

Proposed ISA 220 (Revised) – Draft Illustrative Example

This publication has been prepared by a Task Force of the International Auditing and Assurance Standards Board (IAASB) based on proposed International Standard on Auditing (ISA) 220, *Quality Management for an Audit of Financial Statements* (as presented in **Agenda Item 2-B**). It is intended to illustrate how ISA 220 can be applied in a scalable manner for audits of entities whose nature and circumstances are larger or more complex. The scenario described in this publication is hypothetical and has been simplified to illustrate key principles of applying the standard. The guidance in this publication is not exhaustive. It addresses application of certain elements of proposed ISA 220 (Revised) to the audit of a multi-location single entity and is provided for illustrative purposes only. It does not address the application of other ISAs (e.g. ISA 230,¹ ISA 315 (Revised 2019),² ISA 330,³ ISA 540 (Revised)⁴) unless otherwise indicated.

This publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading the publication is not a substitute for reading the ISAs. In conducting an audit in accordance with ISAs, auditors are required to comply with all the ISAs that are relevant to the engagement.

The Entity

Entity A is a publicly listed single entity that operates an online grocery delivery service based in Country N. It has four warehouses in Country N and one warehouse in each of Countries O and P.

Entity A developed and uses a fully automated proprietary supply chain management system, including Radio Frequency Identification (RFID) for inventory tracking and monitoring. The customer interface, order fulfilment, and delivery are all interlinked, with advanced analytics optimizing the whole process.

Entity A has revenues of \$1.5 billion, inventories of \$43 million, property, plant and equipment (PPE) of \$556 million, \$150 million in intangibles (proprietary system), 13,000 employees.

Entity A has 2,000 suppliers spanning large and small local and offshore companies. Entity A has developed partnerships with a number of its suppliers who use Entity A's online supply chain management system and uses suppliers from Country N, Country O and Country P.

Entity A uses a centralized financial management and reporting system.

¹ ISA 230, *Audit Documentation*

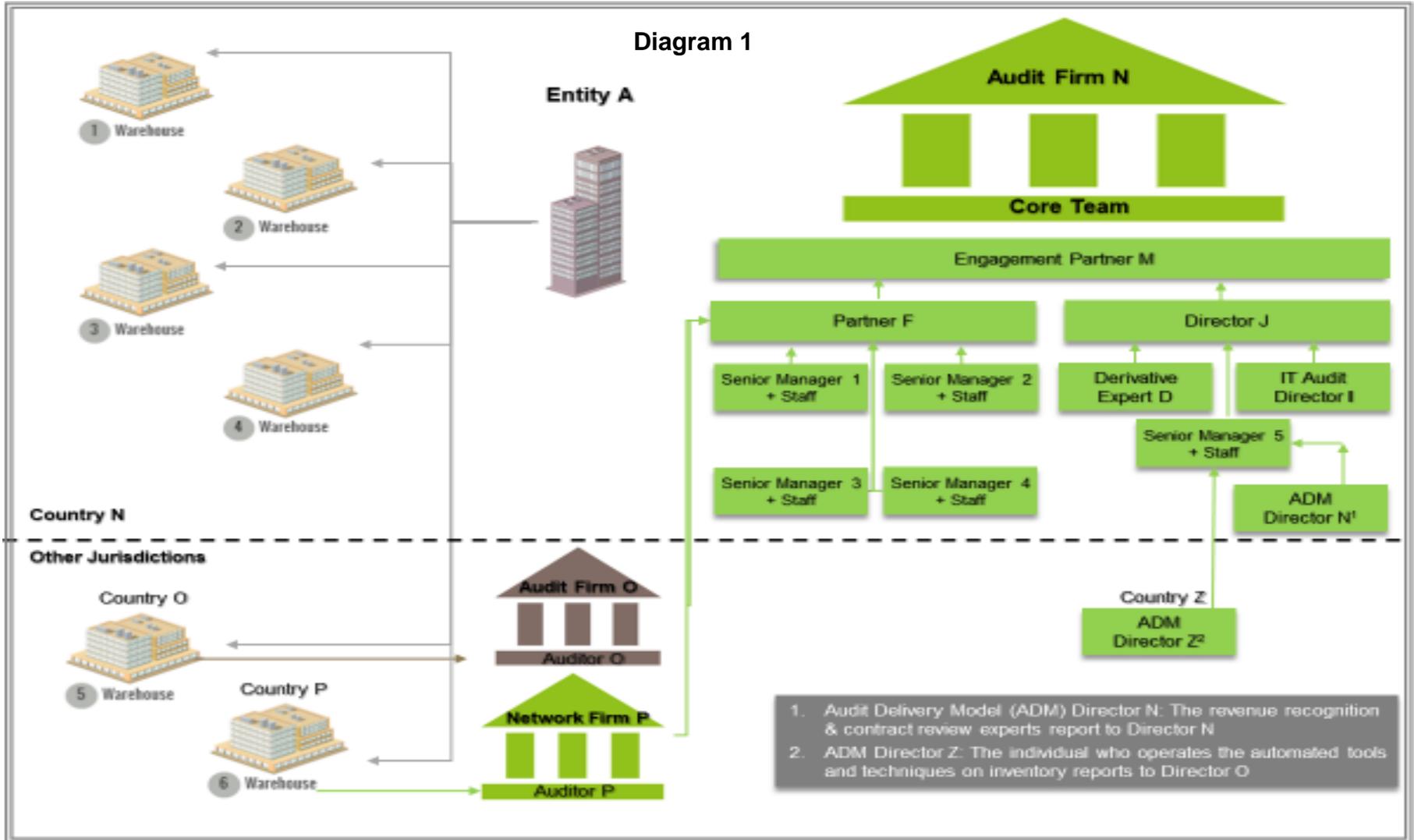
² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ ISA 330, *The Auditor's Responses to Assessed Risks*

⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

The Audit

The following diagram shows the organization of the engagement team for the audit of Entity A described in Table 1.



Notes:

1. Senior Manager 1 is responsible for the direction and supervision of the engagement team members who perform audit procedures in respect of Warehouse 1. (Likewise for Senior Manager 2, Senior Manager 3 and Senior Manager 4 in respect of Warehouse 2, Warehouse 3 and Warehouse 4 respectively).
2. Because of the size of the engagement team, a project manager has been assigned. The project manager is not a member of the engagement team in accordance with paragraph 12(d) of proposed ISA 220 (Revised), because that individual does not perform audit procedures. Accordingly, the project manager is not shown in Diagram 1.
3. In addition, the audit of Entity A is required to have an engagement quality review in accordance with Audit Firm N's policies for listed entities. In accordance with paragraph A21 of proposed ISA 220 (Revised) and paragraph 7 of proposed ISQM 2, *Engagement Quality Reviews*, the engagement quality reviewer is not a member of the engagement team, and therefore is not shown in Diagram 1.

Table 1 describes an approach the engagement team might choose to address certain of the requirements in proposed ISA 220 (Revised) in relation to the audit of Entity A.

Table 1 – Proposed ISA 220 (Revised) Requirements and Application Material Addressed in the Example⁵

Relevant Facts and Considerations	How the Engagement Team Might Address the Requirements
Engagement Team (paragraph 12(d))	
<p>Partner M, the engagement partner performed the previous year's audit of Entity A.</p> <p>(See Engagement Resources for a description of the resources initially assigned and the actions the engagement partner took to obtain the appropriate resources for the nature and circumstances of the engagement).</p> <p>The resources ultimately assigned/made available by the firm for the audit of Entity A are described below.</p> <p>The engagement partner is assigned a project manager.</p>	<p>All individuals who report to Director J and Partner F are members of the engagement team as defined under paragraphs 12(d) and A16–A22 of proposed ISA 220 (Revised), <u>except for</u> the individual who is performing project management.</p>
<p>The individuals reporting directly to Partner M are:</p> <ul style="list-style-type: none"> • Director J 	<p>Once the engagement partner has determined that sufficient and appropriate resources have been assigned or made available to the engagement team in</p>

⁵ The example follows the order of the requirements in proposed ISA 220 (Revised), and therefore may not reflect the order an engagement partner may make certain decisions during the course of an audit. For example, the engagement partner (Partner M) assigns the design and performance of procedures, tasks and actions in accordance with paragraph 15 of proposed ISA 220 (Revised), once the resources assigned to the engagement team have been agreed and confirmed in accordance with paragraph 25 of proposed ISA 220 (Revised).

<ul style="list-style-type: none"> • Partner F • Project Manager 	<p>accordance with paragraph 25 of proposed ISA 220 (Revised). Partner M assigns the design or performance of procedures, tasks or actions related to requirements in ISA 220 to:</p> <ul style="list-style-type: none"> • Director J and • Partner F <p>in accordance with paragraphs 15 and A38 of proposed ISA 220 (Revised).</p> <p>Partner M, Director J and Partner F liaise with the firm-assigned project manager, who is responsible for managing the budget and monitoring the progress of the audit against the audit plan.</p>
<p>The individuals reporting to Director J comprise:</p> <ul style="list-style-type: none"> • An in-firm IT Team supervised by a Director (Director I), who assists the engagement team in documenting and testing the internal controls over the firm’s systems. • An in-firm derivatives expert (Expert D), who performs audit procedures related to valuation of the derivatives. • Senior Manager 5 is responsible for individuals performing audit procedures at Entity A and at the two in-firm service delivery models (“SDM”): <ul style="list-style-type: none"> ○ Individuals at the SDM in Country N performing expert audit services for revenue recognition, under the supervision of Director N. ○ An individual at the SDM in Country Z runs the firm’s automated tool for various inventory analytical procedures based on information provided by Entity A, under supervision of Director Z. The reliability of the entity-provided information was tested by the engagement team’s tests of controls over its preparation. The output from the automated tool is analyzed by Senior Manager 5. <p>Back to Direction, Supervision and Review</p>	<p>As noted above, the individuals reporting to Director J are members of the engagement team under paragraph 12(d) of proposed ISA 220 (Revised), as they are performing audit procedures as described in paragraphs A16–A22 of proposed ISA 220 (Revised).</p>
<p>The individuals reporting to Partner F comprise:</p> <ul style="list-style-type: none"> • Auditor O, an individual from a non-network firm performing audit procedures related to inventory at Warehouse 5 in Country O. • Auditor P, an individual from a network firm performing audit procedures related to inventory at Warehouse 6 in Country P. 	<p>As noted above, the individuals reporting to Partner F are members of the engagement team under paragraph 12(d) of proposed ISA 220 (Revised), as they are performing audit procedures as described in paragraphs A16–A22 the standard.</p>

<ul style="list-style-type: none"> • Senior Managers 1 to 4, responsible for teams performing audit procedures at Warehouses 1 to 4 respectively. <p>Back to Direction, Supervision and Review</p>	
<p>Entity A is a listed entity and therefore subject to an engagement quality reviewer (EQR) under ISQM 2.</p> <p>The firm assigns an engagement quality reviewer to the audit.</p>	<p>In accordance with paragraph A21 of proposed ISA 220 (Revised) and paragraph 7 of proposed ISQM 2, <i>Engagement Quality Reviews</i>, the engagement quality reviewer is not a member of the engagement team.</p>
Leadership Responsibilities (paragraphs 13–15)	
Overall Responsibility for Managing and Achieving Audit Quality (paragraph 13)	
<p>The firm’s quality objectives that address the firm’s culture, decision-making process, actions, organizational structure and leadership highlight that the firm’s strategy aims to build a culture based on audit quality, noting in their transparency report: <i>“Audit Firm M has established a culture where high-quality engagements are the expectation.”</i></p> <p>The firm’s policies and procedures require that an engagement partner communicate the firm’s values directly to the engagement team and reinforce the communication by their personal conduct and actions.</p> <p>It also requires that engagement team members who have been assigned procedures, tasks or actions to assist the engagement partner in reinforcing the firm’s values by demonstrating expected behaviors when performing the engagement, including through directing and supervising their assignees and reviewing their assignees’ work.</p> <p>The firm and its network share a common culture.</p>	<p>Partner M accepts, under paragraph 13 of proposed ISA 220 (Revised), overall responsibility for managing and achieving quality on the audit engagement.</p> <p>Partner M continues to take overall responsibility for managing and achieving quality on the audit engagement through direction and supervision of Director J and Partner F, and review of their work in accordance with paragraphs 15, 30, A28–A30 and A78–A93.</p> <p>Partner M also performs additional direction, supervision and review in relation to other members of the engagement team where Partner M considers appropriate, as discussed under Firm Culture and Professional Skepticism, Engagement Performance and Direction, Supervision and Review.</p> <p>Partner M has overall responsibility; however, Director J and Partner F, in turn, are expected to likewise communicate the culture and expected behavior to other engagement team members they direct and supervise and whose work they review (“assignees”) under paragraphs A28–A30 of proposed ISA 220 (Revised).</p>
Communicating to the Engagement Team (paragraph 14)	
<p>The firm’s policies or procedures require engagement partners leading large engagement teams to discuss the leadership responsibilities at the planning meeting for the engagement, including:</p> <ul style="list-style-type: none"> • That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level; • The importance of professional ethics, values and 	<p>Partner M requests that the following engagement team members attend the planning meeting:</p> <ul style="list-style-type: none"> • Director J, the Director I (IT Audit Director), Expert D (derivatives expert), Senior Manager 5. • Partner F and the four Senior Managers who report to Partner F <p>As part of the planning meeting, in respect of ISA 220 requirements:</p> <ul style="list-style-type: none"> • Partner M discussed the leadership responsibilities

<p>attitudes to the members of the engagement team;</p> <ul style="list-style-type: none">• The importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal; and• The importance of each engagement team member exercising professional skepticism throughout the audit engagement.	<p>required by the firm's policies or procedures.</p> <ul style="list-style-type: none">• Engagement team members were asked to identify relevant impediments to the exercise of professional skepticism.• Director J and Partner F had previously discussed this matter with their assignees and determined that automation bias could be a challenge on the audit.• Partner M led the discussion on actions the engagement team could take to mitigate automation bias (see paragraphs A35, A36 and A63 of proposed ISA 220 (Revised)).
---	---

Firm Culture and Professional Skepticism (paragraph 14 (d))	
<p>Firm N and network firms (i.e., Firm P) deliver mandatory annual training for all staff on expected behaviors and the exercise of professional skepticism. The firm has a training record management system.</p>	<p>Director J and Partner F request their assignees who are employees of Firm N to confirm that the members of the engagement team within the firm have completed the mandatory training.</p> <p>Senior Manager 5 determines, from the firm's training record management system that firm personnel reporting to them have completed the mandatory training, and reports this information to Director J.</p> <p>Partner F requests that Auditor P of network firm P confirms compliance with network firm P's mandatory training.</p> <p>Partner M determines, based on review of the work papers, that Director J and Partner F have confirmed compliance with the firm's mandatory training for firm personnel and have undertaken appropriate other procedures for network and non-network individuals.</p>
<p>The firm sends regular internal communications on matters related to its culture (e.g., best practices related to values) and the importance of audit quality to the public interest.</p>	<p>At the planning meeting, Partner M draws team members' attention to recent communications and asks if there are any matters they have questions on or would like to discuss.</p>
<p>The firm's policies or procedures that address contracting with service providers require that service providers who are performing audit procedures be informed of the firm's values and expected behaviors.</p> <p>The firm's policies and procedures require that, if the engagement team plans to request a service provider to perform audit procedures, the engagement partner shall obtain an understanding of whether that individual understands, and will comply with, the requirements of paragraph 14 of proposed ISA 220 (Revised). In particular, the importance of:</p> <ul style="list-style-type: none"> • Audit quality • Professional ethics, values and attitudes • Open and robust communication • Exercising professional skepticism throughout the audit engagement. <p>See also Relevant Ethical Requirements for additional matters related to service providers.</p>	<p>Auditor O is from outside the network, and engaged by the firm, and is therefore subject to the firm's policies or procedures that address contracting service providers (including setting out firm's values and expected behaviors).</p> <p>Partner F makes inquires of Auditor O whether that individual's firm requires similar training to that of Firm N, and also requests confirmation of Auditor O's understanding of, and compliance with, paragraph 14 of proposed ISA 220 (Revised).</p>
	<p>To remain sufficiently and appropriately involved and to demonstrate leadership and the appropriate behavior and culture, Partner M does the following throughout</p>

	<p>the audit:</p> <ul style="list-style-type: none"> • Partner M visits Director J’s local team regularly and also meets with Director J and the firm’s experts. • Partner F uses technology (e.g., Skype) to regularly communicate with assignees which are geographically dispersed. Partner M joins some, but not all of those meetings. <p>Partner M has regular update meetings with Director J and Partner F via videoconference to discuss progress and any issues arising, particularly in relation to significant matters and significant judgements identified and whether there should be, or have been, any significant changes to the overall audit strategy and audit plan.</p> <p>In addition, based on the identified significant risks Partner M visits two locations during the engagement.</p> <p>During these interactions, Partner M provides direction to members of the engagement team, as appropriate.</p> <p>Back to Leadership Responsibilities</p>
<p>Engagement Resources (paragraphs 25–28)</p>	
<p>Entity A is financially significant (revenues of \$1.5 billion, inventories of \$43 million, PPE of \$556 million, \$150 million in intangibles (including the proprietary system), 13,000 employees).</p> <p>Its 2,000 suppliers span large and small local and offshore companies.</p> <p>Entity A has developed partnerships with, and earns revenue from, a number of its suppliers who use Entity A’s online supply chain management system for their own grocery services. Many of these partnerships generate material revenue for Entity A.</p> <p>Entity A has elected to early adopt International Financial Reporting Standard (“IFRS”) 15, <i>Revenue from Contracts</i>, a year before the effective date of the accounting standard.</p> <p>The firm’s policies or procedures require engagement teams to use the firm’s service delivery model for reviewing material revenue contracts.</p>	<p>The firm initially assigned an engagement team to Partner M that Partner M determined, under paragraph 25, was not sufficient and appropriate to perform the engagement. (i.e., it did not include sufficient personnel given its size or personnel with the appropriate competence and capabilities to address the complexities of the engagement under paragraph A70 of proposed ISA 220 (Revised)).</p> <p>Accordingly, Partner M communicated this information to the appropriate personnel in accordance with paragraph 27 of proposed ISA 220 (Revised).</p> <p>The firm assigned a project manager to assist with managing the budget and monitoring the progress of the audit against the audit plan. Director J and Partner F were also assigned to the engagement team, both of whom have sufficient competence and capability, including time, to assist Partner M in fulfilling the procedures, tasks or actions Partner M assigns to them in accordance with paragraph 8 of proposed ISA 220 (Revised).</p> <p>Director J also has skills and experience in relation to early adoption of accounting policies, particularly in respect of revenue from contracts.</p>

<p>During the period, Entity A has entered into new derivative transactions in relation to fluctuations in foreign exchange rates.</p> <p>The firm's policies for auditing derivatives require use of a firm's expert.</p>	<p>As the derivatives transactions were entered into during the period, the engagement team did not initially include a derivatives expert. The engagement team became aware of the need for a derivatives expert while planning the engagement.</p> <p>Director J notifies Partner M of the new resource requirement and Partner M contacts the firm under paragraph 27 of proposed ISA 220 (Revised) to request a derivatives expert be assigned to the engagement team in accordance with the firm's policy for auditing derivatives.</p> <p>The firm assigned Expert D to the engagement team.</p>
<p>Entity A uses complex automated information systems for financial reporting and in its operations, including its proprietary supply chain management system.</p> <p>The firm's policies or procedures require engagement teams to use the firm's IT experts in testing controls over complex automated information systems and for testing transactions produced by those systems.</p>	<p>The firm was initially assigned IT experts (Director I and an IT audit team) to the engagement team</p> <p>Nothing has come to Partner M's attention that calls into question the ability of Director J to depend on the firm's system of quality management in determining that the IT experts have the appropriate competence and capabilities to perform the audit procedures.</p>
<p>Entity A is based in Country N and operates large warehouses in multiple locations outside of Country N.</p>	<p>Because of the geographic dispersion of the warehouses and the significance of inventory to the financial statements, Partner M identifies the need for additional human resources, specifically someone with experience in auditing entities with complex automated supply chain management systems and who is multilingual.</p> <p>Partner M contacts the firm under paragraph 27 of proposed ISA 220 (Revised) to request staff with those competencies.</p> <p>The firm provides Partner M with information about individuals available in Country O and Country P who have previously performed audit procedures on inventory on behalf of the firm, including Auditor O and Auditor P. (See Application of the Firm's Policies or Procedures to Members of the Engagement Team)</p> <p>Partner M discusses the matter with Partner F, and Partner F confirms, based on previous experience, that Auditor O and Auditor P will have the appropriate competence and capabilities to perform the work.</p> <p>Partner M discusses the final team structure with Director J and Partner F, who in turn determine their appropriate assignees based on the nature and circumstances of the engagement relevant to their</p>

	<p>responsibilities. The final structure of the engagement team is shown in Diagram 1.</p> <p>Back to Stand-Back Requirement</p>
<p>Entity A operates in jurisdictions where languages other than English are the primary language.</p>	<p>Partner F's multilingualism was a key element in the selection process, as some of the documents subject to Partner F's review may be in languages other than English.</p> <p>Partner F discusses with their assignees if they are able to understand and prepare work papers in English, as significant matters have been identified in the areas for which they have been assigned responsibility.</p> <p>Partner F confirms to Partner M that Auditor O and Auditor P, from countries O and P, respectively, possess the necessary competence and capabilities and are sufficiently proficient in English to prepare work papers in English.</p>
<p>As noted above, the firm's policies require the use of the firm's service delivery models to:</p> <ul style="list-style-type: none"> Review all material contracts related to revenue recognition (to understand the substance of the arrangement and to identify the potential accounting and disclosure matters); and. 	<p>Partner M requests Director J to take responsibility for direction, supervision and review in relation to the two SDMs that the engagement team are required to use.</p> <p>Nothing has come to Director J's attention that calls into question the ability of Director J to depend on the firm's policies or procedures for appropriate training of the SDM personnel.</p> <p>Director J discusses the competence and capabilities required given the nature of Entity A's contracts and confirms with the supervisor of the SDM that the individuals who will be assigned to perform the audit procedures have the appropriate competence and capabilities.</p>
<ul style="list-style-type: none"> Run the firm's automated tool to perform various analytical procedures on inventory. 	<p>Director J confirms with the supervisor of the SDM that the individuals who will be assigned to perform the audit procedures have the appropriate competence and capabilities.</p>

Relevant Ethical Requirements (paragraph 17)	
<p>The firm's policies or procedures require the engagement partner to take responsibility for engagement team members' compliance with relevant ethical requirements, including independence and for taking responsibility that other team members have been made aware of relevant ethical requirements and the firm's policies or procedures that address relevant ethical requirements.</p> <p>The firm provides mandatory annual training on ethical requirements that may be relevant in various engagements.</p> <p>The firm maintains a global independence database (i.e. the firm is able to obtain information about network firm personnel independence through network IT systems and report the information to engagement teams).</p>	<p>Nothing has come to Partner M's attention that calls into question the ability of Partner M to depend on the firm's mandatory annual training, and the engagement team's understanding of relevant ethical requirements, particularly those in relation to the engagement. However, Partner M asks Director J and Partner F to confirm compliance with paragraph 17 of proposed ISA 220 (Revised) in respect of their assignees.</p> <p>No issues are identified by Director J or Partner F regarding their assignees (within the firm).</p>
<p>The firm's policies or procedures require the engagement partner to understand whether an individual from a network firm or non-network firm understands and will comply with relevant ethical requirements, including independence.</p> <p>The firm's policies or procedures that address contracting with service providers require that service providers who are performing audit procedures will confirm their understanding of relevant ethical requirements, including independence.</p> <p>See also Communicating to the Engagement Team with for additional matters related to service providers.</p>	<p>As Auditor P and Auditor O report to Partner F, Partner M informs Partner F of the material from firm manuals or guides that contain the provisions of the relevant ethical requirements applicable to the engagement that are specifically relevant to Auditor O and Auditor P.</p> <p>Partner F obtains an understanding of whether Auditor P and Auditor O will comply with relevant ethical requirements relevant to the engagement, including independence requirements by:</p> <ul style="list-style-type: none"> • Discussing the matter with them directly. In so doing, Partner F also reiterates the importance of compliance with the relevant ethical requirements throughout the engagement including their responsibilities when they become aware of actual or suspected breaches, or non-compliance; and • Obtaining confirmation of independence from Auditor O. <p>To determine that Auditor P is independent under paragraph A24 of proposed ISA 220 (Revised), Partner F obtains information from the firm's global independence system. Nothing has come to Partner F's attention that calls into question the ability of Partner F to depend on information provided by the firm's global independence system.</p> <p>Senior Manager 5 obtains information from the firm's global independence system in respect of individuals performing audit procedures at the SDM. Nothing</p>

	comes to Senior Manager 5's attention that calls into question the ability to depend on the information provided by the firm's global independence system. Senior Manager 5 informs Director J of these matters.
Engagement Performance (paragraphs 29–38)	
<p>The firm's policies require the engagement partner to review documentation of:</p> <ul style="list-style-type: none"> • Significant matters and significant judgments. <ul style="list-style-type: none"> ○ The significant matters related to Entity A include investments in, and valuation of, its proprietary software and associated tangible assets it uses to operate its retail business and maintain its supply chain. ○ Significant judgments relate to revenue recognition, valuation of its intangibles (e.g., proprietary software), derivatives and foreign exchange volatility related to the currency of some suppliers' jurisdictions • The direction, supervision and review undertaken by direct assignees of the engagement partner for requirements for which the engagement partner was assisted by other engagement team members. 	<p>Director J and Partner F perform direction and supervision of their respective assignees and the review of their work under paragraph 30 of proposed ISA 220 (Revised).</p> <p>In accordance with paragraph 31 of proposed ISA 220 (Revised), Partner M reviews audit documentation related to significant matters, significant judgements and other matters relevant to her responsibilities (e.g., revenue recognition, impairment of capitalized costs related to proprietary supply chain management system, derivatives related to inventory).</p> <p>Partner M also discussed the matters and judgments with Director J and Partner F.</p> <p>Partner M also reviews documentation of the significant matter identified by Auditor O.</p>
Direction, Supervision and Review (paragraphs 29–34)	
<p>The firm's policies or procedures require the nature, timing and extent of direction, supervision and review to be:</p> <ul style="list-style-type: none"> • Planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements; • Responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm; and • Planned and performed on the basis that the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members. 	<p>As noted earlier, Partner M assigned the design and performance of procedures, tasks or actions to Director J and Partner F.</p> <p>Under paragraph 30 of proposed ISA 220 (Revised), Partner M has responsibility for the nature, timing and extent of the direction, supervision and review of Director J and Partner F.</p> <p>Director J and Partner F are responsible for the direction, supervision and review of their assignees, who include, for:</p> <ul style="list-style-type: none"> • Director J • Partner F <p>At the planning meeting, Director J and Partner F were directed to:</p> <ul style="list-style-type: none"> • Inform their assignees of their responsibilities. • Plan the direction, supervision and review of their assignees in accordance with the firm's policies. <p>Partner M reviews and signs off on Director J's and Partner F's planned direction, supervision and review</p>

	of their assignees when reviewing the overall audit strategy and audit plan (in accordance with paragraph 11A of ISA 300 (see Agenda Item 3-E of the March 2020 IAASB meeting materials) and paragraph A20A ⁶ of ISA 300 (see Agenda Item 2-D of the December 2019 meeting).
	In accordance with paragraph A80 of proposed ISA 220 (Revised), Partner M also has regular discussions with Director J and Partner F to monitor progress of the engagement team's work and maintain overall responsibility, including to observe (when onsite) whether the nature, timing and extent of the direction, supervision and review of their assignees is appropriate.
	During the engagement, Partner M instructed Director J to increase the frequency of supervision of engagement team members and the extent of review of their work, particularly in respect of understanding of the work of the firm's expert. Director J documented the change in the nature, timing and extent of the planned review in the overall audit strategy in accordance with paragraph 12 of ISA 300.
Although Partner F has worked with other individuals from Firm O, including Auditor O. Auditor O has not previously worked on the Entity A engagement. Auditor P has previously worked on the Entity A engagement. Auditor P's work is able to be documented on the firm's audit file template, and reviewed in the engagement team's work papers by Partner F.	During the engagement, Partner F, having discussed the matter with Partner M, determined that it was necessary to increase the frequency of supervision of Auditor O and the extent of review of Auditor O's work relative to that for Auditor P, particularly given Auditor O had not previously worked on the Entity A engagement.
The work to be undertaken by Auditor O is planned to take two weeks. The work papers of Auditor O must remain in Country O, in accordance with Country O's laws and regulations.	Partner F provides Auditor O with detailed instructions on the nature, timing and extent of audit procedures Auditor O is to perform. As Partner F is unable to review work papers in Country O, Partner F arranges daily video conference calls with Auditor O to discuss progress and any issues identified and travels to Country O to review Auditor O's work in person twice during the engagement.

⁶ The wording in proposed paragraph A20A of ISA 300, *Planning An Audit of Financial Statements*, presented in December 2019 as a conforming change related to proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* will be addressed in the conforming amendments related to the quality management standards, and not through the conforming amendments proposed in the exposure draft of proposed ISA 600 (Revised) presented in [Agenda Item 3-E](#).

	Partner F documented the change in the nature, timing and extent of the planned review in the overall audit strategy in accordance with paragraph 12 of ISA 300.
	Partner M reviews the audit documentation prepared by Director J and Partner F, including documentation that evidences Director J's and Partner F's reviews (e.g., signoffs) and determines that their reviews have been documented as noted in paragraph A114 of proposed ISA 220 (Revised).
Stand-back Requirement (paragraph 40)	
<p>As described previously, Partner M's demonstrated involvement included:</p> <ul style="list-style-type: none"> • Planning, including emphasizing the firm's commitment to quality and the need to exercise professional skepticism. • Determining that the engagement team collectively had the competence and capabilities required for the engagement and requesting additional resources as required (see Engagement Resources). • Ongoing communications with Director J and Partner F, and direction, supervision and review of their work. • Evaluation of a significant matter at a remote location related to work performed by an auditor outside the firm's network. • Documentation of Partner M's direction, supervision and review. • Review of the overall audit strategy and audit plan, and discussion of any changes with Director J and Partner F where relevant. 	<p>After completing the engagement partner's review under paragraph 31 of proposed ISA 220 (Revised), Partner M reflects on whether their involvement (e.g., planning, ongoing monitoring and review of work) was in line with the overall audit strategy and audit plan and whether they have been sufficiently and appropriately involved to determine that the significant judgments made and conclusions reached were appropriate, (particularly in relation to derivatives, revenue recognition, IT controls, and the significant matter related to inventory identified by Auditor O).</p>

The Application of Firm Policies or Procedures to Members of the Engagement Team (paragraphs A23–A25)	
Consultation	
<p>The firm’s policies or procedures require consultation with the firm’s technical department on certain significant matters.</p> <p>The firm’s policies or procedures require the firm’s personnel to inform engagement team members, including from network firms or non-network firms, of the engagement partner’s responsibility to follow the firm’s consultation procedures.</p>	<p>Partner M also asks Partner F to communicate to Auditor P and Auditor O the firm’s policies related to consultation on difficult or contentious matters related to inventory.</p> <p>During the engagement, Auditor O encounters a significant matter related to inventory valuation and brings it to Partner F’s attention on one of their regular video conference calls. Partner F, in turn, discusses the matter with Partner M.</p> <p>Partner M agrees the matter requires consultation under the firm’s policies and procedures. Partner F and Partner M discuss the matter directly with the relevant firm personnel.</p> <p>Back to Engagement Resources</p>