

## D. Our assessment of financial statement preparation

In assessing the effectiveness of financial statement preparation processes, we consider three components—the year end close process, the timeliness of financial statements, and the quality of financial statements.

We assess financial statement preparation processes against the following criteria.

### Year end close process

State public sector entities should have a robust year end close process to enhance the quality and timeliness of their financial reporting processes. This year, we assessed the entities' year end financial statement preparation against the following processes.

**Figure D1**  
Year end processes

Process	Target date
Completing non-current asset valuations	31.05.19
Preparing complete pro forma financial statements	30.04.19
Resolving known accounting issues	30.04.19
Completing early close processes and agreed procedures	As agreed
Concluding all asset stocktakes	30.06.19

Note: non-current assets are long-term investments whose full value will not be realised within a year.

Source: Compiled by Queensland Audit Office.

These targets were developed based on advice previously issued by the Queensland Under Treasurer in 2014 and on better practice identified in other jurisdictions.

Rating scale	Assessment criteria—year-end close process
● Fully implemented	All key processes completed by the target date
● Partially implemented	Three key processes completed within two weeks of the target date
● Not implemented	Less than two key processes completed within two weeks of the target date



## Timeliness of draft financial statements

We assessed the timeliness of draft financial statements by considering whether entities prepared the statements according to the timetables set by management. This includes providing auditors with the first complete draft of the financial statements by the agreed date. A complete draft is one that management is ready to sign in which no material errors or adjustments are expected.

Rating scale	Assessment criteria—timeliness of draft financial statements
● Timely	Acceptable draft financial statements received on or prior to the planned date
● Generally timely	Acceptable draft financial statements received within two days after the planned date
● Not timely	Acceptable draft financial statements received greater than two days after the planned date

## Quality of draft financial statements

We assess the quality of financial statements in terms of adjustments made between the first draft of the financial statements and the final version we receive. This includes adjustments to current year, prior year, and other disclosures. It indicates how effective each entity's review of the financial statements is at identifying and correcting errors.

Rating scale	Assessment criteria—quality of draft financial statements
● No adjustments	No adjustments were required
● No significant adjustments	Immaterial adjustments were made to financial statements
● Significant adjustments	Material adjustments were made to financial statements



## Results summary

Figure D2 summarises our assessment of financial statement preparation by the energy entities.

**Figure D2**  
**Our assessment of energy sector financial statement preparation for 2018–19**

Entity	Financial statement preparation		
	Year end close process	Timeliness of draft financial statements	Quality of draft financial statements
CleanCo Queensland Limited	●	●	●
CS Energy Limited	●	●	●
Energy Queensland Limited	●	●	●
Powerlink	●	●	●
Stanwell Corporation Limited	●	●	●

Source: Compiled by Queensland Audit Office.

