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## **The Development and Quality of Financial Accounting:**

- Unnecessary Disruptions and Established Routines

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### **Abstract**

This paper addresses financial accounting in Swedish municipalities and county councils and the quality of municipal accounting. The paper describes the ways in which municipal accounting has transformed over the last few decades towards accrual accounting and the development of the annual report to become more user-friendly. A study has been conducted of the quality of municipal annual reports with the purpose to find out whether they meet established criteria after 20 years of efforts to improve them. An operationalization of basic and crucial requirements for financial accounting has been done. In the next step the requirements have been compared with the actual content of the annual reports. The main result is that the annual reports are disclosed and provide accessible information, but is to some extent not up-to-date. Routines and institutionalized texts obstruct the reports' newsworthiness and their informational content.

The result of the study of the practice has apparent normative implications. Annual reports ought to be founded more firmly up-to-date if they should attract different kind of users.



## The Purpose of Accounting and Its Users

The purpose of financial accounting is to reduce uncertainty for which certain characteristics are required (Brorström 1997). For example, the information in the report should provide users with new information about the entity. The report should be clear regarding the entities development and situation. One of the primary requirements of a high-quality financial report is therefore that users should feel informed and able to make well-founded decisions and evaluations. The development and current conditions of complex financial entities are always surrounded by uncertainty. Apart from reducing uncertainty, proper accounting thus provides a better foundation for decision making and an improved basis for qualitative evaluations. Accounting could be seen as a management tool for improving efficiency and fulfills the same function as an efficient organization or good leadership with regard to creating conditions for successful progress.

In order for financial accounting to reduce uncertainty, users need to possess certain characteristics, and this part will clarify what is required of the users'. There are several studies that through empirical research try to identify actual users of financial reporting from different kind of entities' in the public sector and identify how they use the information (for example see Coy et al. 1997 that identified actual users in New Zealand, Mack and Ryan 2007 that identified users in Australia and Steccolini 2004 that identified users in Italy). Both Coy et al. (1997) and Steccolini (2004) reveal that the annual report mainly is used by internal users. Mack and Ryan (2007) also point out that in some part of the public sector – for example what they call local government authorities – the annual report mainly is used by internal users. Also in a Swedish context the principal users of municipal annual reports is internal: it is the representatives of the citizens, the governing bodies. One obvious reason to adopt this approach is the Swedish legalization, which states that the annual report will be established by the executive board and submitted to the council. The legalization has an obvious impact on the practices and in the beginning of some annual reports it is even stated that external users should be aware of that the document is primarily for internal users.

The user of the annual report has diverse knowledge in economics and accounting. There are professional users and there are inexperienced users and they obviously demand different kind of information. For example Bruscha (1997) pointed out that one of the principal reasons why the information in the annual report did not consider useful, was potential users' lack of accounting knowledge. A solution could be to establish an annual report without professional concepts and with everyday vocabulary. This would however mean that the professional users lack important information. Rutherford (2000) describes the situation as a dilemma. Opinions differ how to solve this dilemma with regard to the extent to which financial reports should be simplified to meet potential users who lack knowledge in economics and accounting. One perspective maintains that professional accountants should be obligated to use everyday vocabulary and describe complex

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relationships in simple terms. Another point of view maintains that it is important to use professional concepts because they bring precise definitions. Users would thereby learn and become more knowledgeable which provides the opportunity for improved communication over time: Accounting should therefore take place on the accountants' terms. The following quote represents the latter opinion:

Philosophers assume that their readers follow logic. Accountants must assume that their readers can account – that is they are educated in this discipline. (Herzlinger and Sherman 1980, s 102)

In the Statement of Principles for Financial Reporting, the British regulatory agency describes this view the following way:

Those preparing financial statements are entitled to assume that users have a reasonable knowledge of business and economic activities and accounting and a willingness to study with reasonable diligence the information provided. (Rutherford 2000, s 48)

The statement was included in Rutherford (2000) who maintains that accountants should assume that the users are reasonably sophisticated and that inexperienced users should be warned that they might need expert help interpreting the figures.

We believe that users should be required to know basic concepts and the ways in which the different accounting models are related. The concepts are not interchangeable and the relationships cannot be transformed or simplified. Accountants should therefore make accounting more user-friendly based on this assumption. This paper will not further discuss the users' situation, their background knowledge or the accountants' responsibility for ensuring that users possess the appropriate background knowledge.

We will now proceed to address the development and quality of municipal financial accounting. First, we will describe the development from 1986, when a new model was introduced. We will then proceed to discuss a study that reviewed the quality of today's annual reports. Finally, this article will explain the causes and effects of the uncovered shortcomings and suggest ways for improvement.

### **The Development of Municipal Accounting**

In 1986 the Swedish Association of Local Authorities and the Federation of Swedish County Councils issued a recommendation for a radical transformation of municipal accounting and budgeting. The old accounting model, which was unique to the municipal sector and was based on a strong integration between budget and accounting and a measurement of wealth, was replaced by a model that was primarily founded on traditional accounting models and included an operating statement, a cash flow analysis and a balance sheet. The primary argument in favor of the change was to make

accounting more user-friendly. The increased attention to finances and expected municipal financial problems required a different accounting model that more people would be able to understand.

With the new accounting model municipal accounting began its transition toward using accrual accounting. This model focuses on traditional financial reports and attempts to use accurate time periods to establish an accurate financial report. Revenues (performed services) should match expenses correctly (use of resources to perform the services). A group called the Reference Group for Accounting Issues was established at the same time as the new model was introduced and implemented. Its mission was to develop generally accepted accounting practices and oversee the ways in which the new model was applied. The group was established by Swedish Association of Local Authorities and the Federation of Swedish County Councils and was given an advisory function. It addressed several important issues, and although its role and position were somewhat unclear, it had a significant impact on practices and on the development of a system based on accrual accounting.

The next important step was the changes in the Municipal Legislation which took place at the end of the 1980s and the beginning of the 1990s. The new legislation took effect in 1992 and involved significant changes concerning financial control. The previous stipulation to protect wealth was replaced by a clause that required efficient and economic behavior, which however, was not further defined. It was left to the municipalities to decide the content and to establish guidelines for their financial development and status. The legislation stipulated that municipalities provide an annual report and that accounting should follow generally accepted accounting practices. These changes reflected an adjustment to the ways in which practices had already developed and to the transition toward an accounting model based on an operating statement and a balance sheet. The stipulation of generally accepted accounting practices was new, and perhaps slightly surprising, because the legislators chose not to define the term as generally accepted public accounting practices or generally accepted municipal accounting practices. The change in legislation clearly signaled a development in the direction of accrual accounting.

The changes precipitated a discussion with regard to the meaning of generally accepted accounting practices and the special qualities of financial accounting on the municipal level. Municipalities and private organizations operate under different conditions which resulted in the coining of the term municipal distinctiveness. The Reference Group for Accounting Issues issued a publication that defined the meaning of generally accepted accounting practices. It particularly emphasized the principles of disclosure, that operations should be considered permanent, and the principle of prudence. The issue that was the subject of the most discussion over the following years was how to manage municipal pension obligations. In accordance with both the Reference Group and generally accepted accounting practices, an increasing number of municipalities began to record their entire pension obligation as debts on their balance sheet and the change as a

cost in the operating statement. These directions were followed accurately in the 1994 annual reports (Brorström 1997) and municipalities continued to make progress toward generally accepted accounting practices and accrual accounting. The combination of the new model, the directions and recommendations from the Reference Group, and changes in municipal legislation resulted in a significant change in accounting practices. If you view the accrual accounting as the ideal the change constituted an improvement. In addition, experts clearly were in charge of the transition: The Reference Group consisted of expert accountants; officials from the Federation of Local Authorities pushed the implementation of the changes; and prominent financial managers from municipalities and county councils developed the accounting documents which became models and prototypes for others. The transition was thus precipitated by experts and was subsequently accepted by decision makers. It was confirmed through decisions regarding new accounting regulations in individual municipalities and county councils as well as in various pieces of legislation.

The State's finances deteriorated in the spring of 1995. After having recovered from the financial crisis of 1992-1993 the economy took another turn from the worse. The value of the national currency, the Swedish Krona, depreciated sharply which precipitated a renewed emphasis in the public sector on the importance of continued savings and reduced spending. This partially consisted of amending the municipal law's stipulation of efficient and economic behavior with a clause that required a balanced economy. In connection with a parliamentary debate in March 1995 regarding the supplemental proposition, the Minister of Finance at that time stated that he was going to appoint an inquiry to investigate whether or not municipalities would be allowed to borrow money only for investments. They would thus not be allowed to borrow money to finance operations. The Department of Finance addressed the issue quickly. They interpreted the general stipulation that municipalities were not allowed to borrow money for anything other than investments in the following way: According to the accounting models' concepts and logic they were not allowed to budget for, or show, a deficit in the operating statement. Revenues had to exceed expenses. While the inquiry was completed as early as the fall of 1995, the Parliament did not make a decision to supplement municipal law with a paragraph defining a balanced economy as one in which revenues exceed expenses until the spring of 1997. The stipulation of a balanced economy, which applied to all municipalities, highlighted the issue of uniformity and quality with regard to financial accounting.

Establishing legislation to regulate accounting for municipalities and county councils suddenly became a vital issue. An inquiry was launched which issued a recommendation as early as the spring of 1996. As was the case with the balanced finances, the Parliament did not vote upon this question until the spring of 1997. The law took effect on January 1, 1998. Legislation regarding municipal accounting confirmed the development that had taken place since the new model had been introduced 10 years earlier. The stipulation of generally accepted accounting practices was transferred from the Municipal Legislation

and the so called General Regulations. Recommendations from the Reference Group were important parts in the legislation's development and motivations. There were, however, two departures from what would be considered normal with regard to existing practices and regulations. First, appreciations of the value of financial long term assets were allowed under certain circumstances. This might be considered contrary to the principle of prudence which had been strongly emphasized in precedent. The second departure concerned the ways in which pension obligations were recorded. This clause stipulated an entirely different method: Obligation up until the law took effect was to be shown as contingent liability. The financial statement should include the debt from 1998. This constitutes a significant departure from existing practices, the meaning of generally accepted accounting practices, as well as from every conceivable theory in economics and finances. While accounting according to the mixed model results in drastically reduced recorded expenses, it also reduces expenses in the operating statement because interests on pension obligation do not affect results until 1997. The difference between Complete Cost Accounting, using generally accepted accounting practices, and the so called mixed model diminishes over time. There will not be any difference between the two models at the time when all employees who were covered by the previous model have retired. However, generally accepted accounting practices will not be applied for 40 years.

The mixed model was included in the legislation because lawmakers wanted to lower municipalities' expenses and thereby avoid a situation in which too many municipalities would not meet the demand for a balanced economy. The Department of Finance feared that if too many municipalities would fail to meet the demand they would begin to disregard it. Another fear was that municipalities would take drastic steps to reduce expenses with deteriorating municipal services as a result. This would result in an unmanageable number of visits to the Department of Finance by municipalities in search of various kinds of support. Manipulating accounting was considered a better alternative. The events surrounding the demands for a balanced economy and accounts indicate that decision makers intervene when the method of accounting has a negative financial and, at the same time, political impact. Developing accrual accounting and applying generally accepted accounting practices is then no longer viewed as particularly important.

In connection with the establishment of the new law the State, the Swedish Association of Local Authorities and the Federation of Swedish County Councils established a new organization called the Council for Municipal Accounting to replace the Reference Group. The Council's position was formalized and it was given its own funding. In addition, because the parties include the State, legislators view it as an independent regulator. The Council for Municipal Accounting has made 16 recommendations to date and has also issued publications in the area of accounting. One of them addressed the meaning of municipal distinctiveness and describes the principles that are particularly important to public municipal accounting. It particularly emphasizes the principles of ongoing operations, disclosure and accessibility. The Council has continued the transition toward accrual accounting and toward generally accepted accounting practices. The direct

references to regulations which were originally intended for the private sector indicate that municipal accounting is becoming more similar to the private sector.

However, the recommendations or statements from the Council for Municipal Accounting have not influenced the ways in which pension obligations or financial assets are recorded. On the contrary, in its first recommendation the Council confirmed existing legislation regarding the ways in which pension obligations were recorded. Considering its mission statement the Council had to take this position. Some municipalities, however, have chosen to use the Complete Cost Accounting Model, which has affected existing practices. They have simply chosen not to use the mixed model because they don't consider it to be generally accepted accounting practices. Their position causes us to make the following three comments: Using accounting practices that are not in agreement with the law is irreconcilable with generally accepted accounting practices. The preface to the Municipal Accounting Law stipulates that it is never considered generally accepted accounting practices not to follow a specific law. Not following a particular law because it is viewed as obsolete and not in accordance with generally accepted accounting practices is therefore not permitted. These municipalities therefore break existing laws. Secondly, most of the municipalities that have left the mixed model have a strong financial position and a satisfying economic development. Their financial statements are thus able to absorb the increased expenses. While we are unable to conclude whether there is a correlation between Complete Cost Accounting and good finances, a certain pattern is beginning to emerge. Thirdly, the minister who at the time was responsible for municipal accounting issues was asked whether it might be time to study the possibility of changing existing legislation he replied that there were no such plans at the time, but that the legislation might be changed if we would be able to afford it. This means that a change might occur if municipalities would be able to cover the expenses. The Minister for Municipalities does not appear to care much about maintaining and developing generally accepted accounting practices. It appears again that while municipal accounting can develop according to accounting practices unless it interferes with the political arena.

The format of annual reports has changed dramatically over the last two decades. The new model, which was introduced in 1986, abandoned reports that included extensive calculations and almost no text. Municipal annual reports instead became summaries which included descriptions and analyses of the municipality's economic development and current financial position as well as a description of operations expenses and revenues. A few municipalities have been at the forefront and constitute role models for this transition. Studies of the quality of annual reports have revealed improvements: Reports now include numbers that are easy to follow, verbal comments, and analytical texts (Brorström 1998, Donatella 2006, Brorström et al. 2007). The annual statements from Komrev's Panel for Best Operational Report and the panel for best Annual Report in western Sweden have emphasized the improvement that has taken place both over time and compared to the previous year. However, in 2004 the panel from Municipal Research in western Sweden pointed out that progress appeared to have stagnated, and rather than

improve, the quality of several annual reports seemed to have declined. The progress appears to have stagnated and a number of municipalities have chosen to issue fairly mediocre documents that are believed to be good enough under the circumstances. Municipalities thus choose to be mediocre.

Municipal accounting has changed in several ways. Today, accounting regulations are developing continuously. Municipal legislation constitutes the foundation for this system, but a frame of reference has been developing gradually as a result of recommendations and publications from the Council for Municipal Accounting and the influence of other interested parties. There are many influences and it is important to regulate the frame of reference for municipal accounting. Studies of municipal annual reports reveal a dramatic transformation from the basic documents that were laden with numbers of 20 years ago to the highly developed written documents of today (Brorström et al. 2007). A description of the process will show changes in regulations and practices. It will also illustrate that the role of accounting in reducing uncertainty is not always understood and the role of the accountant is not always respected. When accounting no longer sends the right signals, the principles are no longer important, and are subsequently replaced by new regulations.

### Defining Quality Requirements for Municipal Accounting

In order to determine the status of today's situation we conducted a study which evaluated the quality of municipal annual reports relative a few established requirements. The following section will define these requirements, and the ways in which they were developed. We will then proceed to the results of the study and the article concludes with a return to whether the annual reports reduce uncertainty. The final section also contains a discussion regarding the normative implications of the results and the insights that have been acquired throughout the study.

The requirements regarding the quality of accounting may be determined based on a theoretical framework, and on existing laws and recommendations. The accounting document may be compared to a fairly detailed frame of reference. An analysis of municipal annual reports based on this type of frame of reference constitutes a fairly traditional study of existing practices. This study focuses primarily on the question of whether accounting reduces uncertainty rather than on finding out whether individual paragraphs and recommendations have been followed. We have therefore chosen to establish a few basic requirements, and then proceed to operationalize them into a few concepts. The basic requirements were derived from the discourse that surrounds accounting and which may be found in the theoretical framework that was written by regulators and accounting theorists (for example see Glautier and Underdown 2001, Rutherford 2000 and Wolk et al. 2001).

Three basic requirements of accounting are: disclosure, accessibility and being up-to-date.

An annual report that is disclosed, accessible and up-to-date will also reduce uncertainty. The term disclosure means that all important information is made available to the user. There are no restrictions on disclosure in the context of the public sector. Accessibility means that all efforts have been made to make the report available and understandable. An example of the difference between disclosure and accessibility is that while every single transaction might be reported in a disclosed report, it might still be inaccessible to the user. Being up-to-date partly concerns the time when the annual report is presented, and partly whether the document contains descriptions and discussions regarding up-to-date issues. In this case, attention is exclusively focused on the latter. We do thus not focus on when the report is finished or the time at which information about financial results is made available to users. In this context, being up-to-date largely concerns relevance, which is another characteristic of the framework of accounting.

These three basic requirements were operationalized based on the realities in which municipalities operate; the context in which accounting takes place has been considered. Four factors have been used to operationalize the requirement for disclosure.

- **Introductions by politicians:** Introductions should be ideological and concise. The introductions, which are written by the chairman of the municipal council, always begin the annual report. They should include succinct data about the municipality's finances and operations and it should be clear that the writer has an ideological point of view. An introduction that focuses on marketing the municipality and which merely thanks the staff for their good work during the year, does not fulfill the requirement for disclosure because it does not clarify the reasons for the assessment.
- **Accounting policy:** A description of the accounting policy that was used in the report should be included, in particular regarding the problems that are involved in reporting pension obligations.
- **Explanations of appropriations.** To the extent to which resultat appropriations are included they should be explained fully. Their absence constitutes an expression of disclosure.
- **The principle of clean surplus:** One particular part of the annual report is the ways in which the principle of clean surplus is applied: No items that change the state of the balance sheet may be excluded from the operating statement. While the principle of clean surplus is part of open accounting it is also constitutes a necessary requirement.

Accessibility means that users may access the disclosure financial reports. We have operationalized the term accessibility into the following four factors:

- **Table of Contents:** The annual report should include a comprehensive and accurate table of contents. While this requirement might appear self-evident, it nevertheless helps accessibility.

- **Summaries:** Accessibility may be increased if the numbers and discussions of finances and operations are summarized in introductions and conclusions. Relevant summaries constitute an indication that the municipality is aiming to provide an accessible annual report.
- **Diagrams and figures:** The use of diagrams and figures increases accessibility and are also an indication that the municipality is aiming to make the report accessible.
- **Explanations of concepts:** Annual reports are filled with jargon regarding both finances and operation. An accessible annual report includes and explains important concepts.

Accounting only reduces uncertainty if it addresses current issues. Accounting that relates to current issues and conditions means that it is placed in a context. In addition, it shows that the annual report is developing continuously and that its information is not becoming routine and mechanic. The concept of being up-to-date has been operationalized based on the following four factors:

- **Efficient and economic behavior:** The annual report should include a discussion about the definition of efficient and economic behavior and whether the municipality's operational and financial development is consistent with efficient and economic behavior.
- **A balanced economy:** The report should include a discussion regarding the interpretation of balanced finances.
- **Changes in Tax Revenue:** The reason for the improvement in Swedish municipal finances over the last few years may be explained by an expanded tax base. A current, and disclosed, annual report must include a discussion around this topic.
- **The law of service and support and balance:** One very current issue that is facing Swedish municipalities is the expenses for service and support to elderly. Being up-to-date means addressing these issues in the annual report, or to provide a detailed discussion of other circumstances that accrue expenses.

We used 12 different factors to evaluate the quality of the annual reports or their ability to reduce uncertainty. We studied the annual reports from 10 different municipalities. They were selected randomly based on a group that consisted of 49 municipalities in the region of Västra Götaland. We studied the annual reports from the following municipalities: Alingsås, Bengtsfors, Falköping, Karlsborg, Mariestad, Munkedal, Sotenäs, Tibro, Töreboda and Åmål. The reports were studied and we took note of the characteristics we described previously. In some cases there was some doubt as to whether the information was sufficient to be considered present in the annual report. In these cases we gave the benefit of a doubt and points were awarded. Each municipality could receive a maximum of 12 points.

### Results: No Perfect Score

A review of the ten annual reports revealed that the average score is slightly above 7.3. The scores were distributed between 6 and 9 points. The annual reports from Alingsås and Karlsborg were awarded the highest scores and the lowest scores were given to Bengtsfors and Munkedal. It is impossible to determine a line for where a municipality's annual report meets the requirements for reducing uncertainty and for generally accepted accounting practices. The line might be 12 points, a perfect score. This, however, would mean that nobody would pass. The municipal annual reports on average contain 60 percentage of the requested information.

The most interesting result of the review is the differences between the three basic requirements. 90 percentages of the municipalities fulfill the principle of disclosure. While introductions from politicians are almost consistently non-ideological they are very informative and to the point, and we therefore consider them to be part of disclosed accounting. Only one of the municipalities included a disposition of the financial result for which it only provided a short comment. 8 out of the 10 municipalities apply the principle of clean surplus. The reason why two of the municipalities did not was changes in accounting appropriations. Nothing is thus reported one-sidedly in the accounts without a proper explanation in the annual reports. All municipalities in the study also describe the principles that they applied and with one exception, they reported the ways in which they were managing their pension obligation.

The average accessibility score was 63 percentages. All municipalities use diagrams, and tables in their annual reports, although to different degrees and with varying quality. With one exception, all municipalities include sufficient and appropriate tables of content, which facilitate the reading of the annual report. Only three of the municipalities, however, have summaries and explanations of concepts used in the annual reports. It is obviously quite remarkable that so few of the annual reports include definitions of the concepts that are used. Although the average score is fairly high there are some problems in the annual reports regarding accessibility.

The average score for the extent to which the report is up-to-date is 33 percentages, which indicates information short comes. One of the financial reports did not include comments regarding the requirement for a balanced municipal finance, information about efficient and economic behavior, changes in tax revenue, the Law for Special Support and Services or any other significant expenses. While 6 of the 10 municipalities provide a more detailed analysis of the requirement for a balanced economy, only two address financial management, and changes in tax revenue. Only one annual report commented on the status of the Law for Special Support. In summary, while the annual reports are disclosed, and relatively accessible, they are not sufficiently current, and their connection to current events and circumstances is too weak.

### The problems: Causes and Effects

Over the last few decades, municipal accounting has changed dramatically. The development has been driven by the accounting profession which has expanded and become stronger over time. The number of regulations has increased, and municipal annual reports have improved over time. While accounting corresponds to up-to-date legislation, it does, however, not correspond to generally accepted accounting practices. There currently appears to be no interest in changing existing legislation. The clause regarding how to report the pension obligation according to the mixed model is still in effect, but many – and an apparently increasing number – of municipalities have chosen to break the law and record their entire pension obligation. The differences in practices are obviously unsatisfactory. A connection between the recording of pension obligation and strong finances will result in practices in which the method of accounting depends on the financial development.

The review of the current situation based on twelve factors shows that while annual reports are disclosed and accessible they are not sufficiently up-to-date. One might claim that this means that the annual reports are not disclosed because they do not address current issues. There are probably several explanations for this phenomenon. The lack of information might be deliberate: significant details might intentionally be kept from the user in order to present the financial conditions and development as different than it actually is (compare Skærbæk 2005). This kind of deliberate style hopefully occurs only rarely. Another explanation might be that the texts in the annual report are, to some extent, standardized. Introduction, financial summaries and models for analyzing financial development follow a specific structure, and comments are based on specific frameworks and concepts. Flexibility is thus limited and current events might not penetrate the previously established structure. While the fact that today's annual reports are similar to last year's guarantees continuity, it might constitute a problem if it excludes current and significant information. Routines and institutionalized texts might thus prevent municipalities from being up-to-date and to obstruct innovation. The third explanation, which is connected to the previous one is that there are obviously no models and regulatory texts that concern news and current issues. There is nothing which may provide inspiration. This might constitute a significant problem, primarily for smaller municipalities with lack of personnel resources. A fourth explanation might be that the annual reports are not considered to be important documents. As they are considered less significant, current information is distributed in other ways.

While there might be many possible explanations the fact remains that unless the annual report is not up-to-date it does not reduce uncertainty. In addition, politicians can change accounting, or else block changes that don't suit their policy. While they are most likely not intending to decrease the amount of information, or create short term benefits they do contribute to create uncertainty around the ways in which the municipalities' financial development should be reported and interpreted.

### There are opportunities for improvement

Like almost all studies in this area, the results of the study of the practices have obvious and strong normative implications. Annual reports should be founded more firmly on current events and circumstances. Various studies of users have revealed a lack of interest in the information that is provided by the annual reports (Brorström et al. 2007, Brusca 1997 and Steccolini 2004). As this paper shows one reason may be that the annual report does not focus on up-to-date issues, but on summaries, key numbers and concepts. Routines and institutionalized texts obstruct the reports' newsworthiness and their informational content. It is contradictory to suggest a structured method for reporting causes and effects of unexpected events or specific circumstances. The focus on current and significant aspects should permeate all texts, the introduction by the politicians, the discussions about operations, and the account by committees' reports. Information should obviously focus on current and significant issues, and a failure should cause comments and complains from users and auditors. There should also be a clear boundary between professionals and politicians regarding the reports' content and structure, and professionals should be allowed to develop accounting methods according to generally accepted accounting standards. The Parliament has decided that municipalities should apply generally accepted accounting standards, and interpretations and views by accountants should be respected based on this important formulation.

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