

E. 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.

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. This year, we assessed processes for year-end financial statement preparation against the following target dates, unless different dates were negotiated with the entity.

Figure E1
Year end financial statement preparation target dates

Process	Target date
Completing non-current asset valuations	30.04.2019
Preparing complete proforma financial statements	30.04.2019
Resolving known accounting issues	30.04.2019
Completing early close processes and agreed procedures	As agreed
Concluding all asset stocktakes	30.06.2019

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

Source: Queensland Audit Office.

These targets were developed based on advice previously issued by the Queensland Under Treasurer in 2014 (re-confirmed in 2018) 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	Fewer 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—including 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 and where no material errors or adjustments are expected. (An error is material if it has the potential to influence the decisions made by users of the financial statements.)

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 more 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—including 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 required
● No significant adjustments	Immaterial adjustments made to financial statements
● Significant adjustments	Material adjustments made to financial statements



Results summary

The following figure summarises our assessment of the financial statement preparation processes for the 21 departments.

Figure E2
Assessment of departments' financial statement preparation processes

Entity	Financial statement preparation		
	Year end close process	Timeliness of draft financial statements	Quality of draft financial statements
Department of Aboriginal and Torres Strait Islander Partnerships	●	●	●
Department of Agriculture and Fisheries	●	●	●
Department of Child Safety, Youth and Women	●	●	●
Department of Communities, Disability Services and Seniors	●	●	●
Department of Corrective Services	●	●	●
Department of Education	●	●	●
Department of Employment, Small Business and Training	●	●	●
Department of Environment and Science	●	●	●
Department of Health	●	●	●
Department of Housing and Public Works	●	●	●
Department of Innovation, Tourism Industry Development and the Commonwealth Games*	●	●	●
Department of Justice and Attorney-General	●	●	●
Department of Local Government, Racing and Multicultural Affairs	●	●	●



Entity	Financial statement preparation		
Department of Natural Resources, Mines and Energy	●	●	●
Department of State Development, Manufacturing, Infrastructure and Planning	●	●	● #
Department of the Premier and Cabinet	●	●	●
Department of Transport and Main Roads	●	●	●
Public Safety Business Agency	●	●	●
Queensland Fire and Emergency Services	●	●	●
Queensland Police Service	●	●	●
Queensland Treasury	●	●	●

* The 2018–19 audit certified financial statements referred to the former Department of Innovation, Tourism Industry Development and the Commonwealth Games. The entity has since been renamed to the Department of Innovation and Tourism Industry Development.

Mainly relates to the department's commercialised business unit, Economic Development Queensland's reclassification of land inventories from current to non-current; and also that entity's tax adjustments affecting income tax equivalent expense and deferred tax equivalent assets. Economic Development Queensland is consolidated into the department's financial statements.

Source: Queensland Audit Office.

