

# Decluttering your accounts

## Helping local authorities prepare clear and concise financial statements

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### The case for de-cluttering

Financial statements are an important part of good governance and accountability. But many local authorities say their financial statements are becoming more complex, harder to prepare and less clear for readers. We believe it is possible to break this trend.

In 2012 we published our top ten tips on how to de-clutter local authority accounts. Since then we have worked with authorities across the UK to help them prepare financial statements that are clear and concise. For some the change has been dramatic with one of our clients successfully halving the length of its financial statements. Based on this work we have identified the five critical success factors.

#### 1 Engage stakeholders

Securing the commitment of your members, senior managers and other stakeholders (including auditors) to the project is essential. And understanding what your stakeholders think of your latest financial statements will help you identify the main areas for improvement:

- are the financial statements consistent with their knowledge of the authority?
- do they think that big issues are disclosed clearly?
- are there any areas where the financial statements do not make sense to them?

#### 2 Remove immaterial disclosures

Disclosure notes are only needed for material items or where disclosure is required by statute. Removing immaterial disclosures can have a major impact on the size of your financial statements. To do this you will need to have a clear understanding of what is material to your local authority:

- an item is material if it could influence the view of a user of the financial statements
- assessing materiality requires consideration of both qualitative and quantitative factors.

#### 3 Remove duplication

Financial statements often include several disclosures covering the same balances, sometimes resulting in duplication. Merging these notes and disclosing information just once can make the accounts more readable and shorter.

#### 4 Re-order

Many local authorities follow a standard order for their disclosures. Changing the order in which information is disclosed can help give greater prominence to the big issues and make the accounts more readable.

#### 5 Use a variety of presentational formats

Lines of text and lists of numbers may not always be the best way to engage a reader. Financial information is often most effectively presented in tables or graphs. Using a variety of presentational formats can also help you highlight the big issues and maintain the reader's interest for longer.

#### Who should I contact?

For more information on how to de-clutter your financial statements, contact your usual Grant Thornton contact in the first instance or, alternatively:

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