

Glossary of Common Audit phrases

- **Known Differences:**

Represent items that can be accurately quantified and relate to a definite set of facts or circumstances.

- **Judgemental Differences:**

Generally involves estimation and relate to facts or circumstances that are uncertain or open to interpretation.

- **Misstatement:**

An amount entered in the statement of accounts which the auditors believe is not correct.

- **Materiality Levels:**

Audits have used a figure equivalent to 2% of SBC's gross expenditure (£0.106m) on provision of services. This represents the threshold for reporting misstatements that have an effect on the primary statements (e.g. Comprehensive Income and Expenditure Statement, Balance Sheet, Movement on Reserves, Cash Flow Statement and Collection Fund).

- **True and Fair:**

True and fair view in auditing means that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the organisation.

- **Qualified**

A qualified opinion is typically given due to a limitation of scope in which the auditor was not able to gather sufficient evidence for various aspects of the financial statements. Without sufficient verification of transactions, an unqualified opinion may not be given. A qualified opinion is suitable when accounting procedures used do not conform to recognised accounting standards or procedures. Inadequate disclosures in the notes to the financial statements, estimation uncertainty, or the lack of a statement of cash flows are also grounds for a qualified opinion.

- **Unqualified**

An unqualified opinion is an independent auditor's judgment that a company's financial statements are fairly and appropriately presented, without any exceptions, and in compliance with recognised accounting standards or procedures.