

Accrual Accounting Reform in Saudi Arabia

A Research Study Submitted for Academic Purposes

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Chapter 1 — Introduction

1.1 Background of the Study

Public financial management (PFM) is a cornerstone of government efficiency, accountability, and fiscal sustainability. Around the world, governments have shifted from cash-basis accounting—where transactions are recorded only when cash is exchanged—to accrual-basis accounting, which recognizes revenues and expenses when they are earned or incurred. Accrual accounting provides a more accurate, comprehensive, and timely picture of a government's true financial position.

In Saudi Arabia, this transition is a major component of Vision 2030 reforms, led by the Ministry of Finance (MoF). The shift from cash to accrual accounting supports improved fiscal transparency, better resource allocation, and long-term sustainability. It also aligns the Kingdom with advanced economies such as New Zealand, Australia, and the United Kingdom.

This reform is more than a technical change; it requires a transformation in government culture, mindset, systems, and operational processes. It affects how entities manage spending, obligations, assets, liabilities, and performance.

1.2 Problem Statement

Despite significant national investment in the transition to accrual accounting, government entities face challenges that may prevent full realization of the expected benefits. These include:

- Limited staff capabilities
- Data gaps and inconsistent records
- Weak asset valuation mechanisms
- System integration issues
- Resistance to change
- Variations in readiness between ministries and external offices (e.g., military attachés)

Therefore, the central question of this study is:

“To what extent has the transition to accrual accounting improved the effectiveness of public financial management in Saudi government entities?”

1.3 Research Questions

1. How has the transition affected financial reporting quality?
2. What is the impact on expenditure control and efficiency?
3. How effectively are assets and liabilities managed under the new system?
4. What challenges have emerged during implementation?
5. What improvements can enhance future implementation?

1.4 Research Objectives

- Evaluate improvements in financial reporting.
- Analyze effects on expenditure and internal control.
- Assess readiness and capability of entities.
- Identify challenges in implementation.
- Provide recommendations to improve adoption.

1.5 Significance of the Study

This study is significant for:

- Policymakers: assessing Vision 2030 progress.
- Government entities: improving processes and controls.
- External offices: ensuring accurate reporting (e.g., military attachés).
- Academic researchers: contributing to limited Saudi literature on accrual reforms.
- Practitioners: offering real-world recommendations.

1.6 Scope and Limitations

Scope:

- Government entities in Saudi Arabia
- IPSAS-based frameworks
- National accounting transformation tools
- Expenditure, asset, and liability management processes

Limitations:

- Variability in data availability
- Confidential government information not included
- Differences in system readiness across entities

1.7 Structure of the Study

- Chapter 1: Introduction
- Chapter 2: Literature Review
- Chapter 3: Theoretical Framework

- Chapter 4: Methodology
- Chapter 5: Accrual Accounting in Saudi Arabia
- Chapter 6: Analysis and Discussion
- Chapter 7: Findings
- Chapter 8: Recommendations
- Chapter 9: Conclusion

Chapter 2 — Literature Review

2.1 Introduction to the Literature Review

Accrual accounting reform is one of the most significant developments in modern public financial management. This chapter reviews global experiences, theoretical foundations, and regional insights relevant to Saudi Arabia's transition. It synthesizes academic literature, IPSAS guidance, and international case studies to establish a foundation for evaluating the Saudi reform.

2.2 Concept of Accrual Accounting

Accrual accounting recognizes revenues and expenses when they occur, regardless of cash movement. It provides:

- A comprehensive financial picture
- Recognition of assets and liabilities
- Improved transparency and decision-making
- Better assessment of program costs

Cash accounting, while simpler, lacks long-term insight and hides significant obligations.

2.3 Global Trends in Public Sector Accrual Accounting

The literature identifies three waves of adoption:

First Wave – Pioneers (1980s–1990s)

Countries such as New Zealand, Australia, and the UK adopted accrual systems as part of broader public sector reforms.

Outcomes included improved asset management, transparency, and fiscal discipline.

Second Wave – OECD Expansion (2000s–2010s)

Countries across Europe and Canada introduced accrual reporting aligned with IPSAS. Benefits included comparability and stronger sustainability assessments.

Third Wave – Middle East and Developing Economies (2015–Present)

Saudi Arabia, UAE, Qatar, Jordan, and others adopted accrual accounting as part of economic diversification and governance modernization.

2.4 Benefits of Accrual Accounting in Government Entities

Major benefits include:

- Enhanced financial transparency
- Better decision-making
- Strengthened internal control
- Improved asset and liability visibility
- Greater efficiency and value-for-money

Research consistently shows that accrual accounting improves fiscal governance when implemented effectively.

2.5 Challenges in Implementing Accrual Accounting

Common challenges include:

- Skills and capability gaps
- Weak system integration
- Data quality issues
- Organizational resistance

– Cost of implementation

These are widely documented in OECD evaluations and are also visible in Saudi Arabia’s transition.

2.6 International Experiences

New Zealand:

Full integration of budgeting, reporting, and auditing.
Considered the global benchmark.

Australia:

Strong use of accrual data for performance and program budgeting.

United Kingdom:

Adopted Resource Accounting and Whole-of-Government Accounts, improving fiscal transparency.

Middle East Examples:

UAE, Qatar, and Jordan highlight the importance of phased implementation and strong technical guidelines.

2.7 IPSAS and International Standards

Saudi Arabia’s accrual reform is anchored in IPSAS. Key relevant standards include:

- IPSAS 1: Financial statement presentation
- IPSAS 17: Property, plant, and equipment
- IPSAS 19: Provisions and liabilities
- IPSAS 23: Non-exchange revenue
- IPSAS 39: Employee benefits

- IPSAS 41: Financial instruments

2.8 Accrual Accounting in Arab and Gulf Countries

Studies show increasing adoption across GCC countries driven by modernization, transparency, and fiscal sustainability goals. Key lessons include:

- Strong central coordination
- Clear technical guidelines
- Investment in training

2.9 Accrual Accounting and Public Financial Management (PFM)

Accrual accounting supports:

- Performance-based budgeting
- Enhanced auditing
- Stronger asset/liability governance
- More efficient service delivery

2.10 Summary of the Literature Review

The global and regional literature strongly supports accrual accounting as a tool for improving transparency, asset management, decision-making, and overall financial governance. These insights provide a foundation for assessing the Saudi implementation in later chapters.

Chapter 3 — Theoretical Framework

3.1 Introduction

This chapter presents the theoretical foundations that support the analysis of accrual accounting reforms in the public sector, particularly within Saudi Arabia. The transition to accrual accounting is not only an accounting change but also an institutional, cultural, and systemic transformation. Four theories help explain its mechanisms and expected impacts:

- Systems Theory
- Institutional Change Theory
- Financial Measurement Theory
- CFIP Framework (Cost–Information–Performance)

3.2 Systems Theory

Systems Theory views government entities as interconnected subsystems, where financial, operational, human resource, and technological components interact continuously. An accounting reform affects all subsystems simultaneously.

Application to Saudi Arabia:

- Integration of finance, procurement, HR, and asset systems
- Unified national standards under the Ministry of Finance
- Centralized platforms such as NCGR
- Need for coordination between ministries and external offices

The success of accrual accounting depends on how well these systems interact.

3.3 Institutional Change Theory

Institutional Change Theory explains how public organizations adapt to new norms, rules, and practices. Accrual accounting introduces:

- New accounting standards
- New reporting expectations
- Stronger internal control requirements
- Cultural shifts toward transparency

In Saudi Arabia, Vision 2030 provides the external pressure motivating reform. Internal factors—training, leadership, communication—affect adoption readiness.

3.4 Financial Measurement Theory

This theory focuses on how financial events are recognized, measured, and reported. Accrual accounting requires:

- Accurate asset valuation
- Recognition of liabilities and obligations
- Depreciation and impairment assessments
- Transparent financial statement presentation

The theory supports evaluating the quality and accuracy of financial reporting under IPSAS.

3.5 CFIP Framework (Cost–Information–Performance)

The CFIP model explains how accrual accounting improves:

- Cost awareness
- Information accuracy
- Performance evaluation

Application in Saudi Arabia:

- Better cost estimates for public programs
- Improved asset lifecycle planning
- More accurate performance indicators
- Support for program budgeting

3.6 Conceptual Framework of the Study

Based on the theories, the study assumes the following causal path:

Accrual Implementation (training, systems, IPSAS alignment)

- improved transparency and financial reporting
- better asset/liability management
- stronger internal controls
- enhanced decision-making and performance

3.7 Summary

Theoretical frameworks help explain both the opportunities and challenges associated with Saudi Arabia's transition to accrual accounting. They provide the foundation for interpreting results in subsequent chapters.

Chapter 4 — Research Methodology

4.1 Introduction

This chapter outlines the methodological approach used to evaluate the effectiveness of the transition to accrual accounting in Saudi government entities. The study adopts a qualitative, analytical, and comparative design suitable for examining large-scale institutional reforms.

4.2 Research Design

A qualitative descriptive and analytical design was selected to:

- Analyze governmental frameworks
- Assess institutional readiness
- Identify challenges and outcomes
- Compare Saudi practices with international experiences

Accrual accounting reform involves cultural, procedural, and technological changes that require interpretation rather than numerical measurement.

4.3 Research Approach

Three primary approaches were used:

Document and Policy Analysis:

- Ministry of Finance guidelines
- IPSAS manuals
- Audit Bureau reports
- Government directives
- Academic literature

Comparative Analysis:

- Case studies from OECD countries
- Middle Eastern reform experiences

Analytical Evaluation:

- Review of reporting quality
- Assessment of internal controls
- Examination of asset/liability management
- Evaluation of decision-making improvements

4.4 Data Collection Methods

Secondary data sources were relied upon, including:

- IPSAS publications
- National accounting manuals
- Government financial reports
- Academic articles and institutional studies
- Professional insights from public sector practitioners

Triangulation techniques ensured reliability by comparing multiple data sources.

4.5 Population and Unit of Analysis

Population:

- Saudi ministries, agencies, universities, military sectors, and external offices.

Unit of Analysis:

“The effectiveness of accrual accounting implementation within Saudi government entities.”

Areas assessed included:

- Systems and processes
- Reporting quality
- Internal controls
- Readiness and capability

4.6 Analytical Tools Used

Theoretical frameworks from Chapter 3 were applied:

- Systems Theory
- Institutional Change Theory
- Financial Measurement Theory
- CFIP Framework

Additional tools:

SWOT Analysis:

- Strengths, weaknesses, opportunities, and threats.

Gap Analysis:

- Differences between current and desired practices.

4.7 Validity and Reliability

Content validity ensured through:

- Alignment with Vision 2030 and IPSAS standards
- Use of verified governmental sources

Reliability supported through:

- Triangulated data
- Consistent analytical approach

4.8 Ethical Considerations

The study uses publicly available documents and professional observations. No confidential information or restricted financial records were disclosed.

4.9 Scope and Limitations

Scope:

- National-level accrual reforms
- IPSAS alignment
- Asset, liability, and expenditure processes

Limitations:

- Variations between entities
- Limited published accrual-based financial statements
- Different levels of system maturity

4.10 Summary

This chapter presented the methodology used to evaluate Saudi Arabia's transition to accrual accounting. The qualitative and analytical design provides a robust foundation for analyzing results presented in subsequent chapters.

CHAPTER 5 — ACCRUAL ACCOUNTING TRANSFORMATION IN SAUDI ARABIA.

5.1 Introduction

The transition from cash-based to accrual-based accounting is one of the most significant financial and administrative reforms in Saudi Arabia’s modern history. Anchored in Vision 2030, the reform strengthens transparency, improves expenditure efficiency, and enhances the accuracy of government financial information. This chapter summarizes the national implementation model, governance structure, system transformation, and main challenges—presenting a concise but comprehensive overview suitable for academic publication.

5.2 Strategic Context of the Transformation

5.2.1 Alignment with Vision 2030

Accrual accounting directly supports Vision 2030 goals by:

- Enhancing fiscal transparency
- Improving budget planning
- Supporting decision-making through accurate financial data
- Strengthening public sector efficiency and accountability

It aligns with the government’s shift towards a performance-driven public administration.

5.2.2 Role of the National Transformation Program (NTP)

The NTP mandates full adoption of accrual accounting across all Saudi entities. It includes:

- Standardized IPSAS-based policies

- Strengthened internal control frameworks
- Reforms in asset and liability management
- Development of unified reporting structures

5.3 Governance Structure and Institutional Roles

5.3.1 Ministry of Finance Leadership

The Ministry of Finance (MoF) guides the entire transition by:

- Issuing national accounting manuals
- Aligning with IPSAS
- Supervising implementation teams
- Delivering training and capacity-building

5.3.2 Government Entities

Each ministry or entity is responsible for:

- Establishing internal transition committees
- Updating procedures
- Preparing asset and liability registers
- Producing accrual-compliant financial reports

5.3.3 Oversight Bodies

Key oversight institutions include:

- Saudi Audit Bureau (Diwan Al-Muhasaba)
- National Center for Government Resources Systems (NCGR)

These ensure transparency, system integration, and audit readiness.

5.4 Key Phases of the Transformation

Saudi Arabia follows a structured, multi-phase model:

Phase 1 — Preparation

- Assessing readiness
- Building awareness
- Training financial staff
- Identifying data gaps

Phase 2 — Standardization

- Developing accounting policies
- Introducing national IPSAS-based manuals
- Establishing internal control procedures

Phase 3 — Data Collection

- Compiling asset registers
- Documenting liabilities and commitments
- Validating physical assets

Phase 4 — Opening Balance Sheet

Entities prepare full opening balances including:

- Assets
- Liabilities
- Net financial position

Phase 5 — Go-Live

- Recording all transactions on accrual basis
- Generating accrual-based statements

- Strengthening documentation and workflows

5.5 IPSAS Framework in Saudi Arabia

Saudi Arabia applies key IPSAS standards such as:

- IPSAS 1 (Financial Statement Presentation)
- IPSAS 17 (Property, Plant & Equipment)
- IPSAS 19 (Provisions & Contingent Liabilities)
- IPSAS 39 (Employee Benefits)

The National Accounting Manual adapts IPSAS to Saudi regulatory needs and ensures consistency across ministries.

5.6 Digital Transformation and Systems

5.6.1 NCGR Platforms

NCGR has developed integrated systems linking:

- Finance
- Procurement
- HR
- Assets
- Contracts

These systems automate accrual entries and improve reporting.

5.6.2 Entity-Level Systems

Entities also rely on complementary systems for:

- Asset management
- Inventory
- Payroll

- Document archiving

System integration remains one of the key challenges.

5.7 Capacity-Building and Human Capital

The MoF delivered thousands of training hours covering:

- IPSAS concepts
- Asset valuation
- Accrual reporting
- Internal control
- Digital platform usage

This significantly reduced capability gaps and supported successful implementation.

5.8 Enhancements in Asset and Liability Management

Accrual accounting improved:

- Asset identification and valuation
- Depreciation practices
- Recognition of liabilities and obligations
- Contract and lease management
- Accountability in external offices (e.g., military attachés)

These improvements contribute to fiscal sustainability and better planning.

5.9 Challenges Identified

Despite progress, challenges remain:

- Incomplete historical asset data

- Limited IPSAS expertise in some sectors
- System interoperability issues
- Manual processes in smaller or external offices
- Cultural resistance to new procedures

5.10 Summary

Saudi Arabia has achieved substantial progress in implementing accrual accounting as part of its national financial reform agenda. The transition has improved reporting quality, strengthened internal controls, enhanced asset management, and supported more informed decision-making. While challenges exist, the overall transformation demonstrates strong commitment and significant advancement toward international best practices.

CHAPTER 6 — ANALYSIS AND DISCUSSION

6.1 Introduction

This chapter provides a comprehensive analysis of the effectiveness of Saudi Arabia’s transition from cash-basis to accrual accounting. Building on the literature review, theoretical framework, and national implementation context presented in earlier chapters, this analysis evaluates the reform’s impact on five major dimensions of public financial management:

1. Financial reporting quality
2. Expenditure and budget efficiency
3. Asset and liability management
4. Internal controls and accountability
5. Decision-making and performance improvement

Saudi Arabia’s transition is one of the most broad-based accrual reforms in the region, affecting more than 200 government entities, including ministries, commissions, universities, military sectors, and external offices such as military attachés. This chapter uses analytical evaluation, document analysis, global benchmarks, and practitioner insights to assess the progress and effectiveness of the reform.

6.2 Analysis of Financial Reporting Quality

6.2.1 Completeness of Financial Information

Accrual accounting significantly improves the completeness of government financial statements. Under cash accounting, reporting focused primarily on cash inflows and outflows,

ignoring important economic transactions. In contrast, accrual reporting recognizes:

- Assets and liabilities
- Receivables and payables
- Depreciation and amortization
- Accrued expenses
- Contingent liabilities
- Long-term commitments and obligations

Saudi government entities that have completed opening balance sheets now provide a more accurate view of their financial positions. Ministries can now assess their total resources, obligations, and long-term risks.

6.2.2 Improvements in Accuracy and Reliability

IPSAS-based reporting has increased measurement accuracy and reduced inconsistencies. The Ministry of Finance's unified accounting manual ensures:

- Standardized recognition rules
- Clear measurement bases
- Common disclosure requirements
- Uniform chart of accounts

This significantly enhances reliability, enabling ministries to produce financial statements aligned with international standards.

6.2.3 Transparency and Disclosure

Accrual accounting introduces deeper disclosures, including:

- Employee benefits and end-of-service obligations
- Lease commitments
- Asset impairment
- Infrastructure and heritage asset information
- Contingent liabilities and legal risks

These disclosures improve fiscal transparency, enabling oversight bodies to assess financial sustainability.

6.2.4 Challenges Affecting Reporting Quality

Despite progress, several issues remain:

- Incomplete asset registers in some ministries
- Limited IPSAS expertise
- Historical data gaps
- Varying levels of system readiness
- Differences in maturity between large ministries and smaller entities

Nevertheless, the overall improvement in reporting quality is substantial.

6.3 Analysis of Expenditure Efficiency and Budget Control

6.3.1 Visibility of True Economic Costs

Accrual accounting provides visibility on:

- Depreciation and capital consumption
- Employee benefits obligations
- Maintenance versus replacement costs

- Long-term financial commitments

This enables ministries to understand the real cost of service delivery, improving financial discipline.

6.3.2 Strengthened Commitment and Obligation Processes

Government entities now:

- Record commitments before spending
- Recognize obligations upon signing contracts
- Track outstanding payables
- Monitor contract progress

This prevents overspending and enhances compliance with budget ceilings.

6.3.3 Foundation for Performance-Based Budgeting

Saudi Arabia is moving toward program and performance budgeting. Accrual data supports:

- Cost-benefit analysis
- Output and outcome measurement
- Evaluation of program efficiency
- Prioritization of government spending

This aligns financial resources with performance goals under Vision 2030.

6.3.4 Remaining Challenges

Key challenges include:

- Inconsistent commitment tracking
- System integration gaps between procurement and accounting

- Limited forecasting tools
- Varying maturity of finance departments

Even so, expenditure efficiency has clearly improved.

6.4 Analysis of Asset and Liability Management

6.4.1 Asset Identification and Valuation

Saudi Arabia conducted large-scale asset identification and valuation exercises. Entities now maintain improved records for:

- Buildings and land
- Vehicles and equipment
- Infrastructure assets
- IT systems and intangible assets

This supports better planning and long-term asset maintenance.

6.4.2 Enhanced Liability Recognition

Accrual accounting requires recognition of:

- Employee benefit obligations
- Legal liabilities
- Contractual commitments
- Accrued expenses
- Future financial obligations

This provides a clear picture of government liabilities, improving fiscal risk management.

6.4.3 Impact on External Government Offices (e.g., Military Attachés)

External offices benefit greatly from accrual accounting, especially in:

- Contract and lease management
- Tracking foreign-currency obligations
- Recording security, maintenance, and property contracts
- Improving transparency with headquarters

This strengthens control and oversight over decentralized foreign operations.

6.4.4 Remaining Gaps

Challenges include:

- Asset valuation difficulties for older assets
- Incomplete asset registers for smaller entities
- Limited capacity to perform impairment tests
- Lack of full integration between asset and accounting systems

Nonetheless, progress in this area is strong.

6.5 Analysis of Internal Controls and Accountability

6.5.1 Strengthened Documentation Requirements

Accrual accounting requires detailed documentation for:

- Assets
- Liabilities
- Contractual commitments
- Supporting evidence for entries

This improves accuracy and reduces financial risk.

6.5.2 Improved Auditability

Auditors now have access to richer information, enabling more effective evaluation of:

- Asset existence and valuation
- Liability recognition
- Internal control weaknesses
- Contract management practices

The Saudi Audit Bureau reports enhanced audit outcomes following accrual implementation.

6.5.3 Improved Risk Management

Accrual records reveal risks such as:

- Potential legal claims
- Payment delays
- Obligations exceeding allocations
- Asset impairment risks

This allows proactive risk mitigation.

6.5.4 Control Challenges

Remaining issues include:

- Weak internal audit units in some entities
- Manual documentation processes
- Variation in control maturity
- Limited automation of financial workflows

However, accountability has significantly improved overall.

6.6 Analysis of Decision-Making and Strategic Performance

6.6.1 Improved Long-Term Fiscal Planning

Accrual information supports:

- Multi-year and medium-term budgeting
- Capital project evaluation
- Lifecycle costing
- Infrastructure planning

This shifts government planning from reactive to strategic.

6.6.2 Linking Financial Information to Performance

Ministries now use accrual data to understand:

- Cost per program
- Program efficiency
- Resource utilization
- Financial sustainability

This supports performance-based governance under Vision 2030.

6.6.3 Better Management Reporting

Entities increasingly prepare:

- Quarterly financial statements
- Asset and liability dashboards
- Risk and fiscal sustainability reports
- Commitment and obligation summaries

These tools enhance leadership decision-making.

6.7 SWOT Analysis of the Saudi Transition

Strengths:

- Strong government leadership through the Ministry of Finance
- IPSAS alignment
- Robust training programs
- Improved asset and liability visibility
- Enhanced financial reporting
- Digital transformation through NCGR

Weaknesses:

- Data quality issues
- Limited IPSAS expertise
- System integration challenges
- Inconsistent documentation

Opportunities:

- Full workflow automation
- Use of accrual data for performance budgeting
- Stronger external audit functions
- International credibility

Threats:

- Resistance to institutional change
- Legacy system limitations

- High cost of sustained capacity-building
- Uneven entity readiness

6.8 Summary of Analysis

Overall, Saudi Arabia's transition to accrual accounting has significantly improved financial reporting, expenditure management, asset governance, internal controls, and decision-making. While challenges remain, the reform is progressing successfully and aligns with Vision 2030's goals of transparency, fiscal sustainability, and modern public sector management.

CHAPTER 7 — FINDINGS

7.1 Introduction

This chapter presents the key findings of the study based on the literature review, theoretical framework, and analysis in previous chapters. The findings reflect the overall effectiveness of Saudi Arabia's transition to accrual accounting and its impact on public financial management. Findings are presented across five major domains: financial reporting, expenditure efficiency, asset and liability management, internal controls, and decision-making.

7.2 Findings Related to Financial Reporting Quality

7.2.1 Improved Transparency and Completeness

The transition to accrual accounting significantly enhanced the completeness of financial information provided by government entities. Reports now include:

- Full asset listings
- Liabilities and obligations
- Depreciation and amortization
- Accounts payable and receivable
- Contingent liabilities

This provides a more accurate representation of the government's financial position compared to the previous cash-based system.

7.2.2 Increased Reporting Accuracy and Consistency

The adoption of IPSAS and the national accounting manual resulted in:

- Standardized recognition rules
- Improved measurement techniques
- More consistent reporting across ministries
- Enhanced comparability across entities and years

Financial statements are more reliable, enabling better fiscal oversight.

7.2.3 Enhanced Disclosure and Fiscal Risk Awareness

Accrual standards require detailed disclosures regarding:

- Employee benefits
- Contract obligations
- Potential legal liabilities
- Asset impairment

These disclosures help policymakers understand fiscal risks and long-term obligations more clearly.

7.3 Findings Related to Expenditure Efficiency and Budget Control

7.3.1 Visibility of the True Economic Cost of Government Programs

Accrual accounting increased awareness of:

- The full cost of delivering services
- Depreciation and asset maintenance costs
- Employee benefit obligations

- Long-term commitments

Decision-makers now have better insight into how government resources are consumed.

7.3.2 More Effective Commitment and Obligation Management

Entities improved their processes for:

- Tracking outstanding obligations
- Recording commitments before expenditure
- Monitoring contract execution

This strengthened compliance with budget ceilings and reduced overspending.

7.3.3 Enhanced Foundations for Performance and Program Budgeting

Accrual information provides a more accurate basis for:

- Cost-benefit analysis
- Evaluating program efficiency
- Prioritizing projects
- Linking performance outcomes to expenditure

This aligns strongly with Vision 2030 goals.

7.4 Findings Related to Asset and Liability Management

7.4.1 Improved Asset Identification and Valuation

Government entities now possess more comprehensive and accurate records of their assets, including:

- Buildings and land
- Infrastructure

- IT systems
- Equipment and vehicles
- Intangible assets

This supports better maintenance planning and asset utilization.

7.4.2 Stronger Liability Recognition and Management

Government entities now consistently identify:

- End-of-service benefits
- Legal obligations
- Payables
- Contractual commitments

This supports clearer assessments of fiscal sustainability and future financial risks.

7.4.3 Enhanced Management in External Government Offices

External offices—including military attachés—benefited from improved:

- Contract transparency
- Lease obligation reporting
- Asset inventories
- Currency-related liability tracking

This increases accountability for overseas operations.

7.5 Findings Related to Internal Controls and Accountability

7.5.1 Strengthened Documentation and Audit Readiness

Accrual accounting introduced more rigorous requirements for supporting documentation. Entities now maintain:

- Asset records
- Contract registers
- Liability schedules
- Evidence for accrual entries

This enhances audit readiness for internal and external audits.

7.5.2 Improved Oversight and Compliance

The Saudi Audit Bureau reports improved audit outcomes due to:

- More complete financial data
- Better understanding of government obligations
- Stronger internal control environment

Accrual systems help auditors identify risks and control weaknesses more effectively.

7.5.3 More Robust Risk Identification

With accrual accounting, entities now anticipate risks such as:

- Delayed payments
- Employee benefit liabilities
- Contractual disputes
- Asset impairment issues

These insights support proactive risk mitigation.

7.6 Findings Related to Decision-Making and Strategic Performance

7.6.1 Enhanced Long-Term Planning

Accrual information supports:

- Multi-year budgeting
- Strategic planning
- Capital project evaluation
- Maintenance and lifecycle costing

This marks a significant improvement from the short-term focus of cash systems.

7.6.2 Better Linkage Between Financial and Performance Information

Decision-makers now have:

- Clear cost data for each service
- Transparency in resource consumption
- Insights into cost-effectiveness
- The ability to compare performance across programs

This enables better prioritization of government initiatives.

7.6.3 More Effective Management Reporting

Government entities are producing more meaningful reports, including:

- Quarterly financial statements
- Asset dashboards
- Liability and risk reports
- Contract obligation summaries

These reports provide valuable information for senior leadership and oversight bodies.

7.7 Limitations Revealed by the Findings

Although progress is significant, several limitations remain:

- Incomplete asset registers for certain entities
- Data quality and historical valuation issues
- Limited IPSAS expertise in some ministries
- Uneven system maturity across government sectors
- Continued reliance on manual processes in some offices
- Resistance to institutional change among a portion of staff

These findings highlight the need for continued support and development.

7.8 Overall Summary of Findings

The study concludes that Saudi Arabia's transition to accrual accounting has:

- Substantially improved financial reporting quality
- Enhanced expenditure efficiency and budget control
- Strengthened asset and liability management practices
- Reinforced internal controls and accountability mechanisms
- Improved decision-making and performance-based governance

While challenges persist, the overall effectiveness of the reform is strong, with clear progress toward international best practices and Vision 2030 financial transformation goals.

CHAPTER 8 — RECOMMENDATIONS.

8.1 Introduction

This chapter provides targeted recommendations to strengthen the effectiveness and sustainability of the transition to accrual accounting in Saudi government entities. The recommendations address capacity-building, system integration, reporting quality, internal control improvements, and national-level coordination.

8.2 Recommendations for Enhancing Financial Reporting

8.2.1 Strengthen IPSAS Skills and Training

- Expand advanced IPSAS courses
- Certify designated “IPSAS Specialists” in each entity
- Provide practical workshops on provisions, impairment, and financial instruments

8.2.2 Improve Standardization and Templates

- Update the national accounting manual regularly
- Provide unified templates for disclosures, footnotes, and annual reports
- Implement documentation checklists to ensure compliance

8.2.3 Strengthen Quality Assurance

- Establish internal review teams
- Use automated validation controls in accounting systems
- Conduct pre-audit reviews before year-end reporting

8.3 Recommendations for Improving Expenditure Efficiency

8.3.1 Strengthen Commitment and Obligation Processes

- Enforce pre-commitment approval requirements
- Integrate procurement and finance systems
- Reconcile commitments monthly with budget allocations

8.3.2 Link Accrual Information with Performance Budgeting

- Adopt unit-cost metrics for programs
- Connect financial data with performance indicators
- Train staff on interpreting cost-effectiveness reports

8.4 Recommendations for Strengthening Asset and Liability Management

8.4.1 Maintain Accurate Asset Registers

- Conduct periodic physical asset verification
- Update depreciation and useful life estimates
- Record asset conditions to support maintenance planning

8.4.2 Improve Liability Recognition

- Enhance capacity for estimating employee benefit obligations
- Standardize reporting for contingent liabilities
- Use automated reminders for recurring obligations

8.4.3 Strengthen Reporting in External Offices

- Use unified templates for attachés and overseas branches
- Monitor foreign-currency exposures
- Improve documentation of contracts and leases abroad

8.5 Recommendations for Strengthening Internal Controls

8.5.1 Expand Internal Audit Functions

- Establish stronger internal audit units
- Train auditors on accrual-based control testing
- Conduct frequent compliance and risk-based audits

8.5.2 Increase Automation of Controls

- Implement digital approval workflows
- Use audit trails for all transactions
- Adopt automated exception reporting for anomalies

8.5.3 Improve Change Management

- Communicate benefits of accrual transformation clearly
- Engage leadership in driving cultural change
- Provide incentives for high compliance performance

8.6 Recommendations for Enhancing Decision-Making

8.6.1 Integrate Operational and Financial Data

- Link HR, procurement, and finance systems
- Create dashboards showing assets, liabilities, and expenditures
- Provide leadership with periodic risk and performance reports

8.6.2 Use Accrual Data for Strategic Planning

- Apply accrual data to long-term budgeting
- Improve capital project planning using full-cost information
- Enhance forecasting models for future obligations

8.7 National-Level Recommendations (Ministry of Finance)

8.7.1 Strengthen Inter-Entity Coordination

- Facilitate sector-wide working groups
- Share best practices between ministries
- Align audit and reporting cycles across entities

8.7.2 Improve System Integration

- Enhance NCGR platforms to reduce manual entries
- Integrate procurement and HR systems fully
- Adopt real-time data exchange mechanisms

8.7.3 Update National Policies Regularly

- Review IPSAS adaptations annually
- Provide clearer guidance on asset valuation
- Improve disclosure and reporting requirements

8.8 Summary

Saudi Arabia has made strong progress in adopting accrual accounting, but sustaining the reform requires continuous development in skills, systems, controls, and coordination. Implementing these recommendations will enhance transparency, strengthen fiscal sustainability, and support performance-based public governance—fully aligned with Vision 2030.

CHAPTER 9 — CONCLUSION

9.1 Summary of the Study

This study examined the effectiveness of Saudi Arabia’s transition from cash-basis to accrual accounting as part of Vision 2030. The transition represents a major structural reform aimed at improving transparency, accountability, expenditure efficiency, and financial sustainability. The study reviewed international literature, analyzed theoretical frameworks, evaluated national implementation mechanisms, and assessed the outcomes across financial reporting, asset and liability management, internal controls, and decision-making.

The findings confirm that the transition has significantly strengthened public financial management, despite challenges related to data quality, system integration, and variable readiness among entities.

9.2 Key Conclusions

9.2.1 Enhanced Financial Reporting Quality

Accrual accounting has improved the completeness and transparency of government financial statements. Assets, liabilities, obligations, and non-cash transactions are now more accurately recorded, providing a clearer picture of government financial health.

9.2.2 Improved Expenditure Management

The visibility of commitments and obligations strengthened expenditure control and reduced overspending. Accrual information supports more accurate forecasting and aligns with performance-based budgeting goals.

9.2.3 Stronger Asset and Liability Management

Comprehensive asset registers and consistent liability recognition have improved planning, maintenance decisions, and fiscal sustainability assessments across government entities.

9.2.4 Strengthened Internal Controls

Accrual accounting requires strong documentation, standardized workflows, and improved audit trails. As a result, internal controls and audit readiness have significantly improved.

9.2.5 Better Decision-Making and Governance

Leaders now have access to more reliable financial data for strategic planning, risk evaluation, and long-term budgeting, improving the overall quality of governance.

9.3 Remaining Challenges

Despite progress, key challenges persist:

- Data gaps and incomplete historical records

- Limited IPSAS expertise in certain sectors
- Manual processes in smaller or external offices
- System integration limitations
- Resistance to organizational change

These challenges require continuous development and sustained leadership commitment.

9.4 Final Reflection

Saudi Arabia's transition to accrual accounting is one of the most transformative reforms in its public finance history. The progress achieved reflects strong institutional capacity and alignment with international standards. Accrual accounting provides the foundation for performance-based governance, transparency, and fiscal sustainability. With continued investment in systems, human capital, and regulatory refinement, Saudi Arabia is well-positioned to become a regional leader in modern public financial management.

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