

## 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.

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 processes for year end financial statement preparation against the following target dates.

Process	Target date
Completing non-current asset valuations	30.04.2019
Preparing complete pro forma 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.

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 process 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—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 in which 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 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—including adjustments to current year, prior year, and other disclosures. This indicates how effective each entity's review of their 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 made to financial statements
● Significant adjustments	Material adjustments made to financial statement



## Results summary

The table below summarises our assessment of the financial statement preparation processes for the transport sector entities.

**Figure E2**  
**Financial statement preparation results**

Entity	Financial statement preparation		
	Year end close process	Timeliness of draft financial statements	Quality of draft financial statements
Department of Transport and Main Roads	●	●	●
Queensland Rail	●	●	●
Cross River Rail Delivery Authority	●	●	●
Gladstone Ports Corporation Limited	●	●	●
North Queensland Bulk Ports Limited	●	●	●
Port of Townsville Limited	●	●	●
Far North Queensland Ports Corporation Limited	●	●	●

Source: Queensland Audit Office.

