Audit Dictionary - (Based on Standards Issued by AASB)

Terms as used in Standards	Definition as given in standards	Relevant Standard
Accounting Estimate	An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation. Where this SA addresses only accounting estimates involving measurement at fair value, the term "fare value accounting estimates" is used.	SA 540
Analytical procedures	Evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.	SA 520
Anomaly	A misstatement or deviation that is demonstrably not representatives of misstatements or deviations in a population.	SA 530
Applicable financial reporting framework	The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation and presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation. The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and: • Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or • Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rate circumstances. The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.	SA 200
Applied Criteria	The criteria applied by management in the preparation of the summary financial statements	SA 810
Appropriateness (of audit evidence)	The measure of the quality of audit evidence; that is, its relevant and its reliability in providing support for the conclusions on which the auditor's	SA 500

	opinion is based.	
Arm's length transaction	A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.	SA 550
Assertions	Representations by management, explicit or otherwise, that are embodied in the financial statements, as used by the auditor to consider the different types of potential misstatements that may occur.	SA 550
Audit documentation	The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as "working papers" or "work-papers" are also sometimes used).	SA 315
Audit evidence	Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information. For purposes of the SAs: • Sufficiency of audit evidence is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of material misstatements and also by the quality of such audit evidence. • Appropriateness of audit evidence is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.	SA 200/ SA 500
Audit file	One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.	SA 230
Audit risk	The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.	SA 200
Audit sampling (sampling)	The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.	SA 530
Audited financial statements	Financial statements audited by the auditor in accordance with SAs, and from which the summary financial statements are derived.	SA 810
Auditor	"Auditor" is used to refer to the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an SA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "auditor" is used. "Engagement partner" and "firm" are to be read as referring to their public sector equivalents where relevant.	SA 200
Auditor's Expert	An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who i s a partner or staff, including temporary staff, of the auditor's firm or a network form), or an auditor's external expert.	SA 620

Auditor's point estimate or auditor's range	The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management's point estimate.	SA 540
Business risk	A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives and execute its strategies, or from the setting of inappropriate objectives and strategies.	SA 315
Carve-out method	Method of dealing with the services provided by a subservice organisation, whereby the service organisation's description of its system includes the nature of the services provided by a subservice organisation, but that subservice organisation's relevant control objectives and related controls are excluded from the service organisation's description of its system and from the scope of the service auditor's engagement. The service organisation's description of its system and the scope of the service auditor's engagement including controls at the service organisation to monitor the effectiveness of controls at the subservice organisation, which may include the service organisation's review of an assurance report on controls at the subservice organisation.	SAE 3402
Comparative financial statements	Comparative information where amounts and other disclosure for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor's opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.	SA 710
Comparative information	The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.	SA 710
Complementary user entity controls	Controls that the service organisation assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.	SA 402
Component	It means a division, branch, subsidiary, joint venture, associated enterprises or other entity whose financial information is included in the financial information audited by the principal auditor.	SA 600
Control Objective	The aim or purpose of a particular aspect of controls. Control objectives related to risk that controls seek to mitigate.	SAE 3402
Controls at a subservice organisation	Controls at the subservice organisation to provide reasonable assurance about the achievement of a control objective.	SAE 3402
Controls at the service organisation	Controls over the achievement of a control objective that is covered by the service auditor's assurance report.	SAE 3402
Corresponding figures	Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures"). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.	SA 710
Criteria	Benchmarks used to evaluate or measure a subject matter including, where relevant, benchmarks for presentation and disclosure.	SAE 3402

Date of approval of the F.S.	The date on which all the statements that comprise the financial statements have been prepared and those with the recognised authority have asserted that they have taken responsibility for those financial statements.	SA 560
Date of the auditor's report	The date the auditor dates the report on the financial statements in accordance with SA 700 (Revised).	SA 560
Date of the F.S.	The date of the end of the latest period converted by the financial statements.	SA 560
Date the F.S. are issued	The date that the auditor's report and audited financial statements are made available to third parties.	SA 560
Deficiency in internal control	This exists when: • A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the F.S. on a timely basis; or • A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.	SA 265
Detection risk	The risk that the procedures performed by the auditor to reduce audit risk to an acceptable low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatement.	SA 200
Element	"Element of a financial statement" or "element" means an "element, account or item of a financial statement".	SA 805
Emphasis of Matter paragraph	A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to user's understanding of the financial statements.	SA 706
Engagement documentation	The record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "workpapers" are also sometimes used). The documentation for a specific engagement is assembled in an engagement file.	SQC 1
Engagement partner	The partner or other person in the firm who is a member of the ICAI and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	SQC 1/ SA 220
Engagement quality control review	A process designed to provide an objective evaluation, before the report is issued, of the significant judgments the engagement team and the conclusions they reached in formulating the report.	SQC 1/ SA 220
Engagement quality control reviewer	A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, with sufficient and appropriate experience and authority to objectively evaluate, before the report is issued, the significant judgments the engagement team made and the conclusions they reached in formulating the report. However, in case the review is done by a team of individuals, such team should be headed by a member of the Institute.	SQC 1/ SA 220
Engagement team	All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.	SQC 1/ SA 220

Estimation uncertainty	The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.	SA 540
Exception	A response that indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.	SA 505
Experienced auditor	An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of: • Audit processes; • SAs and applicable legal and regulatory requirements; • The business environment in which the entity operates; and • Auditing and financial reporting issues relevant to the entity's industry.	SA 230
Expertise	Skills, knowledge and experience in a particular field.	SA 620
External confirmation	Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.	SA 505
Financial Reporting Standards	Accounting Standards promulgated by the ASB of the ICAI of Accounting Standards, notified by the C.G. by publishing the same as the Companies (AS) Rules, 2006, or the AS for Local Bodies promulgated by the Committee on Accounting Standards for Local Bodies (CASLB) of the ICAI, as may be applicable.	SA 700/ SA 805
Single Financial Statement	A single financial statement (CFS) or to a specific element of a financial statement (cash and bank balance) includes the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information relevant to the financial statement or to the element.	SA 805
Financial Statement	A structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement.	SA 200
Firm	A sole practitioner/ proprietor, partnership, or any such entity of professional accountants, as may be permitted by law.	SQC 1/ SA 220
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.	SA 240
Fraud risk factor	Events or conditions that indicate an incentive or pressure to commit fraud or provided an opportunity to commit fraud.	SA 240
General purpose F.S.	Financial statements prepared in accordance with a general purpose framework.	SA 700
General purpose Framework	A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance	SA 700

	framework. The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and: (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances. The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.	
Historical financial information	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at point in time in the past.	SA 200
Inclusive method	Method of dealing with the services provided by a subservice organisation, whereby the service organisation's description of its system includes the nature of the services provided by a subservice organisation, but that subservice organisation's relevant control objectives and related controls are included in the service organisation's description of its system and in the scope of the service auditor's engagement.	SAE 3402
Inconsistency- Other	Information that contradicts information contained in the audited F.S. 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 F.S.	SA 720
Initial audit engagement	An engagement in which either: (i) The financial statements for the prior period were not audited; or (ii) The financial statements for the prior period were audited by a predecessor auditor.	SA 510
Inspection	In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.	SQC 1/ SA 220
Internal audit function	An appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control. The Preface to the Standards on Internal Audit, issued by the ICAI, describes internal audit as “an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity’s strategic risk management and internal control system. Internal audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.”	SA 610/ SAE 3402

Internal Auditors	Those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.	SA 610/ SAE 3402
Internal Control	The process designed, implemented and maintained by those charges with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, safeguarding of assets, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.	SA 315
Listed entity	An entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are traded under the regulations of a recognised stock exchange or other equivalent.	SQC 1/ SA 220
Management	The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.	SA 200/ SA 260
Management bias	A lack of neutrality by management in the preparation and presentation of information.	SA 540
Management's Expert	An individual or organisation possessing expertise in a field other than accounting or auditing , whose work in that field is used by the entity to assist the entity in preparing the financial statements.	SA 500/ SA 620
Management's point estimate	The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.	SA 540
Material Weakness	A weakness in internal control that could have a material effect on the financial statements.	SA 315
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud. When the auditor expresses an opinion on whether the financial statements give a true and fair view or are presented fairly, in all material respects, misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the auditor’s judgment, are necessary for the financial statements to give a true and fair view or present fairly, in all material respects.	SA 200/ SA 450
Misstatement of fact	Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.	SA 720
Modified opinion	A qualified opinion, and adverse opinion or a disclaimer of opinion.	SA 705
Monitoring	A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control in operating effectively.	SQC 1/ SA 220

Negative confirmation request	A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.	SA 505
Network	A larger structure: (i) That is aimed at cooperation, and (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control polities and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.	SA 220
Network firm	An entity under common control, ownership or management with the firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally.	SQC 1
Network firm	A firm or entity that belongs to a network.	SA 220
Non sampling risk	The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.	SA 530
Non-compliance	Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of the entity, or on its behalf, by TCWG, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by TCWG, management or employees of the entity.	SA 250
Non-response	A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.	SA 505
Opening balances	Those account balances that exist at the beginning of the period. Opening balances are based upon the closing balances of the prior and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.	SA 510
Other auditor	It means an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial information audited by the principal auditor.	SA 600
Other information	Financial and non-financial information (other than the financial statements and the auditor's report thereon) which is included, either by law, regulation or custom, in a document containing audited financial statements and the auditor's report thereon.	SA 720
Other Matter paragraph	A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.	SA 706
Outcome of an accounting estimate	The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or conditions(s) addressed by the accounting estimate.	SA 540
Partner	Any individual with authority to bind the firm with respect to the performance of a professional services engagement.	SQC 1/ SA 220

Performance materiality	It means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.	SA 320
Personnel	Partners and staff.	SA 220
Pervasive	A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial statements are those that, in auditor's judgment: (i) Are not confined to specific elements, accounts or items of the financial statements; (ii) If so confined, represent or could represent a substantial proportion of the financial statements; or (iii) In relation to disclosures, are fundamental to users' understanding of the financial statements.	SA 705
Population	The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.	SA 530
Positive confirmation request	A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.	SA 505
Preconditions for an audit	The use by management of an acceptable FRF in the preparation of the F.S. and the agreement of management and where, appropriate, TCWG to the premise on which an audit is conducted.	SA 210
Predecessor auditor	The auditor from a different audit firm, who audited the financial statements of an entity in the prior period and who has been replaced by the current auditor.	SA 510
Premise	Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted- that management and, here appropriate, those charged with governance have the following responsibilities that are fundamental to the conduct of an audit in accordance with SAs. That is, responsibility: (i) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and (ii) To provide the auditor with: • All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements; • Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and • Unrestricted access to those within the entity from whom the	SA 200

	auditor determines it necessary to obtain audit evidence. In the case of a fair presentation framework, the responsibility is for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework. This applies to all references to "preparation and presentation of the financial statements" in the SAs. The "premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted" may also be referred to as the "premise".	
Principal auditor	It means the auditor with responsibility for reporting on the financial information of an entity when that financial information includes the financial information of one or more components audited by another auditor.	SA 600
Professional judgment	The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.	SA 200
Professional skepticism	An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.	SA 200
Professional Standards	Engagement Standards, as defined in the "Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services", issued by the Institute of Chartered Accountant of India and relevant ethical requirements as contained in the Code of Ethics issued by the Institute.	SQC 1/ SA 220
Reasonable assurance	A high, but not absolute, level of assurance.	SQC 1/ SA 220
Related Notes	The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.	SA 800
Related Party	A party that is either: (i) A related party as defined in the applicable financial reporting framework; or (ii) Where the applicable financial reporting framework establishes minimal or no related party requirements: (a) A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity; (b) Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or (c) Another entity over which the reporting entity has control with the reporting entity through having: • Common controlling ownership;	SA 550

	• Owners who are close family members; or • Common key management. However, entities that are under common control by a state (i.e., a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.	
Relevant ethical requirements	Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise the Code of Ethics of the Institute of Chartered Accountants of India related to an audit of financial statements.	SA 220
Report on the description and design of controls at a service organisation (referred to as a Type 1 report)	A report that comprises: (i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls that have been designed and implemented as at a specified date; and (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the service organisation's system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.	SA 402
Report on the description and design of controls at a service organisation (referred to as a Type 2 report)	A report that comprise: (i) A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and (ii) A report by the service auditor with the objective of conveying reasonable assurance that includes: (a) The service auditor's opinion on the description of the service organisation's system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and (b) A description of the service auditor's tests of the controls and the result s thereof.	SA 402
Risk assessment procedures	The audit procedures performed to Identifying and Assessing the Risk of Material Misstatement obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.	SA 315
Risk of material misstatement	The risk that the financial statements are materially misstated prior to audit. This consists of two components, described as follows at the assertion level: (i) Inherent risk- The susceptibility of an assertion about a class of transaction, account balance or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. (ii) Control risk- The risk that a misstatement that could occur in an assertion about a class of transaction, account balance or	SA 200

	disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected or corrected, on a timely basis by the entity's internal control.	
Sampling risk	The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions: (i) In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of details, that a material misstatement does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit effectiveness and is more likely to lead to an inappropriate audit opinion. (ii) In the case of a test of controls, that controls are less effective than they actually are, or in the case of a test of details, that a material misstatement exist when in fact it does not. This type of erroneous conclusion affects audit efficiency as it would usually lead to additional work to establish that initial conclusions were incorrect.	SA 530
Sampling unit	The individual items constituting a population.	SA 530
Service auditor	An auditor who, at the request of the service organisation, provides an assurance report on the controls of a service organisation.	SA 530
Service auditor	A professional accountant in public practice who, at the request of the service organisation, provides an assurance report on controls at a service organisation.	SAE 3402
Service organisation	A third party organisation (or segment of a third party organisation) that provides services to user entities that are part of those entities' information systems relevant to financial reporting.	SA 402/ SAE 3402
Service organisation's system	The policies and procedures designed, implemented and maintained by the service organisation to provide user entities with the services covered by the service auditor's report.	SA 402
Service organisation's assertion	The written assertion about the matters referred to in paragraph 9(k)(ii) (or paragraph 9(j)(ii) in case of a type 1 report).	SAE 3402
Service organisation's system	The policies and procedures designed and implemented by the service organisation to provide user entities with the services covered by the service auditor's assurance report. The service organisation's description of its system includes identification of the services covered, the period, or in the case of a type 1 report, the date, to which the description relates, control objectives, and controls.	SAE 3402
Significant deficiency in internal control	A deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.	SA 265
Significant risk	An identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration.	SA 315
Special purpose financial statements	Financial statements prepared in accordance with a special purpose framework.	SA 800

Special purpose framework	A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.	SA 800
Staff	Professionals, other than partners, including any experts which the firm employs.	SQC 1/ SA 220
Statistical sampling	An approach to sampling that has the following characteristics: (i) Random selection of the sample items; and (ii) The use of probability theory to evaluate sample results, including measurement of sampling risk. A sampling approach that does not have characteristics (i) and (ii) is considered non-statistical sampling.	SA 530
Stratification	The process of dividing a population into subpopulations, each of which is a group of sampling units which have similar characteristics (often monetary value).	SA 530
Subsequent events	Events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.	SA 560
Subservice organisation	A service organisation used by another service organisation to perform some of the services provided to user entities that are part of those user entities' information systems relevant to financial reporting.	SA 402/ SAE 3402
Substantive procedure	An audit procedure designed to detect material misstatements at the assertion level. Substantive procedures comprise: (i) Tests of details (of classes of transactions, accounts balances, and disclosures), and (ii) Substantive analytical procedures.	SA 330
Sufficiency (of audit evidence)	The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risk of material misstatement and also by the quality of such audit evidence.	SA 500
Suitably qualified external person	an individual outside the firm with the capabilities and competence to act as an engagement partner, for example a partner or an employee.	SQC 1/ SA 220
Summary financial statements	Historical financial information that is derived from financial statements but that contains less details than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time. Different jurisdictions may use different terminology to describe such historical financial information.	SA 810
Test of controls	An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.	SA 330
Test of controls	A procedure designed to evaluate the operating effectiveness of controls in achieving the control objectives stated in the service organisation's description of its system.	SAE 3402

Those charged with governance	The person(s) or organisation(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel. For example, executive members of a governance board of a private or public sector entity, or an owner-manager.	SA 200/ SA 260
Tolerable misstatement	A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeding by the actual misstatement in the population.	SA 530
Tolerable rate of deviation	A rate of deviation from prescribed internal control procedures set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set by the auditor is not exceeds by the actual rate of deviation in the population.	SA 530
Type 1 Report	Report on the description and design of controls at a service organisation (referred to in this SAE as a "type 1 report")- A report that comprises: (i) The service organisation's description of its system; (ii) A written assertion by the service organisation that, in all material respects, and based on suitable criteria: (a) The description fairly presents the service organisation's system as designed and implemented as at the specified date; (b) The controls related to the control objectives stated in the service organisation's description of its system were suitably designed as at the specified date; and (iii) A service auditor's assurance report that conveys reasonable assurance about the matters in (ii) a.-b. above	SAE 3402
Type 2 Report	Report on the description, design and operating effectiveness of controls at a service organisation (referred to in this SAE as a "type 2 report")- A report that comprises: (i) The service organisation's description of its system; (ii) A written assertion by the service organisation that, in all material respects, and based on suitable criteria: (a) The description fairly presented the service organisation's system as designed and implemented throughout the specified period; (b) The controls related to the control objectives stated in the service organisation's description of its system were suitably designed throughout the specified period; and (c) The controls related to the control objectives stated in the service organisation's description of its system operated effectively throughout the specified period; and (iii) A service auditor's assurance report that: (a) Conveys reasonable assurance about the matters in (ii) a.-c. above; and (b) Includes a description of the tests of controls and the results thereof.	SAE 3402
Uncorrected misstatements	Misstatement that the auditor has accumulated during the audit and that have not been corrected.	SA 450

Unmodified Opinion	The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.	SA 700
User auditor	An auditor who audits and reports on the financial statements of a user entity.	SA 402
User entity	An entity that uses a service organisation and whose financial statements are being audited.	SA 402
Written representations	A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.	SA 580