

# Appendix I:

## Checklist for simplifying financial reports

While model financial reports promote consistency, they are, by their nature, generic and cannot practically cater for every single transaction. The onus, then, is on agencies to tailor their financial report, focusing on material information and telling their unique story in an effective manner. Figure I1 details steps an agency may adopt to simplify (streamline) their financial report.

**Figure I1:** Checklist for simplifying financial reports

Steps	Description
1 <b>Identify users of the financial report</b>	<ul style="list-style-type: none"> <li>Identify primary users of the financial report (for example, ratepayers, service recipients, creditors, constituents, state and federal government)</li> </ul>
2 <b>Set materiality</b>	<ul style="list-style-type: none"> <li>Set a material threshold to assist with establishing what balances and disclosures are material</li> <li>Items can be material by:               <ul style="list-style-type: none"> <li>amount, based on a \$ threshold, or</li> <li>nature, based on qualitative factors.</li> </ul> </li> </ul>
3 <b>Review the prior year's financial report</b>	<ul style="list-style-type: none"> <li>Critically review the prior year's financial report with the abovementioned users and materiality threshold in mind               <ul style="list-style-type: none"> <li>Identify immaterial notes and disclosures, including detailed policy notes, that could be removed</li> <li>Assess whether disclosures in relation to material balances and disclosures, especially those that involve key management judgements and estimates, can be enhanced</li> </ul> </li> </ul>
4 <b>Use the local government model financial report as a starting point</b>	<ul style="list-style-type: none"> <li>Start with the latest model financial report as released by Local Government Victoria in preparing the current year's financial report               <ul style="list-style-type: none"> <li>Highlight the areas to be removed or deleted</li> <li>Focusing on your material balances, revise disclosures as required to enhance a user's understanding of your financial performance and position</li> </ul> </li> </ul>
5 <b>Tailor accounting policy notes and disclosures</b>	<ul style="list-style-type: none"> <li>Avoid repetition of disclosures throughout the financial report by consolidating information at one location or use note references to refer a user to another part of the financial report</li> <li>Use plain language for clarity</li> <li>Involve subject matter experts for technical areas (for example, asset valuations)</li> </ul>
6 <b>Engage stakeholders early</b>	<ul style="list-style-type: none"> <li>Prior to 30 June:               <ul style="list-style-type: none"> <li>Brief audit and risk committee on planned simplifications</li> <li>Prepare and present a proforma financial report with these simplifications reflected</li> <li>Seek feedback from audit and risk committee members, councillors and your external auditor</li> </ul> </li> </ul>
7 <b>Continuous improvement</b>	<ul style="list-style-type: none"> <li>Treat each reporting season as an opportunity to further simplify the financial report</li> <li>Seek feedback from users and stakeholders for future enhancements</li> <li>Monitor audit findings and recommendations for areas to streamline</li> </ul>

Note: Read our article [Improving Public Sector Financial Reporting: Power of streamlining](#) from April 2021 for further details.  
Source: VAGO.