

## 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 under 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.

**Figure D1**  
Year end financial statement preparation target dates

Process	Target date (entities with 30 June 2019 balance date)	Target date (entities with 31 December 2019 balance date)
Completing non-current asset valuations	30.04.2019	31.10.2019
Preparing complete proforma financial statements	30.04.2019	31.10.2019
Resolving known accounting issues	30.04.2019	31.10.2019
Completing early close processes and agreed procedures	As agreed	As agreed
Concluding all asset stocktakes	30.06.2019	31.12.2019

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 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 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 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 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 to financial statements
● Significant adjustments	Material adjustments to financial statements



## Results summary

This table summarises our assessment of the financial statement preparation processes for the two departments, one statutory body and seven universities. Grammar schools are included in our overall assessment but not reported individually due to their smaller size.

**Figure D2**  
**Assessment of financial statement preparation processes**

Entity	Financial statement preparation		
	Year end close process	Timeliness of draft financial statements	Quality of draft financial statements
Department of Education	●	●	●
Department of Employment, Small Business and Training	●	●	●
TAFE Queensland	●	●	●
Central Queensland University	●	●	●
Griffith University	●	●	●
James Cook University	●	●	●
Queensland University of Technology	●	●	●
The University of Queensland	●	●	●
University of Southern Queensland	●	●	●
University of the Sunshine Coast	●	●	●

Note: The assessment of the timeliness and quality of draft financial statements for the Department of Education's and the Department of Employment, Small Business and Training's ratings is also reported in *Queensland state government: 2018–19 results of financial audits* (Report 8: 2019–20).

Source: Queensland Audit Office.