Checklist: Chief Financial Officer assurance

Foreword

The Chief Financial Officer (CFO) of an entity generally has primary responsibility for the preparation of the financial statements and is a co-signatory, with the accountable authority, to the financial statements. It is therefore appropriate that the CFO ensures that necessary processes have been conducted and that the financial statements present fairly in accordance with the financial reporting framework.

The following checklist is provided as a tool in considering a range of issues relating to the preparation of an entity’s financial statements. It may assist the CFO in discharging his/her responsibilities. Further, it may form the basis for providing assurance to the audit committee and the accountable authority in preparing the financial statements that all relevant matters have been considered.

The checklist does not necessarily cover all possible issues or questions and should be tailored to reflect the particular circumstances of each entity.

It also should be tailored to reflect, where applicable, the lines of responsibility and reporting structure of the entity, and the relationship the CFO has with other key officers involved in the preparation of the financial statements. This includes the financial statements team and business managers who may contribute to the financial statements.

It may also be appropriate for certain sections or questions of the checklist to be completed by other people within the entity.

The checklist is structured in three stages:

**Stage 1:** Covers the planning phase (for entities with the financial year ending at
30 June, this would usually be September to April)

**Stage 2:** Covers the preparation phase (May to June), and

**Stage 3:** Covers the production phase (July to September).

## Chief Financial Officer assurance checklist

| **CFO checklist item** | **Actioned? (Yes/No)** |
| --- | --- |
| ***Planning Phase (September to March)*** |  |
| Review ANAO and internal audit findings from previous year and ensure appropriate corrective action has been taken. | 󠄀 |
| Review the previous year’s financial statement preparation process and identify opportunities for improvement. | 󠄀 |
| Review relevant ANAO audit reports and Better Practice Guides and Finance Resource Management Guides for suggestions for improved practice. | 󠄀 |
| Review the ANAO Audit Strategy Document for the year and identify any implications of their approach. | 󠄀 |
| Identify and assess the risks to the completion of the financial statements, whether from fraud or error. | 󠄀 |
| Identify changes in the entity’s operations or environment that may affect the financial statements. | 󠄀 |
| Examples: new transactions, ceasing transactions, asset types or restructures; fluctuations in asset prices, exchange rates or discount rates. | 󠄀 |
| Identify changes in accounting standards and the FRR that may affect the financial statements. | 󠄀 |
| Set materiality level for the financial statements (overall and for specific items). | 󠄀 |
| Suggestion: specific levels may be set for executive remuneration and/or appropriations. | 󠄀 |
| Decide how to address significant risks of material misstatement. | 󠄀 |
| Review list of entities the entity is involved with (subsidiaries, associates, joint ventures and unconsolidated structured entities) and determine appropriate accounting treatment for each (consolidated, equity accounting, disclosure). | 󠄀 |
| Review thresholds (e.g. for capitalising PPE and intangibles). | 󠄀 |
| Identify line items with a high risk of major variation from budget and document key assumptions underpinning the budgets for each. | 󠄀 |
| Decide on the strategy for valuing assets and disclosing fair value information; instruct valuers or internal staff accordingly. | 󠄀 |
| Decide whether to seek an exemption from any requirements of the FRR and discuss with Finance. | 󠄀 |
| Review existing accounting policies and methodologies for accounting estimates. | 󠄀 |
| Identify opportunities to remove unnecessary disclosures and improve overall financial statements presentation. | 󠄀 |
| Decide whether to perform a hard or soft close of the financial statements during the year. | 󠄀 |
| Review form of representation letters from the accountable authority and the CFO. | 󠄀 |
| Identify the extent of Internal audit’s involvement in the financial statements preparation process. | 󠄀 |
| Discuss the results of the above steps with the ANAO. | 󠄀 |
| Identify the sequencing and estimates of time required for each step in the financial statements process. | 󠄀 |
| Determine resource requirements. | 󠄀 |
| Get agreement to, and document, roles and responsibilities for the financial statements process. | 󠄀 |
| Identify the required management and third party sign-offs (including from shared services) and ensure there is commitment to the required timeframes. | 󠄀 |
| Establish processes for monitoring progress and completion of financial statements within agreed timeframes. | 󠄀 |
| Identify and document proposed quality assurance reviews. | 󠄀 |
| Document project plan for the completion of the financial statements. | 󠄀 |
| Report to the audit committee regarding the above steps. | 󠄀 |
| Make changes to systems and records where required. | 󠄀 |
| ***Preparation phase (April to June)*** |  |
| Identify any significant changes since the planning phase and assess implications for the financial statements. | 󠄀 |
| Review the useful life and depreciation rates for PPE and intangible assets. | 󠄀 |
| Review any internal audit or ANAO findings during the year and assess the implications for the financial statements. | 󠄀 |
| Assess whether financial systems and controls were effective during the year and, if not, reassess the risks to the financial statements. | 󠄀 |
| Ensure monthly reconciliations are up to date and any discrepancies have been resolved. | 󠄀 |
| Examples: bank reconciliations; reconciliation of appropriation receivable balances to Finance appropriation reports. | 󠄀 |
| For any errors identified during the year, correct current year records and determine the required adjustment to prior year’s figures. | 󠄀 |
| Prepare a hard or soft close of the financial statements, if approved in the planning phase. | 󠄀 |
| If no hard or soft close is performed, prepare a shell set of financial statements (without numbers for the current year). | 󠄀 |
| Ensure adequate staff resources will be available and develop contingency plan for unplanned absences. | 󠄀 |
| Identify likely variations from budget of more than, say, 10 per cent, prepare draft explanations and discuss with the ANAO. | 󠄀 |
| Review compliance certifications from line areas and external parties (including shared services) for completeness and adequacy of documentation; investigate anomalies. | 󠄀 |
| Obtain assurance that external systems relied on for the financial statements are providing accurate data. | 󠄀 |
| Obtain assurance that formal arrangements are in place for obtaining information from other parties. | 󠄀 |
| Obtain assurance that all necessary valuations and all impairment reviews are finalised and the results recorded in the FMIS. | 󠄀 |
| Decide the cut-off date(s) for accruals. | 󠄀 |
| Report to the audit committee on the above. | 󠄀 |
| ***Production Phase (July to September)*** |  |
| Prepare the trial balance of the financial statements and resolve any anomalies. | 󠄀 |
| Prepare adjusting journal entries for end of year accruals and reversals. | 󠄀 |
| Ensure final sign-offs from line areas have been received, and are supported by appropriate documentation, with any anomalies investigated. | 󠄀 |
| Ensure all necessary information from external entities (including shared services and assurance statements) has been received. | 󠄀 |
| Investigate significant differences between the current year actual and the previous year, current year budget and revised budget. | 󠄀 |
| Prepare note disclosures. | 󠄀 |
| Consider whether to add, adjust or remove financial statement disclosures in light of entity materiality levels and actual outcomes. | 󠄀 |
| Prepare a lead schedule for each financial statement line item or note disclosure. | 󠄀 |
| Consider any implications from the Compliance Reporting process. | 󠄀 |
| Perform a quality review of the financial statements and supporting documentation. | 󠄀 |
| Submit draft financial statements and lead schedules to the ANAO. | 󠄀 |
| Consider all suggestions from the ANAO and implement or document reasons for not implementing. | 󠄀 |
| Prepare final draft financial statements. | 󠄀 |
| Prepare written confirmation to the Audit Committee certifying that: | 󠄀 |
| Proper financial accounts and records have been maintained by the entity. | 󠄀 |
| Internal controls were sufficiently robust to prevent, detect, or correct material error and fraud. | 󠄀 |
| Financial management and related systems were operating effectively during the year. | 󠄀 |
| Quality control arrangements were in place to protect the integrity of the financial statements. | 󠄀 |
| The information required from other parties to complete the financial statements was received and acted on. | 󠄀 |
| There is adequate documentation supporting the financial statements, including lead schedules for every financial statement line item and note disclosure. | 󠄀 |
| Guidance on entity financial reporting issued by the Department of Finance has been considered. | 󠄀 |
| The approved accounting policies have been consistently applied. | 󠄀 |
| The approved materiality thresholds were applied in the preparation of the financial statements. | 󠄀 |
| All material misstatements in the financial statements have been corrected. | 󠄀 |
| All immaterial misstatements found have been discussed with the ANAO. | 󠄀 |
| All known or suspected instances of fraud or legal non-compliance have been disclosed to ANAO. | 󠄀 |
| All recommendations from ANAO have been actioned, or the reasons disclosed to the audit committee. | 󠄀 |
| The financial statements materially comply with Australian Accounting Standards and the Financial Reporting Rule. | 󠄀 |
| The financial statements present fairly the financial performance, financial position and cash flows of the entity. | 󠄀 |
| It is appropriate for the accountably authority to give the certificate required under the PGPA Act and the Financial Reporting Rule. | 󠄀 |
| Arrangements have been made to ensure that the financial statements will be included in the annual report exactly as signed. | 󠄀 |
| Present final draft financial statements and written confirmation to the audit committee. | 󠄀 |
| Make changes to the financial statements in light of audit committee consideration. | 󠄀 |
| Seek ANAO clearance of final financial statements. | 󠄀 |
| Discuss with the ANAO any events occurring after the end of the financial year that may need to be disclosed in the financial statements. | 󠄀 |
| Prepare Management Representation Letter and submit to the accountable authority. | 󠄀 |
| Arrange signing of certificate and ANAO representation letters by the CFO and accountable authority. | 󠄀 |
| Arrange signing of the auditor’s report and include in the financial statements package for publication. | 󠄀 |
| Arrange for hard and soft copies to be included in the annual report. | 󠄀 |
| Provide hard and soft copies of the annual report to the ANAO for their review. | 󠄀 |
| Ensure that the financial statements as included in the annual report, both hard and soft versions, match with the signed financial statements. | 󠄀 |
| Hold exit interview with the ANAO and document lessons learned. | 󠄀 |