

Research Title:

**The Impact of Internal Control Systems on Financial
Transparency in Saudi Arabian Institutions**

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Second Term: 2026

Introduction

Financial transparency is one of the most important pillars that have contributed to the sustainability of organizations, institutional credibility and effective corporate governance in recent decades. Financial transparency is the ability to provide financial information that is accurate, complete, reliable and timely to stakeholders so that they can evaluate, invest, allocate resources and assess the performance of an organization. Transparency is increasingly becoming crucial as a tool to decrease the information gap and enhance accountability in a context of growing complexity of business environments, mounting regulatory demands, and stakeholder expectations. In this context, internal control systems have become essential to help achieve high standards of financial reporting and to protect the resources of the organisation. The internal control system plays a significant role in detecting and preventing errors, significantly reducing opportunities for fraud, complying with laws and regulations and enhancing the reliability of financial information communicated to stakeholders (Alzeban, 2019; Hamed, 2023; Olatinsu & Eke, 2025).

The trend towards transparency has been paralleled with an increasing awareness of the importance of internal control systems to support good financial management. Internal control systems include a wide variety of policies, procedures, monitoring, and risk assessment processes, as well as governance, that help to make sure that the organization's objectives are met effectively and efficiently. These systems give confidence in the reliability of financial reporting, effectiveness of operations, and compliance with the law. With organizations increasingly facing financial and operational risks, strong internal control systems have become critical to sustain the confidence of stakeholders and make the organization resilient. In previous research, it has been found that a good control environment in an organization is more likely to generate better levels of accountability and transparency than a poor or fragmented control environment (Adeyemi & Olarewaju, 2019; Budiasni & Indrayani, 2024; Siallagan & Hasanuh, 2026).

Financial transparency has significantly increased in significance in Saudi Arabia due to the economic transformation programmes of the Vision 2030. The Kingdom has made significant reform efforts to strengthen its institutions, regulatory frameworks, attract foreign investment, and boost competitiveness. These reforms have raised the expectations for the quality of financial

reporting and institutional accountability. As a result, there is an increasing expectation on the part of companies doing business in Saudi Arabia to put in practice governance measures that will promote transparency, integrity and stakeholder trust. Financial transparency is especially relevant in today's environment, where investors, regulators, creditors, and the public are increasingly seeking greater transparency and reliability in their financial information on organizational performance and financial condition. Research in the Saudi context has shown that the governance mechanisms, such as internal controls, audit committees, and regulatory compliance, need to be emphasized to foster transparency and enhance financial reporting quality (Bchennaty, 2025; Almajri, 2021; Alqahtani & Bilal, 2025).

Examiners have given considerable research attention to the connection between internal control systems and financial transparency, owing to its implications for organizational performance and the effectiveness of governance. Internal control systems are a vital first line of defence against financial misconduct, asset misappropriation, inaccurate reporting and regulatory breaches. Internal controls help to ensure that accounting information is reliable and to provide effective communication among organizations and stakeholders through systematic monitoring and evaluation processes. In addition, effective controls help create a culture of accountability that encourages staff and managers to follow ethical practices and reporting guidelines. Research in different organizational settings has consistently shown that effective internal control is correlated with improved financial transparency, indicating that organizations with effective internal control will be better equipped to ensure credible and transparent financial information (Husnan et al., 2023; Hashemigohar et al., 2025; Olatinsu & Eke, 2025).

Another crucial area of financial transparency is the accountability and disclosure practices that are supported by the governance structures. The audit committee, internal audit, compliance and risk management all play a major role in enhancing ICs and the integrity of the financial reporting processes. There is an increased focus on independent governance oversight and appropriate monitoring mechanisms in Saudi Arabian institutions as a way to improve transparency and limit monetary irregularities. Studies have shown that institutions with clear and effective governance rules have greater transparency and fewer problems of financial misconduct. Audit committees and internal audit functions in particular are known to be one of the factors that

affect the quality of financial reporting and investor confidence (Alzeban, 2019; Almajri, 2021; Almahfor & Norton, 2021).

The importance of internal control systems goes beyond the limited scope of the financial reporting process to the broader range of internal control systems within the organization that support the performance, risk management and strategic decision making objectives. In today's business landscape, transparency is no longer just a regulatory obligation but a strategic asset that plays a crucial role in achieving long-term sustainability and competitive advantage to your organization. Internal controls provide management with reliable financial information, which can be used for making management decisions, allocating resources, and improving the efficiency of the organization. What is more, clear financial reporting enhances the trust and reduces uncertainty in investor, customer, regulator and other stakeholder relationships. Empirical studies show that organisations that have efficient internal control are able to have sustainable financial performance and keep the confidence of their stakeholders during economic uncertainty (Hamed, 2023; Jarah et al., 2023; Al Rahhaleh et al., 2023).

The rise of transparency has also been noticed in the Islamic financial institutions, where accountability, ethical behavior and adherence to Sharia requirements are core operational needs. The internal control system is crucial for complying with the laws and regulations in these institutions as well as religious rules. There is a consensus among scholars about the importance of transparency and accountability as pillars of Islamic financial governance, and the importance of effective internal control for achieving the objectives of transparency and accountability. The systems of regulation and control help to guarantee the reliability of financial reporting and to enhance the public's trust in the way financial institutions operate. Hence, studies which explored the Islamic financial institutions also have given significant insights into the overall link between the effectiveness of internal control and financial transparency (Shafii & Salleh, 2010; Jaradat & Oudat, 2026; Almajri, 2021).

Although there is a growing body of literature covering governance, accountability and transparency, there are gaps in the literature regarding the effect of internal control system on

financial transparency in Saudi Arabian institutions. A handful of research papers have focused on aspects of governance, audit quality, financial accountability, and financial reporting, but very little research has been done to analyze the effect of internal control systems on financial transparency in various institutions in Saudi Arabia. In addition, the fast-paced economic change within the Kingdom also leads to ongoing changes in governance, requiring new empirical evidence about the effectiveness of internal control in enhancing transparency. It is important to address this gap, given the strategic goals of Vision 2030 and the growing demands on Saudi institutions to show accountability, integrity and excellence in financial reporting (Bchennaty, 2025; Alqahtani & Bilal, 2025; Al Rahhaleh et al., 2023).

Therefore, the aim of the present study is to examine the effects of internal control systems on the financial transparency in the institutions of Saudi Arabia. The study seeks to make a theoretical and practical contribution to the understanding of the effectiveness of the internal control and the link between internal control and the outcomes of transparency. The results will give policymakers, regulators, institutional leaders, auditors, and financial professionals insights to help them improve internal controls and transparency. In conclusion, well-designed internal control mechanisms can help to create greater transparency in financial matters, improve the performance of organizations, and help achieve broader economic development goals in Saudi Arabia (Alzeban, 2019; Hamed, 2023; Bchennaty, 2025).

Research Problem

One of the most prominent features of today's organizational governance is the rise of financial transparency, especially in the economies of countries like Saudi Arabia that are experiencing fast institutional development and transition. Financial transparency is important for providing stakeholders with credible, complete and current financial information that is properly represents the organizational performance and financial position. Financial reporting that is transparent helps to minimise information asymmetry between management and stakeholders, build trust in institutions and facilitate informed decision making processes. Saudi Arabia has made significant strides in governance reforms in recent years, implementing a broad agenda to increase accountability and transparency in government and business practice, in line with the goals of Vision 2030. Such changes have raised expectations of the organizations in terms of financial disclosure and governance effectiveness (Bchennaty, 2025). In addition, it was noted that

good governance is a direct link with transparency and accountability in organizations (Almajri, 2021). Likewise, the importance of awareness of the concept of governance for employees in charge of financial management was identified as an important factor affecting financial reporting and disclosure in the Saudi institutions (Alqahtani & Bilal, 2025).

Although transparency is gaining momentum, there are still substantial differences when it comes to the effectiveness of internal control and the quality of financial statements provided to the stakeholders between Saudi institutions. Internal control systems refer to a broad range of policies, procedures, monitoring, and risk management activities that are put in place to help a business operate efficiently and effectively, to comply with regulations, and to maintain reliable financial reporting. Internal control systems aid organizations in detecting and preventing fraud, reducing reporting errors, protecting assets and improving accountability (Hamed, 2023). The adherence to internal auditing standards has also been correlated with the quality of financial reporting and positive outcomes of transparency in Saudi organizations (Alzeban, 2019). Furthermore, public financial management systems research has revealed that proper audit trails and internal control measures greatly improve the transparency and credibility of financial data put forward to stakeholders (Olatinsu & Eke 2025). However, there are still disparities in implementation and effectiveness of such controls, which means that some institutions are still not transparent.

The impact of ineffective or ineffective internal control becomes more serious when one thinks about the consequences of an ineffective or ineffective system of controls. The inability to implement adequate controls can lead to errors in financial reporting, more opportunities for fraud and financial misconduct, less accountability, and loss of confidence by stakeholders. It has been found through research in public sector organisations that there are some weaknesses in internal control systems that result in poor financial accountability and higher risk within the organisation (Adeyemi & Olarewaju, 2019). Likewise, the contributions of internal control systems to transparency and accountability in financial management processes have been emphasised in studies, and it has been found that better control systems enable to organisations to better accomplish their governance goals (Siallagan & Hasanuh 2026). Moreover, research suggests that internal control systems have a positive impact on financial transparency and accountability, leading to better organizational performance and stakeholders' trust (Husnan et al., 2023). The

results of this finding indicate that the effectiveness of internal control could have a considerable impact on the integrity and clarity of financial information.

Since the connection between internal control systems and financial transparency has raised significant research interests, it has been the subject of increasing scholarly research. Internal control is now considered more than just a compliance tool, but a control method that helps ensure accountability, ethical behaviour and quality financial reporting. Based on the studies conducted, it was found that the internal control system facilitated the positive link between accountability and transparency in financial management, which can be used as an important governance system. Furthermore, studies have shown that financial transparency can influence organisational risk, and that the relationship between the two can be mitigated by internal controls (Hashemigohar et al., 2025), which highlights the role of internal controls in sustaining financial stability and stakeholder confidence. The results highlight the importance of studying the role of internal control systems in achieving transparency in various organizational environments, such as in Saudi Arabia's institutions.

Another aspect of the research problem is the role of governance (structures) and oversight (mechanisms) in improving the effectiveness of internal control systems. Various internal functions such as audit committees, internal auditors, compliance officers, and risk management departments monitor financial activities and ensure compliance with reporting requirements. Studies in Saudi Arabia have highlighted the significance of independent audit committees in enhancing the audit oversight function and decreasing the probability of commission of financial misdeeds (Almakhfor & Norton, 2021). Similarly, research on Islamic financial institutions has been conducted to emphasize the importance of internal control audit in strengthening the governance, accountability and transparency framework, and in ensuring adherence to ethical and regulatory standards (Shafii & Salleh, 2010).

While there are several studies that have contributed to understanding governance, accountability, financial reporting quality and transparency, the literature has lacked a direct examination of the effect of the internal control systems on the financial transparency in Saudi Arabian institutions. The existing literature has tended to address such aspects of the internal control system as audit quality, financial accountability, governance awareness, or organizational performance, but has not examined the association between the effectiveness of internal control

and financial transparency. For instance, studies in private hospitals in Saudi Arabia have revealed that internal controls play a vital role in the financial accountability and performance measures in this field (Al Rahhaleh et al., 2023), and research in banking environments indicated that internal control systems play a mediating role between the organizational relationships in the financial field and the effectiveness of the performance and governance (Jarrah et al., 2023). Empirical evidence is currently limited to examining the direct impact of the internal control systems on transparency in the context of a more varied sample of Saudi institutions, however. Thus, the gap requires further research to fully understand the connection between the internal control systems and financial transparency in the Saudi context. From the above discussion the research problem can be summarized as finding out the degree of how internal control systems contribute to improving the transparency in the financial affairs of the Saudi Arabian institutions. Although governance is currently undergoing positive change and regulators are placing greater importance on accountability and disclosure, there is doubt about the efficiency of internal control mechanisms in ensuring transparency of financial reporting and in building stakeholder confidence. Accordingly, the present study aims to investigate this association empirically and shed light on expert-based findings that can help decision makers, regulators, and institutional leaders to enhance the institutional governance and increase transparency.

Research Questions

Main Research Question

- To what extent do internal control systems impact financial transparency in Saudi Arabian institutions?

Sub-Research Questions

- To what extent does the control environment affect financial transparency in Saudi Arabian institutions?
- To what extent does risk assessment affect financial transparency in Saudi Arabian institutions?
- To what extent do monitoring activities affect financial transparency in Saudi Arabian institutions?

The importance and objectives of the research.

Importance of the Research

The relevance of the present study is based on the increasing attention given to financial transparency as a key element of good governance, institutional accountability and sustainable organizational performance. During the last several years, regulatory, investor, creditor, and societal pressures have compelled organizations to give transparent and reliable financial reporting that faithfully represents their financial status and financial performance. The economic transformation efforts of Vision 2030 have added an extra focus on financial transparency in Saudi Arabia, with a focus on institutions in both the public and private sector to be more accountable and excel in governance and disclosure. In this context, internal control systems are playing a crucial role in enhancing the quality of financial reporting, ensuring accountability and maintaining the integrity of financial information communicated to stakeholders (Bchennaty, 2025; Almajri, 2021; Alqahtani & Bilal, 2025).

Theoretical Importance

Theoretically, the present study can help in enhancing the existing body of knowledge in relation to the issue of internal control systems and financial transparency. While the research on governance, accountability, auditing and financial reporting quality has been conducted in several parts, the research specifically on the relation of internal control systems and financial transparency level in Saudi Arabia institutions has been limited. Thus, the study could contribute to filling this gap by offering empirical evidence about the effect of internal control systems and its dimensions (control environment, risk assessment and monitoring activities) on financial transparency. Furthermore, the study might make a conceptual contribution to future studies by presenting a conceptual framework that integrates the concepts of internal control theory, governance and transparency literature within the context of emerging economies and institutional reform (Alzeban, 2019; Hamed, 2023; Jarah et al., 2023). Additionally, the study could help academics' debates on governance effectiveness through analyzing the impact of certain aspects of internal control systems on improving financial transparency. The results could support further theories that have been proposed that strong control environments, effective risk assessment and on-going monitoring activities make the financial information more reliable and credible. Based on that, the study can contribute to the development of the understanding of the mechanism that

internal control systems have on transparency outcomes in the fields of accounting and auditing, finance, corporate governance, and public administration and is valuable for researchers who are interested in these areas (Shafii & Salleh, 2010; Husnan et al., 2023; Budiasni & Indrayani, 2024)..

Practical Importance

On a practical level, the study can give insights into governance practices and financial reporting quality that are useful for institutional leaders, financial managers, internal auditors, regulators, policymakers, and other stakeholders who aim to enhance these practices. The results will help firms assess the effectiveness of their internal control systems and determine if there are any weaknesses to be addressed in order to enhance the transparency of their financial disclosures. The improvements of the role of the control environment, risk assessment, and monitoring activities can lead to better management design of internal control frameworks to strengthen accountability and enhance financial disclosure practices (Al Rahhaleh et al., 2023; Adeyemi & Olarewaju, 2019; Olatinsu & Eke, 2025). The study might also be useful for regulators and policymakers in charge of formulating governance policies and financial reporting regulations. The results can be used to support policy recommendations based on evidence to help enhance the internal control systems of Saudi Arabian institutions and increase transparency. These enhancements can help limit financial irregularities, fraud, ensure regulatory adherence, and boost investors' trust in financial reporting procedures. Furthermore, better transparency would aid national initiatives to attract investment and boost the competitiveness of Saudi institutions in the regional and global markets (Almakhfor & Norton, 2021; Jaradat & Oudat, 2026; Siallagan & Hasanuh, 2026).

Importance for Saudi Arabian Institutions

The study's relevance to the Saudi Arabian institutional environment further underscores the importance of the study. Therefore, organizations should be transparent and accountable while implementing the principles of good governance, which would be recognized internationally, as Saudi Arabia works towards the Vision 2030 reforms. Internal control systems are important in achieving these objectives since they help provide the accuracy, reliability and credibility of the financial information that is disclosed to the stakeholders. Therefore, the study can help Saudi institutions to gain insight into the impact that internal control practices improvements have on increasing financial transparency and the effectiveness of an organization. The results can also be

used to support initiatives to build investor confidence and improve institutional reputation and sustainable economic growth in the Kingdom (Bhennaty, 2025; Alqahtani & Bilal, 2025; Almajri, 2021).

Importance for Stakeholders

The current study may also be valuable for a wide range of stakeholders, including investors, shareholders, creditors, customers, and members of the public. Financial transparency enables stakeholders to make informed decisions based on accurate and reliable information, thereby reducing uncertainty and increasing trust in organizational activities. By examining the relationship between internal control systems and financial transparency, the study may provide stakeholders with a deeper understanding of the factors that influence financial reporting quality and organizational accountability. This understanding may contribute to improved stakeholder confidence and stronger relationships between institutions and their external environment (Hashemigohar et al., 2025; Husnan et al., 2023; Budiasni & Indrayani, 2024).

Overall, the current study may be useful in advancing both academic knowledge and professional practice by providing a comprehensive examination of how internal control systems influence financial transparency in Saudi Arabian institutions. Through its theoretical and practical contributions, the study may support governance improvements, strengthen accountability mechanisms, enhance financial reporting quality, and contribute to the achievement of broader economic and institutional development goals within Saudi Arabia.

Research Objectives

Main Objective

- To examine the impact of internal control systems on financial transparency in Saudi Arabian institutions.

Sub-Objectives

- To investigate the impact of the control environment on financial transparency in Saudi Arabian institutions.

- To examine the impact of risk assessment on financial transparency in Saudi Arabian institutions.
- To analyze the impact of monitoring activities on financial transparency in Saudi Arabian institutions.

Research Hypotheses

Main Hypothesis

- H1: Internal control systems have a statistically significant positive impact on financial transparency in Saudi Arabian institutions.

Sub-Hypotheses

- H1a: The control environment has a statistically significant positive impact on financial transparency in Saudi Arabian institutions.
- H1b: Risk assessment has a statistically significant positive impact on financial transparency in Saudi Arabian institutions.
- H1c: Monitoring activities have a statistically significant positive impact on financial transparency in Saudi Arabian institutions.

Literature Review

The concepts of internal control systems and financial transparency have gained more prominence in recent years in the organizational and financial management literature, as they are directly linked to the concepts of governance effectiveness, accountability, financial reporting quality and stakeholder confidence. Organizations have been under greater regulatory, investor, creditor and public pressure over the past few decades to be transparent and accountable when handling financial activities. This pressure has been exacerbated by key economic scandals and corporate failures, and incidents of financial mismanagement, which have exposed the negative impact of poor governance and control systems. Thus, the study and practice of internal control has received significant attention as a means to increase transparency of financial reporting and minimize the risks of inaccurate reporting, financial misconduct, and fraud. There is a general consensus that financial transparency is the degree of disclosure of reliable, accurate, complete,

timely and understandable financial information, provided by organizations to stakeholders. Internal control systems, on the other hand, include a series of policies, procedures, monitoring activities and governance that are implemented to ensure that the company is effective, adheres to compliance, is safe regarding its assets, and that its financial reports are reliable. The literature has found that financial transparency efforts are very much dependent on the strength and quality of internal control systems in place in an organisation (Hamed, 2023; Olatinsu & Eke, 2025; Adeyemi & Olarewaju, 2019).

Theoretical views on internal control systems focus on how these are essential governance tools that can minimize information gap and enhance accountability. Agency Theory posits that a conflict of interest can occur between the managers of an organization and the stakeholders, because the managers have more information about the activities and performance of the organization. In these cases, well-designed internal control systems can be used to minimize agency problems by providing for the proper accounting, tracking, and reporting of financial information. Likewise, Stakeholder Theory places an emphasis on the need to share information openly with stakeholders, not just shareholders, making internal controls important in supporting ethical reporting and organization accountability. These theories are even more relevant with the growing complexity of organizations and the need of stakeholders for transparency and accountability in decision making and reporting. Internal control systems are one of the best instruments that organisations can use to ensure compliance with the governance principles and enhance the quality of financial disclosures made to stakeholders (Almajri, 2021; Shafii & Salleh, 2010; Bchennaty, 2025).

There has been a large body of research that investigates the link between internal control systems and financial reporting quality, and financial reporting quality has been identified as one of the main components of financial transparency. Financial Reporting Quality is defined as the extent to which the financial statements properly reflect the financial position and performance of an organization, free from any material misstatements, omissions or distortions. Alzeban (2019) carried out a significant study in the Saudi Arabian context and concluded that the level of compliance with the internal auditing standards had a significant impact on enhancing the quality of financial reports. The study found that the organizations with better internal audit functions have identified and managed the weak points of Financial Reporting processes and have been more

compliant to the standards of Financial Reporting. Moreover, the results showed that internal auditing that is effective contributes to the reliability and credibility of financial disclosures as it strengthens the monitoring and evaluation system. Hamed (2023) arrived at the same findings, stating that internal control systems help to ensure financial sustainability by increasing the accuracy of financial reporting, lowering the risks associated with operations and boosting the trust of stakeholders. This is supported by Olatinsu and Eke (2025) who found that the effective audit trail and internal control mechanisms are integral part of the financial transparency in public financial management system. Overall, these studies indicate that internal control is a key factor in the quality and transparency of financial reporting.

Another prominent topic of discussion in the literature is the connection between the internal control systems and financial accountability. Accountability is the responsibility of management and personnel to explain decisions, actions and use of resources to stakeholders. The critical nature of financial accountability is especially important, since it guarantees the effective use of financial resources and adherence to organization goals and regulations. Adeyemi and Olarewaju (2019) examined the public sector institutions and concluded that effective internal control systems have a significant role to play in improving financial accountability through better oversight, robust monitoring systems and lessen potential for financial abuse. They found that institutions with more robust control environments have better practices of accountability and more reliable financial reporting. Al Rahhaleh et al. (2023) also studied the inner control systems in private hospitals in Saudi Arabia, and their results concluded that internal control systems have a positive effect on the accountability of the financial aspects of organizations and their performance. The researchers discovered that organizations with robust control procedures were more effective in keeping their financial books and records accurate, conformity with regulations and stakeholders' transparency in financial reporting. The results also show how critical accountability is as a linkage between the effectiveness of internal controls and financial transparency, which makes control systems a strategic tool in a modern organization.

Previous studies have also been conducted and examined the role of corporate governance in financial transparency. Corporate governance refers to the arrangements, procedures and interactions of organizations that are directed and controlled. The key elements of good governance usually consist of audit committees, boards of directors, risk management, compliance,

and internal control systems. A quantitative panel study of the Saudi companies listed on the stock exchange Tadawul, Bchennaty (2025) revealed that there is a positive significant regression between the quality of the level of governance and financial transparency. The study revealed that companies with better governance were more likely to be transparent with regards to financial disclosures and to have stakeholder confidence. Similarly, Almajri (2021) emphasized transparency and accountability as one of the primary goals of good governance and noted that organisations that have good governance are more likely to be sustainable and build trust with stakeholders in the long term. In addition, Alqahtani and Bilal (2025) emphasized the significance of the governance awareness of employees working in financial departments of the government institutions of Saudi Arabia, and that the higher the governance awareness of the employees the more positive results it has on the dimensions of accountability and transparency. All of these studies show that governance structures provide a context in which the internal control systems are able to facilitate transparency.

The role of the audit committee and internal audit functions in internal control systems affecting transparency outcomes has also been noted in the literature. The role of audit committees is to oversee the financial reporting processes, to monitor compliance with the regulations and to ensure the effectiveness of internal and external auditing activities. Alмахfor and Norton (2021) provided a study of audit committees in financial institutions in Saudi Arabia and revealed that independent and competent audit committees are important factors in combating financial crime, strengthening audit functions and enhancing future financial reporting integrity. They conclude that audit committees increase transparency in the organization because they provide a high level of scrutiny and oversight of financial disclosures. Alzeban (2019) also claimed that adherence to the internal auditing standards would enhance the quality of financial reporting through the detection of gaps within the control processes and consequently facilitate corrective measures. The results confirm that audit-related governance mechanisms play an important role in ensuring transparency and stakeholder confidence.

The effect of internal control systems on transparency and accountability within public sector institutions has been studied too by the private sector. Husnan et al. (2023) explored the internal control systems of the Government and determined that the Government's internal control systems have a positive impact on financial transparency, accountability and organizational

performance. They found that effective control systems allow for better access to financial information, better disclosure quality and enhance public confidence in government institutions. Furthermore, Siallagan and Hasanuh (2026) examined the application of the principles of transparency, accountability and internal control in the management of financial resources and found that in the implementation of this principle, the implementation of transparency, accountability and internal control in financial management if carried out well would produce good governance results and increase stakeholder trust. These results indicate that internal control systems benefits are not just compliance or reporting quality, but also broader organizational and societal outcomes.

The moderation and mediation of internal control systems in organisational relationships has been the subject of a considerable amount of literature. In the context of accountability and transparency, Budiasni and Indrayani (2024) discovered that the internal control systems fortify the positive association between accountability and transparency, indicating that a robust control system is likely to create a stronger link between accountability practice and its successful result of transparency in organizations. Likewise, Hashemigohar et al. (2025) found that the internal controls are found to moderate the relationship between financial transparency and organization risk; this suggests that organizations with effective internal controls benefit more from financial transparency and have lower exposure to financial risk. The influence of the internal control system between accounting information systems and employee performance in Islamic banks was also proven by Jarah et al. (2023) which shows that the internal control systems plays a strategic role in supporting the effectiveness of an organization and the success of governance. These studies show that internal control systems can impact organizational results in several different ways and are key internal mechanisms for meeting governance goals.

Other studies on the Islamic financial institutions provide further insights into the relationship between the internal controls and transparency. Shaffi and Salleh (2010) highlighted that internal control audits are important in improving the governance, accountability, and transparency of Islamic financial institutions. They said the internal control systems should not only be strong to meet regulatory requirements but also to ensure compliance with ethical and Sharia requirements. Similarly, Jaradat and Oudat (2026) analyzed the impact of regulatory influence on Islamic financial transparency and suggested that the effectiveness of Islamic

financial regulations on enhancing transparency in financial reporting tends to be stronger when the intensity of regulatory influence is stronger. Such research indicates that transparency and accountability are intrinsic to governance system and that internal controls are essential to achieve transparency and accountability.

Although there is a good amount of literature that covers financial transparency and brings forth issues on governance, accountability and internal control systems, there are still some gaps in the research. The vast majority of previous research have concentrated on particular elements of governance, e.g., audit quality, accountability mechanisms, or organization performance, rather than the direct effects of the dimensions of an internal control system on financial transparency. Additionally, though some research has taken place in developed economies and certain institutional settings, limited research has been done to comprehensively investigate the connection between these two within the Saudi Arabian institutions. Saudi Vision 2030 has been accompanied by a continuous transformation of the economy which brings new demands for governance, transparency and accountability that call for additional empirical research. Hence, it is still needed to investigate the impact of the internal control systems dimensions (the control environment, risk assessment, and monitoring activities) on financial transparency in the Saudi institutions. This gap is tackled by the current study and could offer relevant insights for researchers, policymakers, regulators and organizational leaders interested in advancing governance practices and enhancing transparency outcomes in the Kingdom of Saudi Arabia (Bchennaty, 2025; Alqahtani & Bilal, 2025; Al Rahhaleh et al., 2023).

Research Methodology

One of the important parts of a research study is the methodology which acts as the framework used to investigate the research problem and to attain the objectives of the research

study. The choice of the suitable methodology is crucial in providing the validity, reliability and the credibility of the results. Methodological rigor is especially relevant in research on organization and financial phenomena, as the credibility and quality of the evidence created can affect the usefulness of the conclusions and recommendations. Because of the nature of the current study, which aims to examine the relationship between the studied variables and the impact of it on the financial transparency in Saudi Arabian institutions, a scientific and systematic approach is needed to study the relationships between the variables under investigation and to reach empirical evidences which can answer the research questions and test the proposed hypotheses. For this reason, the method of research, population, sample, data collection techniques, measurement instruments, and statistical analysis techniques that will be used in the study are presented.

Research Approach

The current study offers a quantitative research approach as it is seen as the most convenient approach to examine the relationship between variables and test the hypothesis in the current study through any statistical methods. Quantitative research can provide the researcher with numerical data for a relatively large number of respondents and be used to analyze data objectively so that the researcher can find the relationship of the data, associations and causal relationships. The quantitative approach is appropriate for this study because the main goal of this research is to measure the perception of respondents and evaluate the statistical significance of the relationship between variables, and quantitative approach is effective in measuring respondents' perception.

Moreover, the study has a descriptive-analytical type of research, this type of research is a combination of describing phenomena that already exist in the real world with statistical analysis of the relationship between variables. The first component, descriptive, aims to determine the current situation of the internal control systems and financial transparency practices in the Saudi Arabian institutions, and the second component, analytical, aims to analyze the effect of the dimensions of internal control systems on financial transparency in the Saudi Arabian institutions. The design is extensively adopted in studies of accounting, finance, auditing and governance, and allows researchers to produce a thorough understanding of organizational practices and results. By using the method, the research will describe what happens in the implementation of internal controls, and give empirical evidence of the effect of internal controls on transparency.

Research Population

Employees directly engaged in financial management, accounting, auditing, governance, compliance, risk management and/or internal control in Saudi Arabian institutions make up the study population. They are the people most likely to be appropriate participants because they have the background and expertise to judge the effectiveness of internal control systems and the extent of transparency in their organizations.

This is because Saudi Arabia has introduced many governance reforms, accountability measures and transparency demands under Saudi Vision 2030, which is making governance in the Kingdom more important than ever. Institutions in the Kingdom have been urged to further strengthen internal control mechanisms and improve financial reporting to enable stakeholders to have greater confidence in the institutions and thus in sustainable economic development. As such, those involved in the finance and governance role are expected to be able to offer useful comments about the effectiveness of internal controls and what they do to enhance the transparency of the finances.

Sampling Technique and Sample Size.

The study employs simple random sampling due to the large population size of the study, and the difficulty of obtaining data from all eligible employees in the institutions in Saudi Arabia. This technique is chosen due to the fact that any member of the target group has an equal chance of being selected for the study, and this technique will help minimise selection bias, improving the representativeness of the sample.

The study recommends a sample of 300 respondents from different institutions in Saudi Arabia. This number of samples is deemed sufficient for performing more complex statistical analysis such as correlation analysis, regression analysis, and hypothesis testing. Moreover, this sample size should also increase the generalizability of the results and offer adequate statistical power for determining significant relationships between the variables of the study.

Selected participants will encompass accountants, financial managers, internal auditors, compliance officers, specialists in governance, risk management, and other work with financial reporting, implementation of internal control and transparency. They have a diversity of

professional experiences expected to give them a wide-angle view on the effectiveness of the internal control systems of Saudi institutions.

Sources of Data Collection

Primary Data :Primary data will be gathered directly from the respondents by using a structured questionnaire that is specially designed for the purpose of the study. The questionnaire will ask respondents about their attitudes towards the internal control systems and financial transparency in their organizations. Primary data can be collected and the researcher can get the fresh and context specific information which is directly related to the research objectives and hypotheses.

Secondary Data :Secondary data will be gathered from various academic and professional sources such as scholarly journal articles, books, conference papers, dissertations, official reports, governance frameworks, auditing standards and financial transparency guidelines. These sources serve as the basis for theory and concept of the study and help in the formulation of research framework, research hypotheses and measurement instruments. The studies that were reviewed cover topics related to internal control systems, financial transparency, corporate governance, accountability, internal auditing, and financial reporting quality.

Research Instrument

A structured questionnaire, created from the literature and previous empirical studies, is the major tool in the study. The questionnaire aims to capture the internal control systems and financial transparency dimensions and the five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree) has been used.

The questionnaire has two sections. The first section gathers the demographic data about the respondents such as sex, age, qualification, years of experience, job position, and institutional sector. The second section assesses the study variables by a set of statements concerning internal control systems and financial transparency.

The Independent Variable is the Internal Control Systems.Independent Variable: Independent Variable is Internal Control Systems.

There are three dimensions of the independent variable:

Control Environment :In this dimension, organizational leadership refers to how far it encourages ethical conduct, accountability, good governance and adequate control measures. Contains topics like management commitment, organizational culture, integrity and employee responsibilities.

Risk Assessment :In this dimension, a focus is on how well the organization identifies, analyzes, evaluates and manages financial and operational risks that could impact the quality and transparency of reporting. It demonstrates the effectiveness of the risk management process that has been put in place in the institution.

Monitoring Activities :This dimension assesses the effectiveness of the continuous supervision, internal auditing, review of performance, monitoring of compliance and corrective actions taken to maintain the effectiveness of internal control systems.

The dependent variable is Financial Transparency.

Financial transparency is defined as the level of financial information that organizations offer to stakeholders that is complete, accurate, reliable, understandable and timely. This variable is measured in terms of financial disclosure quality, accuracy of financial disclosure, information availability, timeliness of financial disclosure, and confidence that financial information is the result of a disclosure.

Validity and Reliability

Several procedures will be carried out to guarantee the quality of research instrument. The questionnaire will have content validity determined by a panel of academic experts and professionals in the accounting, auditing, governance, and financial management fields. They will use their feedback to help to improve items on the questionnaire and make sure that it meets the goals of the study.

The internal consistency of the items in the questionnaire will be examined by Cronbach's Alpha coefficient to determine the reliability. The more Cronbach's Alpha is greater than 0.70, the more reliable and consistent the measurement items will be, and the more acceptable the Cronbach's Alpha level will be.

Statistical Analysis Procedures

The collected data will be analysed through the use of the Statistical Package for Social Sciences (SPSS). The research questions and the study hypotheses will be answered and tested using several statistical methods.

The characteristics of the respondents will be summarized and described using descriptive statistics (frequencies, percentages, mean, standard deviation), and the responses on the variables that appear in the study will be summarized and described. This study will give a general picture of the extent of implementation of internal control and financial transparency in Saudi Arabia institutions.

Pearson correlation analysis will be used to investigate the relationship between the dimensions of the internal control system and financial transparency. This analysis will be used to assess if there are statistically significant relationships between the variables.

Multiple regression analysis will be used to evaluate the effects of the three components of the internal control systems, namely the control environment, risk assessment and monitoring activities, on financial transparency. By using regression analysis, the researcher will be able to see the relative contribution of each dimension as well as the overall explanatory power of the regression model.

Further, hypothesis testing will be carried out with the frequently used levels of significance in social science research. The statistical significance will be analysed at $\alpha \leq 0.05$ level to check the support of the proposed relationships with the collected data.

By applying these methodological procedures, the study aims to contribute reliable and scientific valid evidence on the effect of internal control systems on financial transparency of the Saudi Arabian institutions. The methodology has been made to make sure the results accurately represent the perceptions of professionals within the Saudi institutional environment and meaningfully enhance the literature on governance, accountability and financial transparency.

Research Limits

The study is restricted to study the effect of internal control systems on financial transparency in Saudi Arabia institutions for period of 2026. It is targeted at the employees from

the financial, accounting, auditing and internal control departments of these institutions and therefore, the results are limited to the perceptions of this group alone. The findings in this study are geographically limited to institutions in the Kingdom of Saudi Arabia and might not be applicable in other countries where regulatory and governance frameworks differ.

From the perspective of the study, the research limits the scope of the independent variables used to only three dimensions of internal control systems, namely the control environment, risk assessment, and monitoring activities, and financial transparency as the dependent variable. Other aspects that may impacts transparency are not considered in the study, including external audit quality or organizational culture. The study methodologically uses a quantitative approach through the use of a questionnaire, but the use of questionnaires can influence self-report bias and subjectivity of the respondents. However, the study is intended to yield the credible information about the relationship between internal control systems and financial transparency in the Saudi context, despite the limitations of the study.

General perception of the research structure

The structure of this study is set out clearly and logically to give a thorough understanding of the research topic and to effectively meet the objectives. The first chapter is an introduction which introduces the background of the study, emphasizes the research problem, states the research questions and hypotheses, and explains the significance and boundaries of the study. This chapter presents a general background of the internal control systems and the financial transparency in Saudi Arabian institutions.

The second chapter focuses on literature review and theoretical framework highlighting the relevant work in the area of Internal Control systems, Governance, Accountability and financial transparency. It also points out the research gap and gives the conceptual framework that is used in the study. The third chapter highlights the methodology of the study that covers the research approach, population, sample, data collection instrument, statistical methods and analysis.

The data analysis and results are presented in the fourth chapter where the data that is collected is analyzed with the appropriate statistical techniques to test the research hypotheses and interpret the relationships between the study variables.

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