

Glossary of Terms

Access controls—Procedures designed to restrict access to on-line terminal devices, programs and data. Access controls consist of “user authentication” and “user authorization.” “User authentication” typically attempts to identify a user through unique logon identifications, passwords, access cards or biometric data. “User authorization” consists of access rules to determine the computer resources each user may access. Specifically, such procedures are designed to prevent or detect:

- (a) Unauthorized access to on-line terminal devices, programs and data;
- (b) Entry of unauthorized transactions;
- (c) Unauthorized changes to data files;
- (d) The use of computer programs by unauthorized personnel; and
- (e) The use of computer programs that have not been authorized.

Accounting estimate - An accounting estimate is an approximation of the amount of an item in the absence of a precise means of measurement.

Accounting records — Accounting records generally include the records of initial entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers; journal entries and other adjustments to the financial statements that are not reflected in formal journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

Adverse opinion - (see Modified auditor's report)

Agreed-upon procedures engagement - In an engagement to perform agreed-upon procedures, an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report must form their own conclusions from the reports by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures may misinterpret the results.

Analytical procedures - Analytical procedures consist of evaluations of financial information made by a study of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information or which deviate significantly from predicted amounts.

Annual report - An entity ordinarily issues on an annual basis a document which includes its financial statements together with the audit report thereon. This document is frequently referred to as the "annual report."

Anomalous error—(see Audit sampling)

Application controls in information technology- Application controls are manual or automated procedures that typically operate at a business process level. Application controls can be preventative or detective in nature and are designed to ensure the integrity of the accounting records. Accordingly,

application controls relate to procedures used to initiate, record, process and report transactions or other financial data.

Appropriateness—Appropriateness is the measure of the quality of audit evidence, that is, its relevance and reliability in providing support for, or detecting misstatements in, the classes of transactions, account balances, and disclosures and related assertions.

Assertions - Assertions are representations by management, explicit or otherwise, that are embodied in the financial statements. In the case of audits of financial statements, assertions are those set out in ISA 500, "Audit Evidence."

Assistants - Assistants are personnel involved in an individual audit other than the auditor.

Assurance - Assurance refers to the auditor's satisfaction as to the reliability of an assertion being made by one party for use by another party. To provide such assurance, the auditor assesses the evidence collected as a result of procedures conducted and expresses a conclusion. The degree of satisfaction achieved and, therefore, the level of assurance which may be provided is determined by the procedures performed and their results.

Reasonable assurance - In an audit engagement, the auditor provides a high, but not absolute, level of assurance, expressed positively in the audit report as reasonable assurance, that the information subject to audit is free of material misstatement.

Attendance - Attendance consists of being present during all or part of a process being performed by others; for example, attending physical inventory taking will enable the auditor to inspect inventory, to observe compliance of management's procedures to count quantities and record such counts and to test-count quantities.

Audit - The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework. The phrases used to express the auditor's opinion are "give a true and fair view" or "present fairly, in all material respects," which are equivalent terms. A similar objective applies to the audit of financial or other information prepared in accordance with appropriate criteria.

Audit evidence - Audit evidence is all of the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.

Audit firm - Audit firm is either a firm or entity providing audit services, including where appropriate its partners, or a sole practitioner.

Audit opinion - (see Opinion)

Audit program - An audit program sets out the nature, timing and extent of planned audit procedures required to implement the overall audit plan. The audit program serves as a set of instructions to assistants involved in the audit and as a means to control the proper execution of the work.

Audit risk - Audit risk is a function of the risk of material misstatement (or simply, the "risk of material misstatement") (i.e., the risk that the financial statements are materially misstated prior to audit) and the risk that the auditor will not detect such misstatement ("detection risk"). The risk of material misstatement has two components: inherent risk and control risk (as described at the assertion level below). Detection risk is the risk that the auditor's procedures will not detect a misstatement that exists in an assertion that could be material, individually or when aggregated with other misstatements.

Inherent risk—Inherent risk is the susceptibility of an assertion to a misstatement, which could be material, individually or when aggregated with other misstatements, assuming that there were no related internal controls.

Control risk - Control risk is the risk that a misstatement, that could occur in an assertion and that could be material individually or when aggregated with other misstatements, will not be prevented or detected and corrected on a timely basis by the entity's internal control.

Audit sampling – Audit sampling involves the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the auditor to obtain and evaluate audit evidence about some characteristic of the items selected in order to form or assist in forming a conclusion concerning the population.

Anomalous error—Anomalous error means an error that arises from an isolated event that has not recurred other than on specifically identifiable occasions and is therefore not representative of errors in the population.

Expected error—The error that the auditor expects to be present in the population.

Non-sampling risk—Non-sampling risk arises from factors that cause the auditor to reach an erroneous conclusion for any reason not related to the size of the sample. For example, most audit evidence is persuasive rather than conclusive, the auditor might use inappropriate procedures, or the auditor might misinterpret evidence and fail to recognize an error.

Population - The population is the entire set of data from which the auditor wishes to sample in order to reach a *conclusion*.

Sampling risk—Sampling risk arises from the possibility that the auditor's conclusion, based on a sample may be different from the conclusion reached if the entire population were subjected to the same audit procedure.

Sampling units - The individual items that make up the population are known as sampling units.

Statistical sampling—Statistical sampling means any approach to sampling that has the following characteristics:

- (a) Random selection of a sample; and
- (b) Use of probability theory to evaluate sample results, including measurement of sampling risk.

A sampling approach that does not have characteristics (a) and (b) is considered non-statistical sampling.

Stratification - Stratification is the process of dividing a population into subpopulations, each of which is a group of sampling units, which have similar characteristics (often monetary value).

Tolerable error—Tolerable error means the maximum error in a population that the auditor is willing to accept.

Auditor - The auditor is the person with final responsibility for the audit. This term is also used to refer to an audit firm. (For ease of reference, the term "auditor" is used throughout the SSAs when describing both auditing and related services which may be performed. Such reference is not intended to imply that a person performing related services need necessarily be the auditor of the entity's financial statements.)

Continuing auditor - The continuing auditor is the auditor who audited and reported on the prior period's financial statements and continues as the auditor for the current period.

External auditor - Where appropriate the terms "external auditor" and "external audit" are used to distinguish the external auditor from an internal auditor and to distinguish the external audit from the activities of internal auditing.

Incoming auditor - The incoming auditor is a current period's auditor who did not audit the prior period's financial statements.

Other auditor - Other auditor is an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial statements audited by the principal auditor. Other auditors include affiliated firms, whether using the same name or not, and correspondents, as well as unrelated auditors.

Personnel - Personnel includes all partners and professional staff engaged in the audit practice of the firm.

Predecessor auditor - An auditor who was previously the auditor of an entity and who has been replaced by an incoming auditor.

Principal auditor - The principal auditor is the auditor with responsibility for reporting on the financial statements of an entity when those financial statements include financial information of one or more components audited by another auditor.

Auditor's association - An auditor is associated with financial information when the auditor attaches a report to that information or consents to the use of the auditor's name in a professional connection.

Comparatives - Comparatives are corresponding amounts and other disclosures for the preceding financial reporting period, or periods, presented for comparative purposes. Comparatives can be presented as either:

Corresponding figures - included as part of the current period's financial statements, and which are intended to be read in relation to the amounts and other disclosures relating to the current period. They are an integral part of the current period's financial statements intended to be read only in relation to the current period figures and not as complete financial statements capable of standing alone.

Comparative financial statements - the financial statements of the preceding period are included for comparison with the financial statements of the current period, but do not form part of the current period's financial statements.

Compilation engagement - In a compilation engagement, the accountant is engaged to use accounting expertise as opposed to auditing expertise to collect, classify and summarise financial information.

Component - Component is a division, branch, subsidiary, joint venture, associated company or other entity whose financial information is included in financial statements audited by the principal auditor.

Comprehensive basis of accounting - A comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support.

Computer-assisted audit techniques—Applications of auditing procedures using the computer as an audit tool are known as Computer Assisted Audit Techniques (CAATs).

Computer information systems - A computer information systems (CIS) environment exists when a computer of any type or size is involved in the processing by the entity of financial information of significance to the audit, whether that computer is operated by the entity or by a third party.

Confirmation – Confirmation, which is a specific type of inquiry, is the process of obtaining a representation of information or of an existing condition directly from a third party. (see *External confirmation*)

Continuing auditor - (see Auditor)

Control activities—Control activities are a component of internal control. Control activities are those policies and procedures that help ensure that management directives are carried out.

Control environment - The control environment is a component of internal control and includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity.

Control risk - (see Audit risk)

Corporate governance—(see Governance)

Database - A collection of data that is shared and used by a number of different users for different purposes.

Detection risk - (see Audit risk)

Disclaimer of opinion - (see Modified auditor's report)

Documentation - Documentation is the material (working papers) prepared by and for, or obtained and retained by the auditor in connection with the performance of the audit.

Electronic Data Interchange (EDI)—The electronic transmission of documents between organizations in a machine-readable form.

Emphasis of matter paragraph(s) - (see Modified auditor's report)

Encryption (cryptography)—The process of transforming programs and information into a form that cannot be understood without access to specific decoding algorithms (cryptographic keys). For example, the confidential personal data in a payroll system may be encrypted against unauthorized disclosure or modification. Encryption can provide an effective control for protecting confidential or sensitive programs and information from unauthorized access or modification. However, effective security depends upon proper controls over access to the cryptographic keys.

Engagement letter - An engagement letter documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the client and the form of any reports.

Entity's risk assessment process—The entity's risk assessment process is a component of internal control that is the entity's process for identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks, and the results thereof.

Environmental matters—Environmental matters are defined as:

- (a) Initiatives to prevent, abate, or remedy damage to the environment, or to deal with conservation of renewable and non-renewable resources (such initiatives may be required by environmental laws and regulations or by contract, or they may be undertaken voluntarily);
- (b) Consequences of violating environmental laws and regulations;
- (c) Consequences of environmental damage done to others or to natural resources; and
- (d) Consequences of vicarious liability imposed by law (for example, liability for damages caused by previous owners).

Environmental performance report—An environmental performance report is a report, separate from the financial statements, in which an entity provides third parties with qualitative information on the entity's commitments towards the environmental aspects of the business, its policies and targets in that field, its achievement in managing the relationship between its business processes and environmental risk, and quantitative information on its environmental performance.

Environmental risk—In certain circumstances, factors relevant to the assessment of inherent risk for the development of the overall audit plan may include the risk of material misstatement of the financial statements due to environmental matters.

Error - An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Expected error - The error that the auditor expects to be present in the population.

Expert - An expert is a person or firm possessing special skill, knowledge and experience in a particular field other than accounting and auditing.

External audit/auditor - (see Auditor)

External confirmation—External confirmation is the process of obtaining and evaluating audit evidence through a direct communication from a third party in response to a request for information about a particular item affecting assertions made by management in the financial statements.

Fair value—The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial statements - The balance sheets, income statements or profit and loss accounts, cash flow statements, notes and other statements and explanatory material which are identified as being part of the financial statements.

Summarised financial statements - An entity may prepare financial statements summarising its annual audited financial statements for the purpose of informing user groups interested in the highlights only of the entity's financial performance and position.

Firewall—A combination of hardware and software that protects a WAN, LAN or PC from unauthorized access through the Internet and from the introduction of unauthorized or harmful software, data or other material in electronic form.

Forecast - A forecast is prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions management expects to take as of the date the information is prepared (best-estimate assumptions).

Fraud - The term "fraud" refers to an intentional act by one or more individuals among management, employees, or third parties, which results in a misrepresentations of financial statements.

General controls in computer information systems - The establishment of a framework of overall control over the computer information systems activities to provide a reasonable level of assurance that the overall objectives of internal control are achieved.

General IT-controls—General IT-controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General It-controls commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

Going concern assumption - The going concern assumption is an assumption that an enterprise will continue in operation for the foreseeable future; that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations. As a result assets are valued on the basis of continued use, such as historical cost or replacement cost rather than net realisable value or liquidation value.

Governance—Governance describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the

entity achieves its objectives, financial reporting, and reporting to interested parties. Those charged with governance include management only when it performs such functions.

Government business enterprises - Government business enterprises are businesses which operate within the public sector ordinarily to meet a political or social interest objective. They are ordinarily required to operate commercially, that is to make profits or to recoup, through user charges a substantial proportion of their operating costs.

Incoming auditor - (see Auditor)

Information system relevant to financial reporting—The information system relevant to financial reporting is a component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

Inherent risk - (see Audit risk)

Inquiry - Inquiry consists of seeking information of knowledgeable persons, both financial and non-financial, throughout the entity or outside the entity.

Inspection - Inspection consists of examining records or documents, whether internal or external, or tangible assets.

Interim financial information or statements - Financial information (which may be less than full financial statements as defined above) issued at interim dates (usually half-yearly or quarterly) in respect of a financial period.

Internal auditing - Internal auditing is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control.

Internal control - Internal control is the process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal control consists of the following components:

- (a) The control environment;
- (b) The entity's risk assessment process;
- (c) The information system, including the related business processes, relevant to financial reporting, and communication;
- (d) Control activities; and
- (e) Monitoring of controls.

IT environment—The policies and procedures that the entity implements and the IT infrastructure (hardware, operating systems, etc.) and application software that it uses to support business operations and achieve business strategies.

Limitation on scope - A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary). A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed desirable.

Local Area Network (LAN)—A communications network that serves users within a confined geographical area. LANs were developed to facilitate the exchange and sharing of resources within an organization, including data, software, storage, printers and telecommunications equipment. They allow for decentralized computing. The basic components of a LAN are transmission media and software, user terminals and shared peripherals.

Management - Management comprises officers and others who also perform senior managerial functions. Management includes those charged with governance only in those instances when they perform such functions.

Management representations - Representations made by management to the auditor during the course of an audit, either unsolicited or in response to specific inquiries.

Material inconsistency—A material inconsistency exists when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Material misstatement of fact—A material misstatement of fact in other information exists when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.

Material weaknesses - The weaknesses in internal control that could have a material effect on the financial statements.

Materiality – Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cutoff point rather than being a primary qualitative characteristic which information must have if it is to be useful.

Misstatement - A mistake in financial information which would arise from errors and fraud.

Modified auditor's reports - An auditor's report is considered to be modified if either an emphasis of matter paragraph(s) is added to the report or if the opinion is other than unqualified:

Matters That Do Not Affect the Auditor's Opinion

Emphasis of matter paragraph(s) - An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements.

Matters That Do Affect The Auditor's Opinion

Qualified opinion - A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

Disclaimer of opinion - A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

Adverse opinion - An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of

the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Monitoring of controls—Monitoring of controls is a component of internal control that is a process to assess the effectiveness of internal control performance over time. It includes assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions.

National practices (auditing) - A set of auditing guidelines not having the authority of standards defined by an authoritative body at a country level and commonly applied by auditors in the conduct of an audit or related services.

National standards (auditing) - A set of auditing standards defined by law or regulations or an authoritative body at a country level, the application of which is mandatory in conducting an audit or related services and which should be complied with in the conduct of an audit or related services.

Noncompliance - The term "noncompliance" is used to refer to acts of omission or commission by the entity being audited, either intentional or unintentional, which are contrary to the prevailing laws or regulations.

Non-sampling risk - (see Sampling risk)

Observation - Observation consists of looking at a process or procedure being performed by others, for example, the observation by the auditor of the counting of inventories by the entity's personnel or by the performance of control activities.

Opening balances - Opening balances are those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions of prior periods and accounting policies applied in the prior period.

Opinion - The auditor's report contains a clear written expression of opinion on the financial statements as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the identified financial reporting framework. (See Modified auditor's report)

Other auditor - (see Auditor)

PCs or personal computers (also referred to as microcomputers)—Economical yet powerful self-contained general purpose computers consisting typically of a monitor (visual display unit), a case containing the computer electronics and a keyboard (and mouse). These features may be combined in portable computers (laptops). Programs and data may be stored internally on a hard disk or on removable storage media such as CDs or floppy disks. PCs may be connected to on-line networks, printers and other devices such as scanners and modems.

Personnel – (see Auditor)

Planning - Planning involves developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit.

Population - (see Audit sampling)

Post balance sheet events - (see Subsequent events)

Predecessor auditor - (see Auditor)

Principal auditor - (see Auditor)

Programming controls—Procedures designed to prevent or detect improper changes to computer programs that are accessed through on-line terminal devices. Access may be restricted by controls such as the use of separate operational and program development libraries and the use of specialized

program library software. It is important for on-line changes to programs to be adequately documented, controlled and monitored.

Projection - A projection is prospective financial information prepared on the basis of:

- (a) hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations; or
- (b) a mixture of best-estimate and hypothetical assumptions.

Prospective financial information - Prospective financial information is financial information based on assumptions about events that may occur in the future and possible actions by an entity. Prospective financial information can be in the form of a forecast, a projection or a combination of both. (See Forecast and Projection)

Public sector - The term "public sector" refers to national governments, regional (for example, state, provincial, territorial) governments, local (for example, city, town) governments and related governmental entities (for example, agencies, boards, commissions and enterprises).

Qualified opinion - (see Modified auditor's report)

Quality controls – As set out in SSQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, the policies and procedures adopted by a firm designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstance.”

Reasonable assurance - (see Assurance)

Recalculation—Recalculation consists of checking the mathematical accuracy of documents or records.

Related parties - Related parties and related party transactions are defined in Financial Reporting Standard 21 as:

Related parties - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operations decisions.

Related party transaction - A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Related services - Related services comprise reviews, agreed-upon procedures and compilations.

Reperformance—Reperformance is the auditor's independent execution of procedures or controls that were originally performed as part of the entity's internal controls, either manually or through the use of CAATs.

Review engagement - The objective of a review engagement is to enable an auditor to state whether, on the basis of procedures which do not provide all the evidence that would be required in an audit, anything has come to the auditor's attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with an identified financial reporting framework.

Risk assessment procedures—Risk assessment procedures are the audit procedures performed to obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and assertion levels.

Risk of material misstatement—(see Audit Risk)

Sampling risk - Sampling risk arises from the possibility that the auditor's conclusion, based on a sample, may be different from the conclusion that would be reached if the entire population were subjected to the same audit procedure.

Non-sampling risk - Non-sampling risk arises because, for example, most audit evidence is persuasive rather than conclusive, the auditor might use inappropriate procedures or might misinterpret evidence and thus fail to recognise an error.

Sampling units - (see Audit sampling)

Scope of an Audit - The term "scope of an audit" refers to the audit procedures deemed necessary in the circumstances to achieve the objective of the audit.

Scope of a review—The term "scope of a review" refers to the review procedures deemed necessary in the circumstances to achieve the objective of the review.

Scope limitation - (see Limitation on scope)

Segment Information - Information in the financial statements regarding distinguishable components or industry and geographical aspects of an entity.

Service organisation - A client may use a service organisation such as one that executes transactions and maintains related accountability or records transactions and processes related data (e.g., a computer information systems service organisation).

Significance - *Significance* is related to materiality of the assertion affected.

Significant risk—The risks of material misstatement that the auditor determines require special audit consideration.

Small entity—A small entity is any entity in which:

- (a) There is concentration of ownership and management in a small number of individuals (often a single individual); and
- (b) One or more of the following are also found:
 - (i) Few sources of income;
 - (ii) Unsophisticated record-keeping; and
 - (iii) Limited internal controls together with the potential for management override of controls.

Small entities will ordinarily display characteristic (a), and one or more of the characteristics included under (b).

Special purpose auditor's report - A report issued in connection with the independent audit of financial information other than an auditor's report on financial statements, including:

- (a) financial statements prepared in accordance with a comprehensive basis of accounting other than Singapore Financial Reporting Standard;
- (b) specified accounts, elements of accounts, or items in a financial statement;
- (c) compliance with contractual agreements; and
- (d) summarised financial statements.

Statistical sampling—(see Audit sampling)

Stratification - (see Audit sampling)

Subsequent events – Financial Reporting Standard 10 identifies two types of events both favourable and unfavourable occurring after period end:

- (a) those that provide further audit evidence of conditions that existed at period end; and
- (b) those that are indicative of conditions that arose subsequent to period end.

Substantive procedures - Substantive procedures are audit procedures performed to detect material misstatements at the assertion level and include

- (a) tests of details of classes of transactions account balances, and disclosures; and
- (b) substantive analytical procedures.

Sufficiency—Sufficiency is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the risk of misstatement and also by the quality of such audit evidence.

Summarised financial statements - (see Financial statements)

Supreme Audit Institution—The public body of a State which, however designated, constituted or organized, exercises by virtue of law, the highest public auditing function of that State.

Tests of control – Tests of control are performed to obtain audit evidence about the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level

Tolerable error - Tolerable error is the maximum error in the population that the auditor would be willing to accept and still conclude that the result from the sample has achieved the audit objective.

Transaction logs—Reports that are designed to create an audit trail for each on-line transaction. Such reports often document the source of a transaction (terminal, time and user) as well as the transaction's details.

Uncertainty - An uncertainty is a matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

Understanding of the entity and its environment—The auditor's understanding of the entity and its environment consists of the following aspects:

- (a) Industry, regulatory, and other external factors, including the applicable financial reporting framework.
- (b) Nature of the entity, including the entity's selection and application of accounting policies.
- (c) Objectives and strategies and the related business risks that may result in a material misstatement of the financial statements.
- (d) Measurement and review of the entity's financial performance.
- (e) Internal control.

Unqualified opinion - (see Opinion)

Walk-through test - A walk-through test involves tracing a few transactions through the financial reporting system.

Wide Area Network (WAN)—A communications network that transmits information across an expanded area such as between plant sites, cities and nations. WANs allow for on-line access to applications from remote terminals. Several LANs can be interconnected in a WAN.

Working papers - Working papers are a record of the auditor's planning; nature, timing and extent of the auditing procedures performed; and results of such procedures and the conclusions drawn from the evidence obtained. Working papers may be in the form of data stored on paper, film, electronic media or other media.