



# Implementation Issues Cash to Accrual Journey Saudi Arabia



# Outline

**01** Executive summary

**03** The Conversion at glance

**02** Diagnosis and overview of  
The landscape

**04** Key implementation issues



# Executive summary



## Executive summary (1/ 2)

The accrual conversion and IPSAS adoptions is an important element (if not the most important one) in improving the public finance management PFM.

Though, the conversion **Journey.. (phases I,II, III, IV )** are labeled under the strategic pillar of Improve financial accounts quality and enhance transparency.

Yet, our perception is that, the conversion impacts every aspect of PFM

## Executive summary (2/2)

### Success is to learn from your non-successful experiences

Our first trial of the conversion to accrual was in 2003,\* it didn't succeed!

What Makes it different this time ....what has changed since than ?

Well.....

We were not ashamed to learn from a past failure , & we

started with a clear vision , a determined mind , & well thought plan



# Diagnosis and overview of the landscape





## From our Diagnosis: Key considerations

<b>Scale</b> 	<b>Program focus</b> 	<b>Training &amp; Change Mgmt.</b> 	<b>Requirements &amp; timeline</b> 
<ul style="list-style-type: none"> <li>• Government spending is the main driver of the economy</li> <li>• The number of government agencies and their variety of mandates.</li> <li>• Size of the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Vision &amp; transformation = thousands of initiatives for government entities</li> <li>• Past experience/s of conversion to accrual</li> </ul>	<ul style="list-style-type: none"> <li>• Majority of leaders in the finance departments not accountants /Finance /Business</li> <li>• Lack of qualified accountants in the <b>finance departments</b></li> </ul>	<ul style="list-style-type: none"> <li>• Unclear of the precise requirements for every government agencies (need /no need for fixed asset valuation ..)</li> <li>• Lack of a clear view with regard to the needed timeline</li> </ul>



# The Conversion at glance



## Reflections on the findings from the diagnosis (1/3)

- Designed our own customized implementation plan to adapt for your key considerations
- Defined a single owner for the conversion.
- Learned from ours/ others previous experiences.
- Unified accrual conversion enablers among government agency.

## Scale



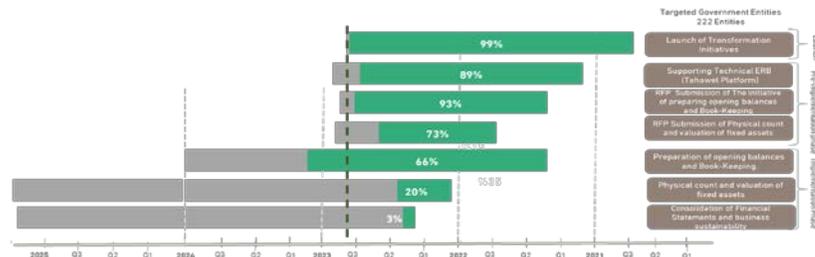
## Program focus



- Data collecting & detail analysis of all 500+ entities to have a defined scope for all the entities
- Arrange entities into clusters (Economic affairs, Public service, Health, Defense, Securities, Education and Municipalities and Rural Affairs)

- Establishing the Accrual Accounting within the ministry of finance to be an excellence center and a transformation partner with government entities.

Implementation Paths: Accrual Initiatives



## Training & Change Mgmt.



- Specialized training programs according to designed training streams
- Change management ambassadors within government entities .
- Value proposing

### Training and Development

- Circulation to Government entities
- Nomination (not just the finance department!)
- Scrutinizing the nominees list.
- Ended up with ...
- Updated list of 1500+
- Completed information

- Online vs. physical
- Physical = travel considerations

**Development = Empowerment**

- 600 questions
- 10 different forums
- simulations
- A two-hour placement test . 60 questions
- Call center during test time

- Partner with Qiyas to provide the placement test in 8 different locations across the kingdom

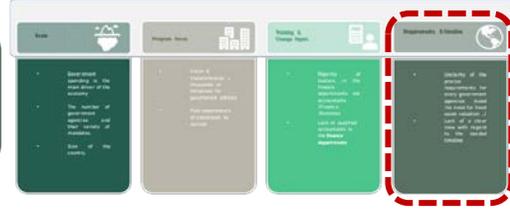
Data Collection

Test Location

Placement test

Training Card!

## Requirements & timeline



- Pilot with 4 entities,
- Detailed road map for each entity and Costing exercise

Detailed Road Map and costing

the objective of this exercise was to have a complete entity by entity road map and an estimated cost for the overall conversion

Detailed Road map

Detailed conversion initiatives with a precise timeline

Detailed Activities and initiatives: objectives, responsibilities, KPIs, expected duration for achievement ...etc

Methodology for entities grouping – Rollout time list

the methodology for identifying entities within groups based on the three stream :accounting, fixed assets and Technology, and clarifies a methodology for distributing groups within the time period till 2023.

Main Risks

the potential risks that have been defined the would impact the road map and the mitigation plan

Costing

estimated cost by entity and by stream

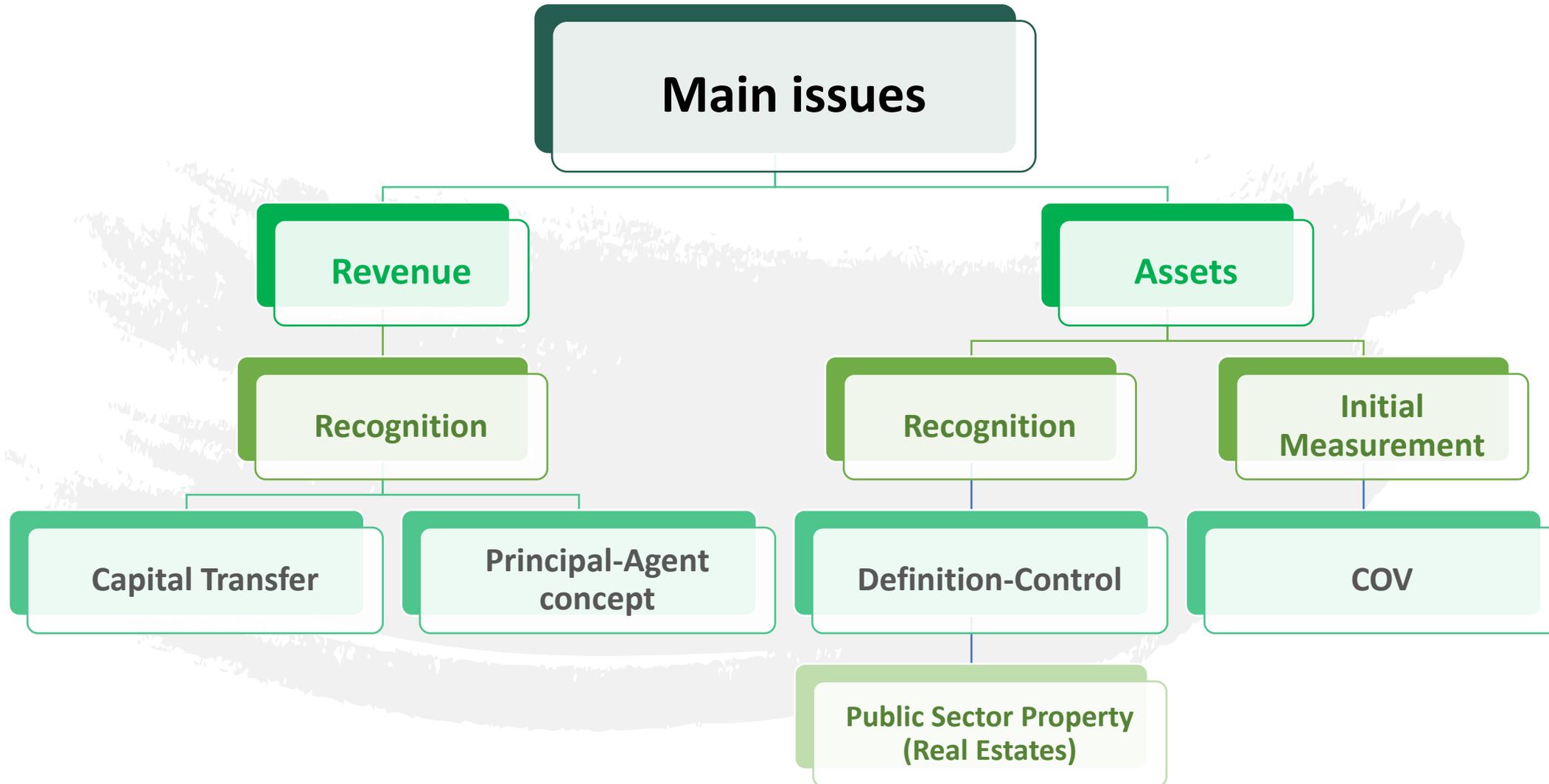
وزارة المالية  
Ministry of Finance

11



# Key implementation issues







# Revenue

## Principal -Agent concept

Applying the indicators of the agent and principal mentioned in the standard.

### How we approached it :

improved the accounting policies of the principal to make them clearer, and added practice examples to the policy. Looked for benchmark : South Africa GRAP 109 excellent source.

## Capital Transfers

The timing of recognizing transfer revenues for acquisition of non-current assets.

### How we approached it:

The issue was mainly driven by government entities challenging the recognition timing and fluctuation in their performance statement (higher in years of acquisition) , we developed a complete position paper with benchmark, application examples, and also used the board materials on the issue.





# Assets

## Definition-Control

**As per the standards: entities required to establish control over the assets as a prerequisite for recognition.**

### How we approached it :

In developing our Fixed Asset Manual , control indicators are illustrated through examples and scenarios. In addition, the conversion governance structure included a committee responsible to resolve issues around ownership and control.

## COV

**Historical cost is not available for many of the public real estate assets hence measurement and valuation is required for the deemed cost for initial recognition purposes**

### How we approached it :

COV very instrumental, specially for specialized assets.

We are eagerly waiting the board final approval of the measurement standard as all the principal are in place.

Real estate valuation is carried out by the accrual center to unify the valuation methodology.



## Other issues

- The time it takes for standards approval.
- Defining of reporting entities.
- Consolidation level (plus should we consolidate or aggregate)
- Should the process start with budget preparation to be accrual as well.
- The complexity of language used in the standards.
- Limited guidance and resource on how countries implements accrual and adopted IPSAS.
- Alignment with ISS.



# CAG Discussions Q&A





Thank You





# Appendix

