Item 12: Proforma Chief Financial Officer report

The purpose of the CFO’s report is to provide the Accountable Authority, through the Audit Committee, with assurance that an entity’s financial statements are suitable for signing by the Accountable Authority (and the CFO) in accordance with the requirements of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

It is generally accepted that the report from the CFO is the primary source of assurance for the entity’s Audit Committee to enable the committee to meet its responsibilities in relation to an entity’s financial statements. The content of the report will be influenced by a number of factors, including:

- the complexity of the entity and the financial statements themselves
- the level of risk that the financial statements may contain misstatements
- the extent and nature of changes to the financial statements compared with prior years, and
- whether the financial statements have been subject to review by a Finance or financial statements sub-committee (that would be expected to report separately to the full committee on its review of the financial statements).

Depending on the context of the report itself, it may also be useful for the report to be supported by a detailed sign-off that covers all key elements of an entity’s financial statements. The Checklist for the Chief Financial Officer shown in Item 1 of the Toolkit (page 88) could be attached the CFO Report.

The following is an outline of matters that could be expected to be addressed in the CFO report; the detail required in relation to each issue will vary depending on each entity’s particular circumstances and the expectations of the Audit Committee and the Accountable Authority.

Reference: Section 3.5.2 (page 67).

Proforma Chief Financial Officer report

Overview

Summary statement that the financial statements are in order for signature, highlighting any particular issues that the Audit Committee and the CFO should be aware of, such as: expected modifications or other references to be included in the auditor’s report; significant improvements or deterioration in the entity’s result or equity position; significant movements in financial statements balances; or significant write-offs.

Regulatory requirements

Indicate the basis on which the financial statements have been prepared and outline any substantive changes to legislative and accounting standards’ requirements.

Accounting policies and disclosures

Outline the key accounting policies that underpin the financial statements and highlight any significant changes made to these during the year.

Significant events and decisions

Provide assurance that the financial statements are consistent with the entity’s management accounts and reflect, where necessary, the decisions of management and the Accountable Authority (where relevant) during the year and any significant changes in the entity’s responsibilities.
**Highlights of the financial statements**

Provide details of:

- key results for the year
- significant liabilities and contingencies at year end
- material movements in financial statements balances (by statement)
- key prior year adjustments
- executive remuneration disclosures, and
- significant one-off events or transactions.

**Significant accounting estimates and judgments**

Provide details of all significant estimates and judgments made in preparing the financial statements, highlighting any significant changes from prior years.

**Internal audit and ANAO audit coverage**

Provide a summary of the results of internal audit and ANAO audit coverage that has impacted the financial statements and the entity’s underlying internal controls.

**Reliance on external parties**

Provide details of the extent of reliance on information from external parties and the steps taken to ensure the accuracy and integrity of this information.

**Assessment of internal controls and financial records**

Provide assurance that the entity’s internal controls and financial records are adequate to enable the preparation of financial statements free from material error.

**Financial statements preparation processes**

Provide assurance that the financial statements preparation process involved: a review of all accounting policies; and correction of all material errors and other adjustments identified by the entity’s own review processes and audits by internal audit and the ANAO.

**Details of management sign-offs and proposed representations to the ANAO**

Provide a summary of all management sign-offs obtained and provide assurance that the financial statements reflect, to the extent necessary, the issues arising from these processes.

Provide details of, and attach to the report, proposed management and Accountable Authority representations to the ANAO in line with standard audit requirements.

**Recommendation**

Recommend the Audit Committee endorse the signing of the financial statements by the Accountable Authority (and the CFO) noting any particular matters that should be highlighted to these parties.