

# E. Our assessment of financial statement preparation

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

We assess these 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 the financial reporting processes. This year, we assessed processes for year end financial statement preparation against the following targets:

- prepare pro-forma financial statements by 31 March
- resolve known accounting issues by 30 April
- complete non-current asset valuations by 31 May
- complete early-close processes
- conclude all asset stocktakes by 30 June.

These targets were developed based on advice previously issued by the 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	Fewer than two key processes completed within two weeks of the target date



## Timeliness of draft financial statements

We assess the timeliness of draft financial statements by considering whether entities prepared them according to the timetables set by management. This includes providing auditors with the first complete draft of 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 draft 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. This is an indicator of how effective the 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



## Result summary

This table summarises our assessment of the six entities' financial statement preparation processes.

**Figure E1**  
**Our assessment of water sector financial statement preparation for 2018–19**

Entity	Year end close process	Timeliness of draft financial statements	Quality of draft financial statements
Seqwater	●	●	●
Sunwater	●	●	●
QUU	●	●	●
Unitywater	●	●	●
MIWB	●	●	●

Notes: QUU—Queensland Urban Utilities; MIWB—Mount Isa Water Board.

Source: Compiled by the Queensland Audit Office.

