



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 timewhat has changed since then ?

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

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



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.

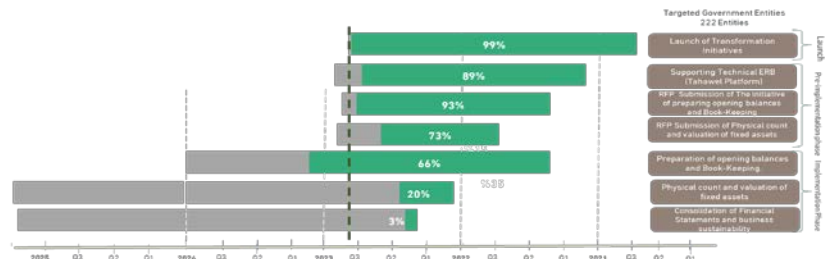


Reflections on the findings from the diagnosis (2/3)

Scale

- 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)

Implementation Paths: Accrual Initiatives



Program focus

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

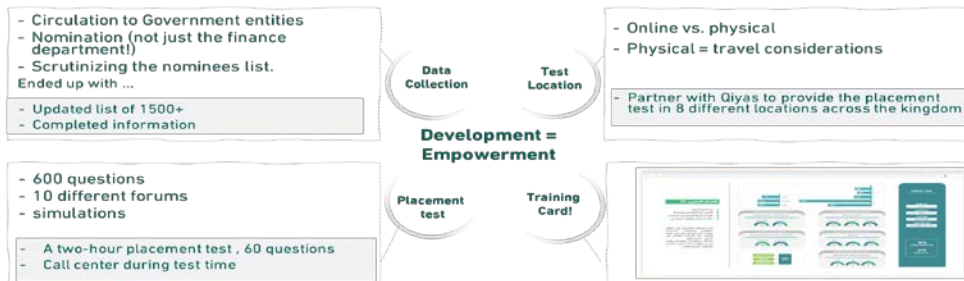


Training & Change Mgmt.



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

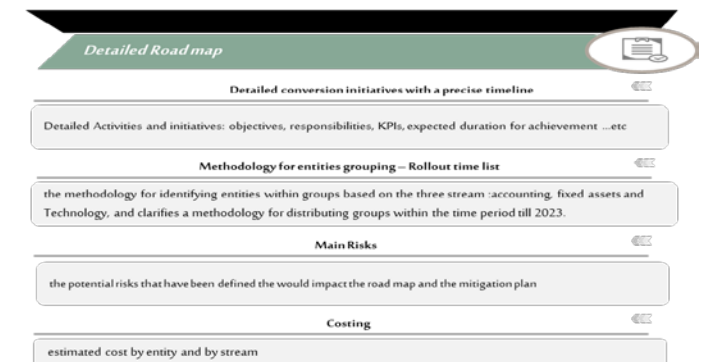
Training and Development



Requirements & timeline



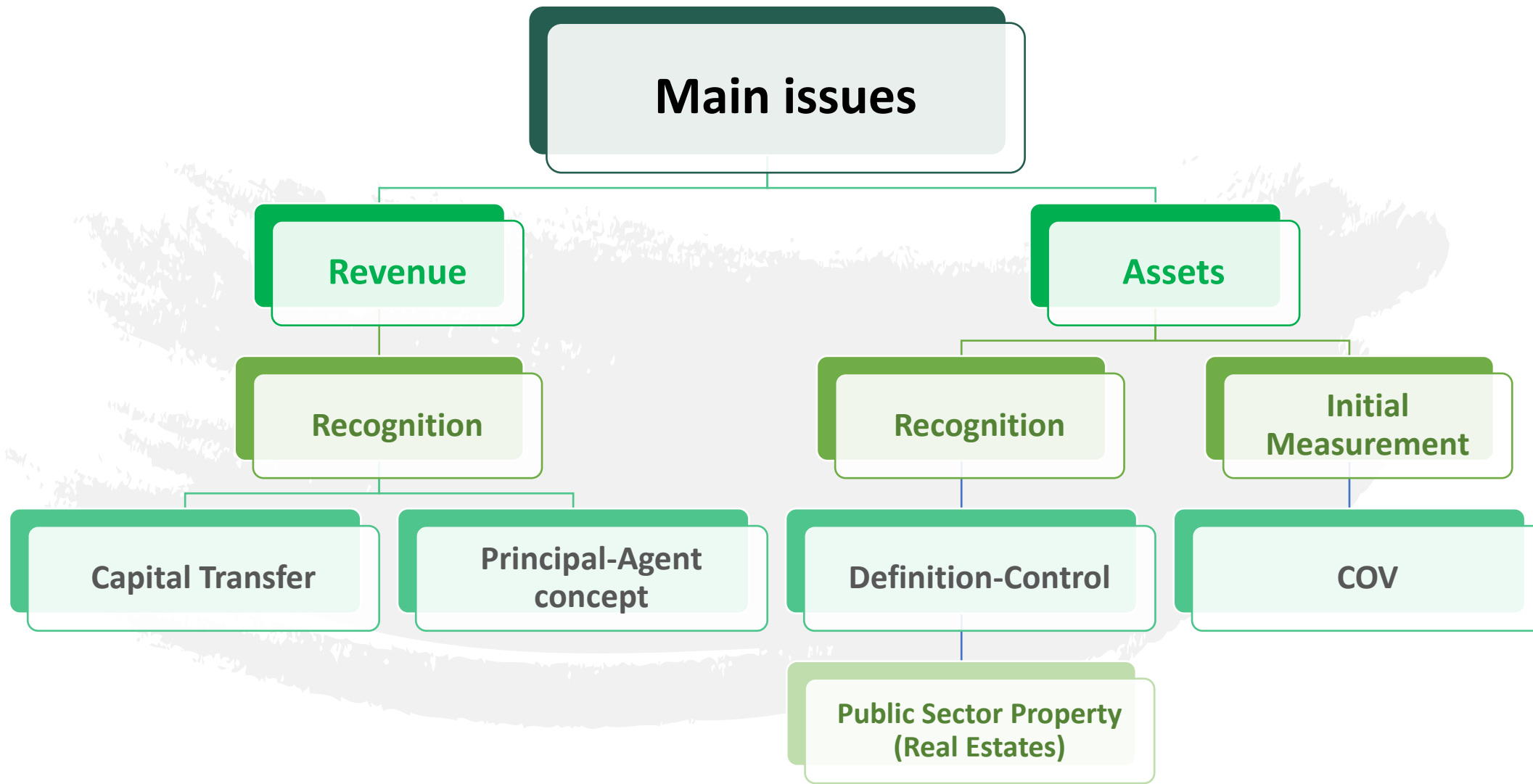
- Pilot with 4 entities,
- Detailed road map for each entity and Costing exercise





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 implement accrual and adopted IPSAS.
- Alignment with ISS.



CAG Discussions Q&A





Thank You





Appendix

