is appropriate to prepare the financial statements using the going concern basis of accounting.</p>

**Basis for Conclusions ASA 570 Going Concern and ASA 2025-4 Amendments to Australian Auditing Standards**

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
3	<p><i>Definition - Material Uncertainty</i></p> <p>Recommended revising the definition of ‘Material Uncertainty (Related to Going Concern)’ (MURGC) by:</p> <ul style="list-style-type: none"> <li>○ Removing reference to ‘disclosures’ – conclusion around material uncertainty preceded consideration of adequacy of disclosures.</li> <li>○ Including reference to the auditor’s evaluation of management’s plans for future actions.</li> <li>○ Moving application material explaining ‘may cast significant doubt’ to the definition.</li> </ul>	<p><i>These recommendations have all been addressed by the IAASB in the revised definition.</i></p> <p>The revised MURGC definition no longer refers to ‘disclosures’. It now includes a reference to management’s plans for future actions and explains the term ‘may cast significant doubt’:</p> <p><i>Material Uncertainty (Related to Going Concern)—An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. “May cast significant doubt” is used to refer to circumstances where the magnitude of the potential impact and likelihood of occurrence of the identified events or conditions are such that, unless management’s plans for future actions mitigate their effects, the entity may be unable to realize its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.</i></p>
4	<p><i>Management’s plans for future action</i></p> <p>The AUASB supported the requirements in relation to future action, but encouraged further application material to assist auditors on:</p> <ul style="list-style-type: none"> <li>○ Gathering audit evidence on management’s intent and ability where there is insufficient documentation and detailed plans</li> <li>○ The nature of work and the resulting impact when written confirmations from third parties cannot be obtained</li> <li>○ Procedures that may be performed when information provided by third parties is for periods shorter than the auditor’s going concern assessment period</li> </ul>	<p><i>This point has been partly addressed by the IAASB. The AUASB submission encouraged additional guidance, rather than raising concern with the requirements themselves.</i></p> <p>There is no requirement to obtain written evidence about intent, recognising differences across jurisdictions in terms of the legality and enforceability of such written confirmations. Instead, there is application material included in paragraphs A63, A65 and A97 to address the range of considerations relevant to requesting written evidence from supporting parties about their intent to provide or maintain the necessary financial support.</p> <p>To aid practice, paragraph A48 has been expanded to recognise that the nature and extent of the audit evidence to be obtained about management’s ability and intent is a matter of professional judgment based on the nature and the circumstances of the entity and the engagement.</p>
5.1	<p><i>Transparency in the auditor’s report Heading</i></p> <p>The heading of the section of the auditor’s report on going concern should clearly indicate where there are issues in relation to going concern to assist users of the financial statements.</p>	<p><i>This recommendation has been addressed by the IAASB.</i></p> <p>Example reports included in ISA 570 indicate where there is no MURGC:</p> <ul style="list-style-type: none"> <li>○ a heading ‘Going Concern’ (consistent with paragraph 34 of ISA 570) with a subheading (this subheading is not required, it is optional) ‘No Material Uncertainty Related to Going Concern’</li> </ul> <p>Example reports included in ISA 570 indicate where there is a MURGC:</p>

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		<ul style="list-style-type: none"> <li>○ a heading ‘Material Uncertainty Related to Going Concern’ (consistent with paragraph 35 of ISA 570)</li> </ul>
5.2	<p><i>Explicit statement</i></p> <p>Ensure that the proposed explicit statement is not misinterpreted as a separate opinion on going concern and as guaranteeing the future viability of the entity.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>Paragraph 34 of ISA 570 has been amended to recognise that the explicit statement is in the context of the financial report as a whole and that the conclusions are not a guarantee as to the entity’s ability to continue as a going concern.</p>
5.3	<p><i>Accounting Standards – disclosures</i></p> <p>The Accounting Standards do not include a specific requirement to disclose events or conditions that cast significant doubt on the entity’s ability to continue as a going concern unless management’s conclusions involve significant judgment.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>The IAASB discussed that while ‘close call’ situations remain undefined by the IFRS Accounting Standards, <a href="#">education material</a> issued by the IFRS Foundation in January 2021 clarifies circumstances which constitute a ‘close call’ situation (i.e., when significant judgments are made by management in concluding that there is no material uncertainty). The educational material also refers to a 2014 IASB Interpretations Committee Agenda Decision that explains when significant judgments are made by management in concluding that there is no material uncertainty, paragraph 122 of IAS 1 would apply and require disclosures from management in the financial statements of those significant judgments.</p> <p>The IAASB leveraged this guidance to clarify the threshold that triggers the additional communication about going concern for audits of listed entities when no material uncertainty exists. The IAASB replaced the threshold ‘events or conditions’ with ‘significant management judgments.’[paragraph 34(b)]</p> <p>Paragraph A1 of ISA 570 now links to ISA 701 recognising that significant judgments were made by management in concluding 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, are by their nature KAMs.</p>
5.4	<p><i>Differential reporting</i></p> <p>On balance, the proposed explicit statement about the auditor’s conclusions on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty has been identified should apply to all audits of financial statements, not just listed entities. If this requirement is not extended beyond listed entities, then the standard should explicitly encourage voluntary application.</p>	<p><i>This matter has not been addressed by the IAASB.</i></p> <p><i>The comment in the AUASB submission was on an ‘on balance’ basis. The Office of the AUASB does not consider this matter to be reason enough not to adopt ISA 570 in Australia, particularly as the performance obligations of ISA 570 are for all engagements, the differential requirements are for reporting only. The Office of the AUASB also does not consider that it is necessary to make a specific Australian amendment on the basis that an auditor can always elect to disclose more within the auditor’s report than required by the Auditing Standards. Any such expansion would put a more onerous burden on Australian auditors</i></p>

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No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
		<p><i>compared to other jurisdictions, leading to inconsistencies with global expectations.</i></p> <p>The IAASB did consider this matter, however, in the interests of scalability and as supported generally by stakeholders, the IAASB did not extend this requirement to all entities. An expansion of differential reporting to PIEs will be considered at later stage as part of a revisit to the PIE Track 2 project.</p>
5.5	<p><i>Linkage with ISA 701</i></p> <p>Paragraph A1 of ED-570 and changes to ISA 700 will clarify that for listed entities, the going concern section of the auditor’s report, and not a key audit matter, should cover instances where events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but the auditor concludes that no material uncertainty exists. Paragraph 15 of ISA 701 should also be revised to clarify that communicating a key audit matter in the auditor’s report is not a substitute for reporting in accordance with ED-570.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>Consequential amendments to paragraph 15 of ISA 701 clarify this position:</p> <p><u>‘The following are, by their nature, key audit matters: Aa matter giving rise to a modified opinion in accordance with ISA 705 (Revised) , or, in accordance with ISA 570 (Revised 2024) or, a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern or when significant judgments were made by management in concluding that there is no material uncertainty.</u>in accordance with ISA 570 (Revised), are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor’s report and the requirements in paragraphs 13–14 do not apply. Rather, the auditor shall:</p> <p>(a) Report on these matter(s) in accordance with the applicable ISA(s); and</p> <p>(b) Include a reference to the Basis for Qualified (Adverse) Opinion, or the Material Uncertainty Related to Going Concern <u>or the Going Concern</u> section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)’</p>