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إمكانية انتقال الأساليب الحديثة للمراجعة في القطاع العام في الدول المتقدمة إلى الدول النامية: حالة السودان

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الكلية التقنية - المدينة المنورة

ملخص: يقوم السودان حالياً بتنفيذ سلسلة من البرامج الإصلاحية لإيقاف تدهور اقتصاده وإسعافه ومن ثم بناء الركائز الأساسية لنموه وإزدهاره. وبالرغم من بيع الحكومة لعدد من مشروعات القطاع العام للقطاع الخاص وإشراكه في بعضها، مازال الاقتصاد السوداني يعتمد كثيراً على مشروعات القطاع العام. ومن هنا نجد أن المراجعة وأنظمة الرقابة على الأداء في القطاع العام لها دور أساسي في إنجاح هذه البرامج الإصلاحية وتحقيق أهدافها. ومن المعلوم أن المراجعة التقليدية (المراجعة الحسابية ومراجعة الالتزام باللوائح والقوانين) أصبحت وحدها لا تفي بأغراض الرقابة على المال العام ولذلك أصبح الاهتمام في الدول المتقدمة وبعض الدول النامية بمراجعة الأداء بأنواعها الثلاثة الاقتصاد، الكفاءة، والفعالية بالإضافة إلى المراجعة التقليدية.

وفي السودان، لكي تقوم المراجعة بدورها الفاعل في المساعدة في تنفيذ هذه البرامج الإصلاحية وتحقيق أهدافها يجب أولاً أن تكون المراجعة التقليدية المطبقة حالياً فعالة، كما يجب على ديوان المراجع العام المسئول عن مراجعة وحدات القطاع العام السوداني أن يقوم بتطبيق مراجعة الأداء في كل وحدات القطاع العام والاهتمام بكل مايلزم لضمان فعاليتها باستيعاب العدد الكافي المؤهل والمدرّب في جميع التخصصات المعنية من محاسبين ومهندسين وفنيين وغيرهم.

ولقد اعتمد هذا البحث على دراسة وتقييم البيانات المقدمة من الجهات المسؤولة عن المراجعة في السودان، وعلى مقابلات شخصية مع مديري الإدارات المختلفة بديوان المراجع العام. وقد خلصت هذه الدراسة إلى أن السودان يعاني عدداً من المشاكل في البيئة التي تعمل فيها المراجعة والتي تقف عائقاً في سبيل التطبيق الكامل للأساليب الحديثة للمراجعة ونقل من فعاليتها. أهم هذه المشاكل هي: المشكلة الاقتصادية، عدم الاستقرار السياسي للبلاد منذ الاستقلال، الحرب في جنوب السودان، الموروثات الثقافية، التغيير المستمر في الوحدات الإدارية في الأقاليم، هذا بالإضافة إلى النقص الشديد في عدد المراجعين المؤهلين، ضعف أنظمة الضبط الداخلي، وعدم وجود أو نقص الحسابات الختامية والمستندات المؤيدة في وحدات القطاع العام. ثم يختتم هذا البحث باقتراح عدد من الحلول لمشاكل المراجعة في القطاع العام السوداني.

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experience required?

- 8- What sort of training that the external auditors have to have and in what training institution does the Chamber normally trains its staff?
- 9- What is the situation of external auditing in the Southern Sudan?
- 10- Are you satisfied with the effectiveness of external auditing carried out by the Auditor General's Chamber? If the answer is No, what is the future plan of the Chamber to increase its efficiency and effectiveness?
- 11- Is the number of external auditors in the Chamber large enough to carry out the external auditing duties effectively every year? If the answer is No, what is the required number?
- 12- have the public enterprises established audit committees? If the answer is Yes, could you please specify the relationship between the auditors of the Auditor General's Chamber and the audit committees?

administrative structure of the AGC and the establishing of the regional branches which took place at the time the Sudan adopted the Federal System in 1994. This revision should include new provisions to regulate the relationship between the headquarters of the AGC in Khartoum and the regional branches in different states. Consideration should also be given as to whether the Act should contain specific reference to the AGC carrying out a performance audit role.

Appendix (1) Interviews Managers of the Departments of the Auditor General's Chamber

- 1- Evaluation of internal control systems is part of your duties, what is your opinion regarding the performance and effectiveness of such systems in the public sector organisations?
- 2- Does the Auditor General's Chamber audit the accounts of all organisations subject to audit yearly? If the answer is No, what are the reasons, and on what grounds does the Chamber gives priority to auditing some organisations and not the others?
- 3- What is the relationship between the different administrations of external auditing in the states and the Auditor General's Chamber in Khartoum?
- 4- In your opinion and experience, what are the reasons that lead to fraud and corruption in the public sector organisations, and what are your suggestions to reduce such fraud and corruption?
- 5- What are the procedures to be followed when external auditors discover fraud, corruption or misuse of public resources?
- 6- What are the main problems that militate against the effectiveness of the Auditor General's Chamber?
- 7- What are the procedures of recruiting the staff of the Auditor General's Chamber and what are the necessary qualifications and

only to recruit graduates who have specialised in accounting might be considered.

3) Establishment of Audit Committees

The study found no evidence that audit committees played any part in the system of accountability in the Sudanese public sector. Although this study cautions as to the problematic nature of the direct importation of Western practices of accountability and control into the particular context and environment of the Sudan, nevertheless it may be that audit committees could play a useful role in overseeing liaison between the AGC as the external auditor and those responsible for internal control systems and internal audit.

4) Co-operation Between the AGC's Audit Staff and Internal Audit

The study documents an almost total absence of co-operation between external and internal audit. Although external audit cannot rely entirely on internal audit, there is scope for efficiency gains to be derived from improved co-ordination of activities between the AGC and internal audit teams in public sector organisations.

5) Development of Auditing Standards

A set of government auditing standards to guide the AGC's auditors in carrying out their audit duties effectively and provide a means of measuring the quality of auditors' work should be developed. One obvious possibility would be that the generally accepted auditing standards of the US General Accounting Office should be recognised as a frame of reference to improve the quality of the Sudanese governmental auditing. These standards are likely to need adaptation to the particular context of the Sudan.

6) Amendment of the 1986 AGC Act

The present 1986 AGC Act, which was amended in 1990, should be revised again to bring it into line with the changes in the

Recommendations

The study has highlighted a number of areas to which more immediate consideration might be given in the interests of reform and if improvement is to take place. These include the following:

1) *Audit Approach*

The AGC should review its overall objectives and activities with a particular focus on the question of whether its energies and resources should be devoted entirely to its present task of financial and regularity audit with a view to improving it, or whether, notwithstanding the weakness and inadequacy in financial and regularity audit, it should expand its audit scope to embrace aspects of effectiveness and performance auditing. As mentioned earlier, the introduction of a significant element of performance auditing is important if the public sector audit function is to play an enhanced role in assisting the government in its efforts to reform the deteriorating Sudanese economy and participating towards the achievement of the goals and objectives of the NESPs. However, it is necessary to consider whether the balance of economic advantage would lie in devoting limited resources to the existing form of audit activity rather than seeking to build a different role on insecure foundations.

2) *Recruitment and Training*

The study highlighted a shortage of trained auditors employed by the AGC. In part this is inevitable given the resource constraints under which the AGC operates and the more attractive opportunities available in the private sector and overseas.

At the university level there is scope both for increasing and updating the extent of curriculum content within accounting degrees devoted to public sector accounting and auditing. From a recruitment perspective, amendment of the 1986 AGC Act which allows the AGC

twenty years, the long running armed confrontation in the South, periodic famine must explain the greater part of the perceived failure of public sector audit in the Sudan. However, these underlying factors have been translated into a number of specific obstacles and problems which include: low salary levels of staff; low levels of training and expertise; low esteem and motivation of staff. They also include a very limited technological infrastructure and lack of co-operation and co-ordination between the various parties responsible for financial management and control within a highly diversified public sector.

Clearly the political and economic environment of the Sudan means that change and improvement to the system of public sector audit will be a lengthy and slow process.

The final question that we pose is whether it is realistic to expect any enhancement in the effectiveness of public sector audit in circumstances in which the expectation and actuality of a range of practices not in accord with traditional values associated with public accountability have become institutionalised at all levels of society. A number of writers, for example Khalid (1990), Woodward (1990) have drawn attention to the spread and increase of corruption under the Nimeiry regime. Kameir and Kursany (1990) refer to the situation in the following terms 'in addition to wages, rent, profits and interest, corruption could be considered as a fifth factor in determining the distribution of the national product and perhaps is the most important of them in the Sudanese context.' The more spectacular examples of fraud have related to senior officials and politicians but the low levels of salaries throughout the public sector mean that malpractice occurs at all levels and to a large extent has become endogenous and institutionalised. Whether in such circumstances one can expect public sector audit to perform the function and role that it carries out in more developed countries is an open question.

exacerbated by the fact that the internal audit function in the Sudanese public sector is underdeveloped and ineffective.

The lack of experienced and trained financial personnel in the public sector organisations together with the weaknesses both in internal financial rules and regulations and in their implementation results in the frequent improper recording and classification of different financial transactions. In turn this results in long delays in the finalisation of the accounts of these organisations. These internal failings necessitate the audit teams of the AGC carrying out more detailed and comprehensive audit testing than would otherwise be necessary and significantly hinders their effectiveness in their task.

3) Record Keeping and Documentation

An associated issue is the failure of record keeping procedures in the public sector organisations. Records and supporting documentation are often incomplete and in some instances non-existent making the audit trail a fractured one. In that in many instances the audit is taking place by reference to events up to seven years previously these record keeping failures make the task of obtaining adequate and appropriate audit evidence highly problematic. Failure to be able to produce adequate records may be a result of a number of factors: the upheavals caused by constant re-organisation; the difficulties of storage and safe-keeping; or deliberate destruction whether at the behest of personnel senior or junior or as a consequence of the activities of an outside agency. In the extreme circumstances of the southern states the absence of documentation is universally blamed on the civil war and inevitably results in camouflaging much malpractice and corruption.

Concluding Observations

Overall contextual factors, the very low base from which the economy is seeking to develop, the political instability over the last

contributes to the shortages of staff is the very high staff turnover as limiting the effectiveness of the work of the Chamber with one estimate suggesting that annual levels of staff turnover lay between 50 and 75%. Factors contributing to this high turnover include: low levels of remuneration; difficult working conditions especially for auditors in the Department of States; lack of public esteem and acceptance; and, perhaps most importantly, that staff with only a modicum of training and experience can seek out more lucrative employment in either the Sudanese private sector or in the oil producing states of the Gulf (Brierley, El-Nafabi, and Gwilliam, 2001). There is a long tradition of low pay in the Sudanese public sector (World Bank Report No. 649-50, 1987).

2) Internal Control Systems

The AGC reports consistently document the chronic weakness of internal control systems, both formal and informal in public sector organisations, and these findings were corroborated by the interview evidence. In contrast to the formalised system of regulations and check set out in the Financial and Accounting Procedures Statute (1995), the reality is that in many organisations conventional aspects of internal control, segregation of duties, separate responsibilities for authorisation, recording and custody etc. are simply absent. The reports of the Auditor General draw particular attention to the weakness of systems of internal control in the States. This is attributed in part to the dislocation caused by the 1994 redrawing of state and provincial boundaries referred to above and in part to the shortage of appropriate qualified staff in the public sector organisations in the States. (AGC Annual Audit Reports 1994/5 and 1995/6, See also 'An Interview with the Auditor General' in *Asharq-Al-Awast Newspaper*, issue No. 6399, Thursday 20 May 1996). Even when a formalised system is in place the prevailing culture, referred to above, makes the system vulnerable both to actual or tacit collusion by staff and to management override. This problem is

politicians or drawing attention to corruption or other malpractice can be construed as an affront to the existing political system and as an attempt to create unrest (Ng'ethe, 1995). This has resulted in the establishment of clear, albeit unofficial, boundaries within which the AGC has to work. Even in circumstances where knowledge of political corruption has entered the public domain it is rare to find reference to such malpractice in the reports issued by the AGC. For example, in 1994, the Governor of Halayib Province was, by overriding controls relating to the receipt of the relevant money from the Ministry of Finance, able to effectively divert to his own use for three months the salaries and wages of all the state employees. Notwithstanding newspaper publicity given to his actions they were not referred to in the relevant AGC report.

Although criticism of the activities of individuals and government departments is occasionally articulated through the press, and certain high profile instances of fraud have embarrassed various Sudanese governments, public accountability in the Sudan takes place in a vacuum as compared with the mechanisms in place in developed countries with more open democratic procedures. For example in the Sudan there is no equivalent to the UK system of Parliamentary Select Committees, nor is the media as free to investigate and report on the activities of government either central or regional.

(B) Specific Obstacles and Problems

1) Staff Shortage

As is the case in most public sector organisations in the Sudan, the AGC has suffered and continues to suffer from a shortage of trained and qualified staff. The shortage of staff is a constant refrain in the annual reports of the Auditor General and is attributed therein to the inability of the Ministry of Finance and Economic Planning to fund the recruitment of auditors requested by the Chamber (AGC, 1995/6). Another factor

beginning to develop sophisticated settlement and transfer facilities and is still widely distrusted by large sectors of the population. For example, in the fiscal year 1992/3 cash (notes and coins) comprised 87% of total public revenue as compared with only 13% which received by cheques or by direct deduction from salaries (Al-moltagah Magazine, 1994).

5) Culture and Power

In the Sudan, the welfare of the clan (extended family) is perhaps the single most important factor governing the actions of individuals. In the Sudanese culture, neglect of one's family calls for a high level of public condemnation and opprobrium. In contrast considerations of public accountability and of matters relating to wider aspects of society and cultural and economic development are perceived as much less important (Al-Terahfi 1986). The necessity of providing for their extended families has been an important influence in terms of the manner in which public sector employees and officials have approached their duties and, taken together with the very low rates of remuneration for their work, has contributed significantly to the institutionalisation of fraud and corruption in the public sector.

Associated with, and to an extent born out of, the extended family system is the culture of strong, male, leadership and the tradition of powerful individual leaders, whether military or political, who do not consider themselves answerable and accountable for their actions through the mechanisms conventionally found in many Third-World countries (Woodworth and Said 1996; Hale 1997). In the wider African context, Sandbrook and Barker (1985) used the term 'Sultanism' to refer to personal control through 'administrative and coercive machinery which lacks constitutional, charismatic, revolutionary or traditional legitimacy'. Criticism is an anathema to such individuals and the issuance of any opinion or report criticising the performance of

abundance of water and arable land, and has been identified as a potential food basket by several international organisations (Bechtold, 1990), the Sudanese economy has never been prosperous and has exhibited little if any growth over the last two decades. GNP per head is an unreliable indicator in an underdeveloped country such as the Sudan but figures produced by the Ministry of Finance and Economic Planning suggest that real per capita income declined from \$470 in the fiscal year 1990/1 to \$360 in 1996/7 (MFEP, 1996/7). Other indicators, the increasing government deficit both internally and in terms of outside borrowing, the rapid decline in the value of the currency, acute shortages of foreign exchange all point to serious economic weakness and have marked the Sudanese economy out as one characterised by low wages, low levels of capital accumulation and with an economic infrastructure far removed from that found in more developed countries.

One of the most striking infrastructure weaknesses lies in the field of transportation. The inadequacy of the road, rail and air links in a country almost the size of continental Europe significantly limits the scope for internal commerce and trade. Other forms of communication are equally undeveloped both the postal services and the telephone system being limited and unreliable. More modern forms of telecommunication fax, electronic mail etc. have as yet made little if any impact and indeed business technology as it is known in the more advanced economies today is in its infancy in the Sudan. With some exceptions, for example Sudan Airways and the Sudan Shipping Line, in most public sector organisations modern information technology and processing facilities are virtually non-existent.

One consequence of the lack of development of the economy lies in the overwhelming reliance on cash (and in some instance barter) as a means of effecting transactions. The banking system is only now

halted by the Addis Ababa agreement of 1972 which gave much enhanced regional self-government to the South. Under the terms of this agreement an uneasy peace prevailed for eleven years until armed warfare returned in 1983. This resumption of hostilities was in part a response by the dominant Southern ethnic group, the Dinka, to the sub-division of the South into three regions, a move that was seen as significantly weakening the regional autonomy pledged under the 1972 agreement (Deng, 1990). Since 1983 the war has continued to this day (Deng, 1995).

Throughout the Southern war the basic military pattern has been that the government forces have remained in control of the major townships whereas the hinterland, much of which is heavily forested, has been controlled by the rebel forces. Neither attempts by the government forces to extend their sphere of influence beyond the townships nor by the rebels to capture these townships have been overly successful but the continuing efforts to achieve these objectives have been devastating in both economic and human terms. Military expenditure has consistently been the largest single item in the national budget and has been a major contributor to the destabilisation of that budget. For example, in the fiscal year 1996/7 the military expenditure comprised 40% of the planned budget (MFEP, 1996/7). The restrictions on transportation and trade have taken a heavy toll on levels of activity and commerce in the Southern region. The human suffering has been immense, apart from direct casualties in terms of those killed and wounded it is estimated that over four million people have emigrated from the South to the North to escape the consequences of this lengthy struggle (Burr and Collins, 1995).

4) *Economic Base*

Although the Sudan is considered as one of the few Third World nations with considerable economic potential, especially considering its

the terms of the Addis Ababa Agreement the three southern provinces were grouped into one administrative region. In 1980, Khartoum province received special status as the National Capital. In the early 1980s, some southern politicians started to campaign for the subdivision of the Southern Region into three regions to avoid the domination of the regional government by one ethnic group. This campaign resulted in the June 1983 Presidential Decree by which the South was divided into three regions corresponding to the old southern provinces. In January 1991 the Sudan adopted a federal system of administration based on nine autonomous states these nine states in turn being divided into 66 provinces. This structure lasted little more than three years before in February 1994 a presidential decree was issued announcing the new state structure for the Sudan and in accordance with which the country is now divided into 26 states and 143 provinces.

The extent to which these changes have impacted upon public sector management in the Sudan is difficult to determine. Undoubtedly at local level many institutions have continued relatively unaffected by the redrawing of boundaries and the creation of new structures and mechanisms of accountability and government. However, it is a reasonable assumption that the almost continual flux in terms of the organisation of both central and regional government has been a significant factor contributing to the weakness of both public sector management and audit in the Sudan and this assumption was borne out strongly by the interview evidence.

3) Civil War in Southern Sudan

By far the most important single factor in recent Sudanese political history has been the civil war in the South. The first cycle of hostilities broke out in August 1955 some months before the declaration of Independence in January 1956 and continued for seventeen years until

Abboud. In October 1964 student unrest sparked off a more general reaction against this regime and led to the October Revolution which restored a civilian regime. This lasted until May 1969 when another military regime take-over occurred in a coup led by Major-General (later Field Marshal) Jaffar Nimeiry. Nimeiry, who was elected president in 1971, continued in power until April 1985 until widespread disaffection within both civilian and military ranks led to the Revolution of the 6th of April 1985 and the establishment of a transitional military regime. Nimeiry regime survived no less than twenty-four plots and coup attempts in its sixteen years of power (Bechtold, 1990). A general election was held in April 1986 and a coalition civilian government formed which survived until June 1989 when it was overthrown by the present military regime (Middle East Journal, 1990).

The common features shared by these seven regimes (three civilian and four military) have been the frequent change of government personnel and in particular a high turnover of government ministers. For example, the Ministry of Finance and Economic Planning, which plays a major role in the management of the economy, has been led by 32 ministers since independence. The last multiparty democracy government, which came to office in 1986, saw four major ministerial reshuffles in a period of only three years, with some ministerial offices changing hands three times or more. The difficulties posed by lack of continuity in personnel have been exacerbated by the lack of clear definitions of the role and responsibilities of individual ministries, ambiguity and uncertainty as to manifestos and policies, and the difficulties of implementing agreed policies and procedures.

2) *Geo-political Reorganisation*

From independence in 1956 until 1972, the Sudan was divided into nine provinces for administrative purposes. In 1972 in accordance with

observed by all the audit staff of the AGC in conducting and certifying the accounts of all government departments and other public sector bodies under the responsibility of the Auditor General.

The Factors which Underlie the Failure of Public Sector Audit

It is our contention that the primary factors which underlie the failure of public sector audit in the Sudan are cultural, environmental and political. These factors, which are described in more detail below, include: the continuing political instability and reorganisation; the very low base from which the economy is seeking to develop; and the continual drain of resources consequent to the ongoing civil war in the Southern Sudan. These overarching environmental factors have been translated into a number of specific obstacles and problems which confront the AGC in the day-to-day conduct of its work. These factors include low salary levels, shortage of qualified and trained staff, improper recording and classification of different financial transactions, and lack of documentation leading to a fractured or non-existent audit trail.

At the interface between the two, and perhaps critical to the prospect of public sector audit ever playing an effective role in the Sudan, has been the development of forms of economic order which have built expectations in terms of institutionalised fraud and corruption which in themselves render the task of public sector audit an all but impossible one.

(A) Environmental Factors

1) Political Instability

Since independence in 1956, the Sudan has been subjected to seven successive periods of civil/military regimes. From independence in January 1956 until November 1958, the Sudan was ruled by a civilian parliamentary government. From 1958 until the end of 1964, the country remained under a military regime headed by General Ibrahim

to recruit staff with such qualifications, the Chamber's present concerns are with retaining its present complement of experienced and trained auditors thereby enabling it to carry out financial and regularity audits rather than with adding to the scope of audit.

Another shortfall of the AGC Act of 1986 is that its most recent amendment was in 1990 before the dramatic change, discussed above, in the administrative system of the AGC which took place in 1994. New provisions are required to constitute and regulate the relationship between the headquarters in Khartoum and the different regional branches. The Act is currently silent on issues as to the types and contents of reports produced by the regional branches, the dates of producing these reports, the authorities to which such reports have to be submitted, the authority for transferring auditors between the different branches, etc.

Generally Accepted Auditing Standards

The existence of generally accepted auditing standards is very important to govern auditing practice in any country. Many supreme audit institutions developed their own set of government auditing standards to guide the governmental auditing organisation, and to be observed by their audit staff. For example, the generally accepted government auditing standards issued by the GAO in the US, and the audit standards issued by the National Audit Office (NAO) in the UK. The adoption of a suitable set of government auditing standards to guide auditors while carrying out their audit duties is important as such standards provide a frame of reference both to underlie the audit work and to act as a yardstick against which to measure the auditors' quality of work and compliance with auditing objectives, principles and concepts.

In the Sudan however no attempt has been made by the AGC to draw up a set of governmental auditing standards to be a guide for, and

- a) Economy audit is concerned with the inputs side (resources) of operations. It refers to ensuring that the assets of the organisation and the services purchased by management are of specified quality and quantity and at the lowest possible cost.
- b) Efficiency audit is concerned with the relationship between the output of goods, services or other results and the resources used to produce them. Its purpose is to ensure that, providing a specified volume and quality of services with the lowest level of resources (input), a maximum useful output is gained.
- c) Effectiveness audit is concerned with the relationship between the intended results and the actual results of projects, programmes, or other activities (GAO 1994b; Jackson 1995).

In contrast, the AGC appears to be performing only the first level (financial audits) with the other level (performance audit) being largely neglected. Thus, the present auditing of governmental transactions in the Sudan does not ensure full accountability and is of less assistance than it might be in aiding officials and employees in performing their responsibilities.

The employees of the AGC are aware of the importance of performance audit and the benefits that derive therefrom. However, it is clear that the AGC is at present suffering from acute shortages of auditors to carry out even the financial and regularity audits, let alone performance auditing. Another potential problem is that the AGC Act of 1986, Article 28, limits the recruitment of auditors to university graduates with degrees in accounting only. No provision is introduced in the Act for recruiting consultants or specialists in areas other than accounting, for example computer scientists, engineers or medical and agricultural specialists, without whom effective performance audit would be difficult to carry out. There is no current intention or any plan

organisations are in accordance with legal limitations. The AGC Act neglects the concept of accountability in terms of the efficient and economic use of the limited public resources, or requiring consideration of alternative means to achieve predetermined objectives and targets with minimum costs.

In its publication of generally accepted government auditing standards (GAGAS) which revised in 1994, the US GAO has devoted significant attention to comprehensive auditing that may help ensuring full accountability and assist government officials and employees in carrying out their responsibilities effectively. Two types of government audits have been emphasised, financial audits and performance audits.

A- Financial audits which include financial statements audits and financial related audits.

- a) Financial statements audits determine (1) whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows or changes in financial position in accordance with generally accepted accounting principles, and (2) whether the entity has complied with laws and regulations for those transactions and events that may have a material effect upon the financial statements.
- b) Financial related audits include determining (1) whether financial reports and related items, such as elements, accounts, or funds are fairly presented, (2) whether financial information is presented in accordance with established or stated criteria, and (3) whether the entity has adhered to specific financial compliance requirements (GAO, 1994b).

B- Performance Audit which include economy, efficiency and effectiveness audits (3Es).

assemblies in their states and the Department of States at the AGC in April 1997. The national annual audit report which is required to be submitted by the 31st of March is usually submitted to the National Assembly no earlier than May and is frequently submitted at the end of June. Delays in the preparation and submission of the regional annual audit reports impact negatively on the preparation and submission of the national annual audit report since the preparation of the latter depends on the submission of the regional reports.

Evaluation of Public Sector Auditing in the Sudan

This section is intended to evaluate the role of public sector auditing in the Sudan in respect to the following: exercising control over public funds; assisting the government in ensuring the efficient use of the limited public resources; helping the decision makers in future planning; providing valuable suggestions for improvements; and strengthening the accountability mechanism in the Sudanese public sector.

Types of Audits and Legislative Limitations

The types of audits undertaken by the AGC in the Sudan are financial and regularity audits. The role of the AGC in carrying out the financial and regularity audits is based on Article 7, paragraph 2 (c), of the AGC Act of 1986. This Article states that, the AGC is responsible for carrying out audit function to determine whether transactions are properly conducted in accordance with the budgets constraints and are in accordance with the financial rules and regulations. There is no mention in the AGC Act of 1986, however, of an evaluation of economy, efficiency, or programme and activity results.

It is clear that the AGC Act of 1986 restricted the AGC's role to serve only the goal of ensuring financial accountability. In this regard, the financial accountability concept is to ensure the safekeeping of public funds and to ensure that amounts paid out by the government

states, constrained of course by the fact that these accounts had not been formally closed off. The practice was that these teams audited only the accounts of the capital cities, the accounts of the other organisations in other areas of the states were never reached by these teams because of the civil war.

Auditing Public Enterprises

In the public enterprise sector there is a clear distinction between the audit of 100% state-owned public enterprises and that of mixed companies and joint ventures. For the 100% state-owned enterprises the picture is similar to that of the audit of central government organisations with significant delays in the closure of accounts and in the audit of these accounts (AGC 1995/6). This may be contrasted with the situation in mixed companies and joint ventures. Interview evidence suggested the reasons which underlie the marked differences in reporting and audit timeliness are: higher rates of pay in mixed companies and joint ventures which enable them to attract qualified and competent accountants, and the pressure extended by other stakeholders which acts to energise the management of these entities to close their accounts and produce the final accounts and financial statements at the end of every fiscal year.

Furthermore, the Department of Public Enterprises gives priority to the audit of mixed companies and joint ventures. That is because of the desire of the government to encourage foreign capital, and this necessitates both the provision of up-to-date financial information and reassuring investors as to the security and integrity of their interest.

The National Annual Audit Report

Not only are the delays in the audit of the underlying organisations such as to greatly weaken the effectiveness of the audit process but the AGC has experienced continuing problems in generating its own reports in a timely fashion. For example, most of the regional annual audit reports of the fiscal year 1995/96 were submitted to the regional

Auditing the Public Sector Organisations in the States

Although each regional branch of the AGC is responsible for auditing, on a yearly basis, all the public sector organisations in its state, the reality is that many organisations have not been audited for more than 7 years, in some cases up to 10 years. Normally audit priority is given to public enterprises; followed by central government organisations, and regional government organisations are accorded the lowest priority. The backlog in auditing the accounts of most regional government organisations is highlighted in the AGC's annual audit reports (AGC 1995/6).

Similar to the situation in central government organisations, the acute shortage of qualified and trained accounting staff and the existence of fraud, corruption and irregularities in the accounts of most regional government organisations has led to a considerable delay in closing the accounts of these organisations. In addition, the acute shortage of auditing staff of almost all regional branches of the AGC makes it impossible to cover all the organisations every year.

In these circumstances the audit of many regional organisations amounts to little more than a general review of revenues and expenditures which in turn leaves large areas of detail effectively unaudited.

In the southern states, where civil war has, with intermittent remission, flourished since 1955, the breakdown of accounting, auditing and control is at its most extreme. There are no regional branches of the AGC in any of the southern states, and in these states not a single regional government organisation has closed its accounts since the establishment of the Southern Region in 1972 (AGC 1995/6).

The AGC used to send every year audit teams to examine and audit the accounts of the organisations within capitals of the southern

backlog, which results in delays of up to seven years in the audit of many such organisations, is clearly documented in the AGC's annual audit reports (AGC 1995/6).

Two factors in particular underlie these chronic delays. First, the majority of public sector organisations do not prepare their final accounts and submit them to the AGC by the prescribed date (AGC 1995/6). According to Article 11 of the AGC Act of 1986, all public sector organisations should close their accounts and forward the final accounts and financial statements to the AGC within six months of the end of the fiscal year, and the AGC should not audit any organisation which has not closed and forwarded its final accounts to the Chamber by the due date (AGC Act 1986, article 11). However, the AGC has not seen fit to exercise its power under Article 44(b) of the AGC Act of 1986, which clearly states that the manager of any public sector organisation which does not close its accounts and forward them to the AGC during the period of time specified in Article 11 of this Act will be considered an offender (AGC Act 1986, article 44), and consequently late return of accounts is endemic. Many public sector organisations suffer an acute shortage of accounting staff, and in these circumstances implementation of Article 44(b) would be a futile gesture, however, even those organisations which have been in a position to close their accounts in a timely fashion have shown little urgency in this respect.

Second, the existence of fraud, corruption and irregularities in the accounts of many public sector organisations makes auditing both problematic and time consuming. The nature of these problems are considered in more detail in the following section. In short, the inability of the auditee either to produce accounts in accordance with the financial and accounting rules and regulations together with their inability to control impropriety and peculation makes auditing a time consuming and less effective process (AGC 1995/6).

public revenues and entitlements which have been collected (AGC Act 1986, article 7).

In respect of expenditures, the AGC has to examine, review and inspect the payment vouchers, records and books to ascertain and ensure that: a) the financial dispositions and accounting entries regarding the disbursements have been carried out in a proper and regular manner, and in accordance with applicable financial and accounting rules and regulations; b) the amount expended against each item of the budget corresponds with amounts entered in the documents, and that the supporting vouchers are available; c) the allocations made for each chapter or item of the budget did not exceed, without prior permission, those authorised; d) the amounts expended for development projects have been expended in the manner prescribed in the budget, and; e) the disbursement authorisations were properly issued by the appropriate authorities (AGC Act 1986, article 10).

As can be seen these responsibilities are couched in terms of regularity and compliance audit. No specific requirements are placed on the AGC with respect to value-for-money audit or direct consideration of issues of economy and effectiveness other than the requirement to report on the effectiveness of internal control systems referred to below.

The Actuality of Practice

The AGS's annual reports highlighted a distinction between the theoretical system of public sector audit in the Sudan (and public sector financial management more generally) and the actuality of practice. In this section we identify examples and evidence of this dichotomy from across the work of these three separate departments identified above.

Auditing Central Government Organisations

The most striking feature of the actuality of audit in almost all of the public sector is the lack of timeliness in the exercise of audit. This

enterprises located in Khartoum State. Those enterprises located outside Khartoum State are the responsibility of the Department of States.

A distinguishing feature of the audit of public enterprises is that the AGC receives fees for the audit of public enterprises but not from central and regional government organisations. These fees are a significant source of the income of the AGC. For example, in the fiscal year 1996/97 the audit fees received by the AGC contributed to 25% of its budget, the remaining 75% being entirely financed by Central Government (Ministry of Finance and Economic Planning, MFEP, 1996/7a).

The AGC Act of 1986 authorises the Chamber to hire private auditors as and when necessary (AGC Act 1986, article 10). This authority is only made use of in respect to the audit of public enterprises and then sparingly. However, the audit of certain government-owned banks and of some mixed companies, for example the Gum Arabic Company are conducted by private auditors on behalf of the AGC.

Functions and Responsibilities

The primary responsibilities of the AGC as set out in the 1986 Act relate to the proper exercise of control over public funds. In regard to the exercise of control over public revenues, the AGC has to examine, review and inspect the relevant documents, books and records of public collections and entitlements to ensure that the financial dispositions and accounting entries of such collections have been carried out in a proper and regular manner, and in accordance with the financial and accounting rules and regulations. In addition, the AGC should ascertain that vouchers or other documents reporting receipts of public revenues and entitlements have been carefully reviewed and checked by the appropriate official staff, and they are valid and accurately posted. Furthermore, the Chamber must ascertain that the financial statements submitted by various public sector organisations report the amount of

the Chamber. The other three departments are concerned with auditing the different public sector organisations throughout the Sudan.

The Department of Central Government at the AGC is responsible for auditing only the accounts of central government organisations and their related departments in the Khartoum area. Auditing central government organisations located in the states is the responsibility of the Department of States. The central government comprises 92 main units (27 central ministries and 65 semi-autonomous national agencies).

The Department of States at the AGC administers and supervises 15 regional branches of the Chamber in 15 states. These branches were established in 1994 immediately after the division of the Sudan into 26 states in February 1994. In addition, it is also responsible for conducting audit in local government organisations in Khartoum State. Each regional branch is responsible for conducting audit in the local government organisations of its state, in addition to the central government organisations and public enterprises located in the state. Each regional branch has its own staff which is divided into teams to audit the different public sector organisations in the state. Each branch is fully independent of any authority in the state, i.e., it is under the direct supervision of, and answerable only to the AGC in Khartoum. However, because of the civil war in Southern Sudan, there is no branch of the Chamber in any of the 10 southern states.

The AGC is responsible for auditing the accounts of public enterprises either wholly owned by the state, or those in which the government holds 20% or more of their shares. The public enterprise sector in the Sudan consists of state-owned companies and public corporations 100% owned by the state, and mixed ownership companies and joint ventures. The usual practice is that the Department of Public Enterprises concentrates only on auditing the accounts of those

Status and Independence of the Auditor General's Chamber

The independence of a supreme audit institution is normally seen as a necessary element of effective state auditing (Tantuico, 1980). This principle is clearly recognised in the Sudan where the AGC is independent of the executive. This independence is guaranteed by the constitution. This constitutional guarantee is operationalised by the legislation in several ways for example, the 1986 Act states that the appointment and dismissal of the Auditor General and his deputies require the agreement of the majority of the members of the National Assembly (AGC Act 1986, article 18). The AGC is guaranteed complete access to any records, information, accounts or documents that it deems necessary to perform its duties (AGC Act 1986, article 8). All the auditors of the AGC have a constitutional immunity not to be removed from office, put in jail, or questioned in any way regarding their duties, except with permission from the Attorney General and the agreement of the Auditor General (AGC Act 1986, article 36). The AGC has the right and full authority to decide independently all matters related to its activities, management and planning without any interference from any government authority (AGC Act 1986, article 8).

Organisation of the Auditor General's Chamber

The Auditor General's Chamber is headquartered in Khartoum. At the top of the organisational structure are the Auditor General and two deputies. The Chamber is organised into four main departments: Department of Finance and Administrative Affairs; Department of Central Government; Department of States; and the Department of Public Enterprises.

The Department of Finance and Administrative Affairs is further divided into six specialised sections. These sections are concerned with the day-to-day financial and administrative activities carried out within

the Financial Secretary (a British official equivalent to a Minister of Finance) who was responsible to the Governor General (the supreme authority of the Condominium Rule of the Sudan). The position of the AGC as a semi-autonomous body headed by the Auditor General, and under the supervision of the Council of the Governor General of the Sudan, was formalised by legislation in 1933 (AGC 1991). The situation remained so until the independence of the country in 1956.

The primary responsibility of the AGC before independence was to verify and examine the accounts of central government organisations and local authorities, these local authorities mainly consisting of native administrations through the agency of the tribal *Nuzzar*, *Umad* and *Mashaykh* who were responsible for collecting different local taxes.

After the achievement of full independence in 1956, a transitional constitution was promulgated including a provision for the AGC to operate as an autonomous body answerable only to the Council of the Supreme Head of State and the Parliament.

Following the military *coup d'état* of 1969, comprehensive and detailed legislation was enacted in 1970 specifying that the AGC was to be made answerable only to the Revolutionary Command Council. After the change of the military regime in 1985, a new transitional constitution was enacted in which the AGC was placed under the supervision of the Transitional Military Council. In 1986, a separate AGC Act was passed with the objective of putting the operation of the AGC on a footing with the developments in the various sectors of the economy; and further, to put into practice the authority and responsibilities of the AGC embodied in the constitution. The 1986 AGC Act forms the basis of the operation of the AGC today although some amendments were made to the Act in 1990 following the change of government in 1989 (AGC, 1991).

reform the Sudanese economy and safeguard and protect the limited public funds against fraud, corruption and misuse.

Limitations of the Study

This study will devoted to only examining the effectiveness of public sector audit in the Sudan and its role in assisting the government to reform the deteriorated Sudanese economy. Others governmental financial management systems such as budgeting and budgetary control systems, internal controls, governmental accounting and financial information systems, internal auditing will not be examined by this study. Each of these topics is indeed needs a separate study. They might be appropriate areas for future research.

Methodology

In addition to study of the underlying documentation, the paper is informed by a contribution of interviews with senior personnel working in public sector audit and in the organisations subject to audit. Details of the interviews with managers of the departments of the Sudanese Auditor General Chamber (AGC) are provided in Appendix 1.

Establishment and Evolution of the Auditor General's Chamber

In September 1898, the Anglo-Egyptian army led by Lord Kitchener defeated the Mahdist forces at the battle of Omdurman (Abd Al-Rahim 1969). This paved the way for the Anglo-Egyptian Agreement of 1899 known as the Condominium Agreement which laid the foundations of a new political regime in the Sudan. This system was nominally Anglo-Egyptian but effectively the Sudan came under British colonial administration which continued for fifty-seven years until the independence of the Sudan in 1956 (Moorehead 1967, Woodward 1990).

Under the colonial regime the Auditor General's Chamber (AGC) was first established in 1920 as an office under the direct supervision of

finance the deficit of general budgets, huge external debts, and a continuous decrease in the value of the Sudanese Pound. For example, by the end of 1997 the annual inflation rate was 130 per cent (Sudan Embassy, London 1997). Other environmental factors also contributed economic deterioration, for example, desertification and the long drought of 1982-85 which resulted in famine in some parts of the country.

Against this background it is contended that the wholesale introduction of Western style approaches to financial management and public sector audit may be less successful than an attempt to develop more cautiously constrained by the almost overwhelming environmental pressures.

The environmental background of political change and reorganisation, civil war and occasional devastating famine is seen as an important influence on the nature and role of public sector financial management and audit in the Sudan. Other factors which inevitably differentiate the nature of public sector control in the Sudan and also the nature of any associated research study are technological. At this stage of its development the Sudan has a limited communications infrastructure, the banking system is only now beginning to develop sophisticated settlement and transfer facilities, and with some exceptions, for example Sudan Airways and Sudan Shipping Line, in most public sector organisations modern information technology and processing facilities are virtually non-existent. Thus, this study seeks to investigate the impact of these environmental factors on the effectiveness of the systems of financial management and audit in the public sector in the Sudan.

Purpose of the Study

This study has intended to investigate the role that the public sector audit can play in assisting the government in its endeavours to

Standards of Auditing (ISAs) as the national standards, or use the ISAs in developing the national standards (IFAC, 2000).

The Nature of the Problem

Underlying this research study is that the culture, political history, administrative, commercial and political environment of the Sudan are the factors which are primarily responsible for the lack of effectiveness of the financial management and public sector audit systems in the Sudan.

Since independence in 1956, the Sudan has been subjected to seven successive periods of civil/military regimes. The common features shared by these seven regimes are the frequent change of governments, continuous reshuffle in the cabinet and high turnover of ministers. These frequent structural changes and cabinet reshuffles have led to a marked lack of continuity in the mechanism of government, a problem exacerbated by the lack of clear descriptions of ministerial posts, and of agreed policies or manifestos to be followed by the appointed ministers. This political instability had implications with regard to the powers and independence of the Auditor General's Chamber (AGC). It was not until 1986 that a separate Act detailing the powers and duties of the AGC was passed.

One of the most important factors in recent Sudanese political history is the civil war which broke out in 1955, and except for the 10 years of peace after the Addis Ababa Agreement of 1972, has continued ever since.

Despite the huge economic potential that the country possesses, the Sudanese economy has been showing a continuous deterioration for more than two decades. The deterioration of the Sudanese economy has been reflected in a declining real per capita income, a sharp increase in the inflation rate, on-going borrowing from financial institutions to

resources (Jones and Pendlebury, 2000). The lack of a well-developed accounting function is likely to lead to misallocation of existing resources. The absence of an adequate auditing system may result in a deficient use of allocated resources, corruption and mismanagement, all of which make attempts toward economic development and reform less effective. The question arises as to whether the public sector audit organisation, as information verifier, management tool and monitoring mechanism is, or is not, effective enough to play a significant role in reforming the Sudanese economy, ensuring improved use of the country's limited resources, and safeguarding and protecting the public funds against fraud, corruption and misuse.

It is generally recognised that most developing countries have ineffective governmental financial management systems. The serious deficiency in financial management in the Third World is generally recognised as a major obstacle to the effective use of available resources in improving the standard of living in those countries. Little attention has been given to sound accounting and auditing practices, budgeting and budgetary control systems, and comprehensive training programmes for auditing staff and financial managers (General Accounting Office US, GAO 1979a; Johnson 1992; Balkaran 1993). The deficiencies in the accounting systems in Africa include inadequate, unreliable, and untimely information systems; ineffective systems of internal controls and internal checks; a dearth of qualified accountants and dedicated management personnel; poor and inefficient management; and professional incompetence (Ghartey, 1987; Giorgis, 1998; Wyk, *et al.* 1998). Thus, financial statements and reports that are expected to be the main indicators of economic and financial conditions of entities fail to disclose material information. This provides inadequate safeguards against fraud, corruption, and other malpractices. By the year 2000, 57 countries around the world have either adopted the International

by very high levels of inflation and persistent recourse to borrowing, both internal and external, to finance government expenditure. Underlying, and to an extent causing, the weakness of the economy has been political change and instability and a long-standing and hugely damaging internal war. In recent years the government has sought to arrest the decline and revitalise the economy through a series of National Economic Salvation Programmes commencing in 1990. Cornerstones of these plans have been a desire to reallocate resources towards production, particularly in the agricultural sector, and also to strengthen the role of the private sector. This latter aim would be achieved in part by reduction of the direct involvement of the government in the economy and the sale or transfer to mixed ownership companies of many public enterprises.

To date these programmes have been only partially successful in achieving their objectives either at the programme level, only a small number of public corporations are now mixed ownership companies, or overall. Deficit financing is still endemic both in central and local government and inflation is apparently institutionalised into the economic framework.

Notwithstanding the attempts to increase private sector activity, the Sudanese economy is still very much dominated by the public sector. In this context government financial management (budgetary processes, internal controls, accounting systems, financial reports, and audits) is likely to play an important role in facilitating the attainment of the objectives of the various NESPs and in ensuring that the country's limited resources are used appropriately.

The efficient and feasible allocation of resources requires systematic provision of accounting and financial data, as well as an effective auditing system to ensure the appropriate use of the allocated

The Possibility of Transition to Public Sector Modern Auditing Techniques and Procedures Found in More Developing Countries, in Developing Countries, The Case of Sudan

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Abstract: Sudan is currently undertaking a series of National Economic Salvation Programmes (NESPs) designed to arrest the decline in the Sudanese economy and to provide the basis of future economic growth and stability. Given the overwhelming importance of the public sector to the Sudanese economy, it is clear that public sector audit has an important role to play if these programmes are to be successful. Without appropriate and effective system of public sector audit and controls underlying their operation, it is unlikely that the new policies and institutional reforms envisaged within these programmes will be successful in achieving their proposed goals and objectives. The *raison d'être* of this study is then the investigation of the role of public sector audit in the Sudan with a particular focus on the potential for change offered by the adoption of practices found in more developed countries. The underlying study is that essentially it is the culture, administrative, commercial and political environment of the Sudan which are the factors primarily responsible for the lack of effectiveness of the system of public sector audit in the Sudan.

The study suggests that caution should be exercised in advocating rapid transition to procedures and techniques of public sector audit and controls found in more developed countries. The study concludes by identifying a number of areas in which change and reform might be considered if public sector audit is indeed to facilitate and contribute to the regeneration of the Sudanese economy.

Introduction:

Sudan is a developing country which over the last two decades has experienced continuous economic difficulty. This has been evidenced