The Enactment of Auditability:
Developing Value for Money (VFM) Audit Practice
in the State of Victoria

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A thesis submitted for the degree of Doctor of Philosophy of the Australian National University

2013
Statement of the Candidate

I certify that all the ideas, case study work, analyses, results and conclusions contained in this thesis are entirely of my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award.

Signature of Candidate:
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Abstract

Recent literature has highlighted the importance of examining the practices of auditing. However, most of the focus of previous literature has been on front stage elements, such as the audit reports and annual reports. Relatively little attention has been paid to backstage elements, such as the audit methodologies and strategic planning processes that underpin the performance of auditability. Power (1996, 1997, 2003b), Khalifa et al. (2007) and Robson et al. (2007) argue that it is necessary to understand both the audit context and the audit methodologies that underpin audit practice in order to understand how auditability is constructed. This thesis examines how regimes of auditability associated with the value for money (VFM) audit are created and enacted and focuses on the key elements of the VFM audit process namely: audit methodologies, strategic planning process and audit environment with three research questions.

The three research questions addressed in this study are: how are VFM audit methodologies developed; how does the role of VFM audit methodology, as reflected by VFM audit process, change over time; how is VFM audit enacted through the strategic planning process. These research questions are explored in the context of the Victorian Auditor-General’s Office (VAGO) between 1982 and 2007. The construction of auditability is theorised by applying the concepts of framing and overflowing (Goffman 1959, 1974; Callon 1998, 1999). This study is informed by qualitative research methodology—particularly research methods attributable to critical and interpretive approaches.

This study recognises three different roles that VFM audit methodologies can play (accounting device, change enabler and inscription) and that influence audit practice differentially. This study concludes that the role of VFM audit methodologies in creating auditability can change over time. It finds that the VAGO developed VFM audit methodologies to produce four categories of focus frames as VFM audit reports: auditing frames, management consultancy frames, legal frames and research frames. This study concludes that the strategic planning devices became a powerful representation material in
creating an interactional link between VFM audit methodologies and the audit environment. Those strategic plans were embedded with power in order to influence and activate the VFM audit practice in harmonising the relationship between the VAGO and other actors/stakeholders in the VFM audit.

The findings suggest that the VAGO developed the audit environment by implementing corporate and annual plans from 1986, and that developing VFM audit methodologies and creating an audit environment receptive to those methodologies by the VAGO established its jurisdictional rights in this area. This is reflected in the fact that the VAGO is considered an expert on VFM audit in Victoria by the Public Accounts and Estimates Committee (PAEC) of the Victorian Parliament. This study extends the argument that auditing methodologies are not passive scripts—they work as inscriptions in processing data and information to produce VFM audit reports, and provide legitimacy for public sector organisational operations.

This study argues that the construction of auditability for the VFM audit is unique and it involves the development of audit methodologies and enacting them through the process of strategic planning by an Auditor-General’s Office.
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<td>AG</td>
<td>Auditor-General</td>
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<td>AmP</td>
<td>audit method performance</td>
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<td>ANAO</td>
<td>Australian National Audit Office</td>
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<td>CAQDAS</td>
<td>Computer Assisted Qualitative Data Analysis Software</td>
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<td>GAO</td>
<td>General Accounting Office</td>
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<td>IPSAM</td>
<td>Integrated Public Sector Audit Methodology</td>
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<td>MAP</td>
<td>Manual for Auditing Performance</td>
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<td>NPM</td>
<td>New Public Management</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>PAEC</td>
<td>Public Accounts and Estimates Committee</td>
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<td>QAO</td>
<td>Queensland Audit Office</td>
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<td>RBA</td>
<td>risk-based audit</td>
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<tr>
<td>SWOT</td>
<td>strengths, weaknesses, opportunities and threats</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>VAGO</td>
<td>Victorian Auditor-General’s Office</td>
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<td>VFM</td>
<td>value for money</td>
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<td>VPAM</td>
<td>Victorian Performance Audit Methodology</td>
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Chapter 1: Introduction

1.1 Overview

Recent literature has highlighted the importance of examining practices of accounting—particularly the practices of auditing encoded in the environment and methodologies of audit (Power 2003; Gendron et al. 2007; Robson et al. 2007; Skaerbaek 2009). However, most of the focus of audit literature has been on the front stage elements, such as the audit reports and annual reports. Relatively little attention has been paid to the backstage elements, such as the audit methodologies and strategic planning processes that underpin the performance of auditability. This study examines these backstage practices and their connection to the performance of value for money (VFM) audit in the Australian State of Victoria from 1982 to 2007.

The call to engage with the practice of accounting and auditability can be seen as an important extension of the call by Hopwood (1983) to understand accounting in its social and institutional context. However, while there has been a body of work seeking to understand the outputs of Auditors-General in terms of their VFM audit publications and reports, relatively limited attention has been paid to understanding the in-house processes associated with the methodologies and practices. Therefore, this study is a response to the wider call to understand how practices of audit and auditability are constructed and enacted (Power 1996, 1999, 2003b; Robson et al. 2007). Power (1996) argues that auditors develop audit methodologies and create an audit environment receptive to those methodologies, and identifies this concept as ‘making things auditable’. Robson et al. (2007) describe the concept of ‘making things auditable’ as the ‘construction of auditability’. Robson et al (2007, p. 430) highlight the importance of understanding the nature and transformation of audit methodologies in the context of risk-based audit (RBA) methodologies in the private

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1 The conceptual framework and definitions of the VFM audit are given in Appendix 1. The VFM audit is identified as a performance audit and efficiency audit. The Victorian Auditor-General’s Office recognises the VFM audit as a performance audit in their audit reports and other publications.

2 RBA methodologies have been developed since the early 1990s. This is a financial audit methodology in
sector field. Power (2003) and Robson et al. (2007) emphasise the need to further explore how new audit methodologies emerge and are disseminated because audit methodologies underpin audit practice. Therefore, the current study argues that the practices of VFM audit, audit knowledge and audit methodologies do not just appear—they evolve and are shaped by key actors and institutional contexts. This thesis examines the research problem of how regimes of auditability for VFM audit practice are created and enacted in an Auditor-General’s Office.

The notion of ‘construction of auditability’ implies that auditors construct audit methodologies and operationalise those methodologies in the audit environment (Power 1996; Robson et al. 2007; Khalifa et al. 2007). This study’s research questions are explored in the context of the VFM audit practice of the Victorian Auditor-General’s Office (VAGO) in Australia. The examination and analysis of the development of VFM audit methodologies and strategic planning process of the Auditor-General’s Office, as accounting phenomena, are central objectives of this study. I argue that the VFM audit methodologies and strategic planning process have the capacity to influence and drive VFM audit practice in an Auditor-General’s Office. The benefits of examining the in-house processes or backstage practices of an Auditor-General’s Office is that the co-construction of the auditing methodologies and audit environment is elaborated more vividly than the human or other environmental influences that drive VFM audit practice. This study also attempts to examine the socially constructed nature of VFM audit practice in its institutional, social and political environment, as highlighted by Hopwood (2000, p. 763) and Power (2003, p. 379). Further, this study also addresses Hopwood’s (1998, p. 516) call for further research into understanding the modes of internal organisation and processes of management of audit organisations.  

This chapter is organised as follows. Sections 1.2 and 1.3 narrate the research overview and motivation for the study. Section 1.4 provides the research problem and aim of the study.

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which overall audit risk is expressed as an outcome of the inherent risk, control risk and detection risk of an audit engagement. Audit risk is used to determine the audit strategy of the auditee organisation. RBA methodologies are also known as business risk audit methodologies (Knechel 2007).

3 Audit organisations include audit firms, Auditor-Generals’ Offices and other audit practice providers, such as environmental auditors.
Section 1.5 explains the theoretical framework of the study, while Section 1.6 describes the research method used. Section 1.7 provides the basis for selecting the case organisation, and Section 1.8 summarises the expected contributions of the study. Section 1.9 describes the structure of the remainder of the thesis.

1.2 Research Overview on VFM Audit

A body of work has sought to understand accounting practice in general (Ahrens & Chapman 2007), yet there has also been a wider call to understand how practices of audit and auditability are constructed and enacted (Power 1996, 1999, 2003; Robson et al. 2007; Khalifa et al. 2007; O’Dwyer et al. 2011). While there has been extensive work undertaken to better to understand Auditors-General in terms of their VFM audit publications and reports, relatively limited attention has been given to understanding the backstage elements associated with the development and enactment of VFM audit methodologies.

Power (1996) suggests that the development of audit methodologies is associated with claims to professional jurisdictions because auditors create demand for the audit practices through developing audit methodologies and creating an audit environment receptive to those methodologies. Power (2003, p. 390) extends the position he adopted in 1996 by critiquing the excessive focus on experimental work related to audit judgement and decision-making research, and calls for additional work that focuses on the practical side of auditing, particularly the development of audit knowledge and methodologies by practitioners. Therefore, Power (2003) further emphasises the need to study audit methodologies, audit practices and the socially constructed nature of professional auditing practice.

VFM audit practice has been explained as part of the broader political process initiated by Auditors-General to expand their territory of public sector audit (Hamburger 1988; Funnell 1998; Jacobs 1998; Guthrie & Parker 1999; Radcliffe 1998). Hamburger (1989) documents the development of VFM auditing in the Australian National Audit Office (ANAO) from 1974 to 1987, and argues that the politics, personalities and institutional structures drove
the development of the VFM audit at a federal level, with the personalities of the respective Auditors-General being paramount. Funnell (1998) extends the work of Hamburger (1989), focusing particularly on the struggle between the Executive Government and the Auditors-General of Australia from 1978 to 1984. Funnell (1998) particularly concentrates on the struggle between the Executive and Auditors-General that partly arose as a result of the VFM audit because the Executive perceived that the VFM audit was a more intrusive form of audit practice than the annual financial audit. Guthrie and Parker (1999) also review the ANAO’s VFM audit practice for a 25-year period from 1973 to 1998. They argue that the growth of the VFM audit function of the ANAO reflected the broader process of New Public Management (NPM)\(^4\) and managerialism. However, they also argue—in a phrase reminiscent of Goffman’s (1959) work—that the VFM audit function was a malleable masque that changed the actors, the play and the story according to the individual attributes, attitudes and political needs of the era.

A number of authors have drawn a link between the audit practices underpinned by methodologies and the broader political processes associated with government policy reforms. Jacobs (1998) argues that the VFM audit practices in New Zealand have been shaped by the political and reform context. Radcliffe (1998) combines individual influences with social and political environmental influences in studying the development of the VFM audit at the Auditor-General’s Office in Alberta, Canada. He suggests that VFM audit practices and methodologies are a joint product of the political environment and powerful communities of professional accountants and lawyers. Gendron et al. (2001) make a similar argument regarding the link between the development of VFM audit practice in Alberta, Canada, and the NPM reform program. Gendron et al. (2001) problematise notions of independence, suggesting that state auditors violate the social norms of auditor independence when they work as financial auditors and VFM auditors and provide best practice guidelines to State Government organisations.

\(^4\) NPM is a public administration reform program that emerged in developed countries in the 1980s to rationalise the management of government entities (Hood 1995, p. 93). Dunleavy et al. (2005, p. 470) argue that NPM focuses on three management themes: disaggregation, competition and incentivisation.
In effect, there is a case for relationships between the practice of VFM audit (such as the enactment of independence), reform trends and political interests. In case this relationship is understood as a one-way process, researchers such as English (2003) and Funnell (1998, 2003) draw strong links between VFM audit and public sector reform, but argue that the relationship between the Auditor-General and government is antagonistic, rather than mutually supportive. English (2003) explored the reforms undertaken by the Kennett Government to the VAGO from 1997 to 2000, and argues that the reform program of the VAGO and public sector audit was based on political motivations, with no substantial underpinnings of economic motivations. These studies of VFM audit struggles highlight a link between processes of reform and practice issues associated with a balance between the role of the auditor as a moderniser and consultant to the State, and issues of independence.

There is a need to pay more attention to the ‘back of house’ (Goffman 1959) practices and processes embodied in VFM audit methodologies, in order to more fully explore and understand the development of VFM audit practice (Power 1996, p. 311). Prior work on the broader reform trends and political struggles associated with VFM audit can usefully be extended by focusing on VFM audit methodologies and internal processes within an Auditor-General’s Office, which also have considerable potential to shape the nature and practice of VFM audit. Radcliffe (1999), Gendron et al. (2007) and Skaerbaek (2009) highlight some elements of the backstage practices associated with VFM audit. However, the most obvious and significant element, as highlighted by Power (1996, 2003), is the development and enactment of audit methodologies.

It can be argued that audit methodologies, which can influence the growth of the audit function, are intrinsically associated with the practice of audit (Abbott 1988; Power 1996, 1997, 2003b; Knechel 2002; Robson et al. 2007). O’Dwyer et al. (2011) provide support for this argument by showing how the development of audit methodologies, such as environmental audit practices, has been associated with enhancing the legitimacy of new audit practices. Therefore, there is the potential to extend prior research on VFM audit to

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5 The terms ‘back of house’ and ‘backstage’ are synonymous. Similarly, the terms ‘front of house’ and ‘front stage’ are synonymous. These terms are taken from Goffman’s (1959) theory of social dramaturgy.
more fully understand the interaction between the practices of audit, audit environment and audit methodologies, and thereby enhance broader understandings of the creation of auditability. As Power (1996, 2003), Robson et al. (2007) and O’Dwyer et al. (2011) emphasise, the current audit literature has paid relatively little attention to the link between the output of the audit, audit reports and backstage practices of audit.

The power of VFM audit methodologies is that they provide a guide for audit practices. Accordingly, examining the VFM report production processes and methodologies ‘can provide valuable knowledge into the reliability and credibility of those reports to their providers’ (O’Dwyer et al. 2011, p. 33). The question that needs to be explored is whether the audit methodologies drive the audit environment, or whether the audit environment drives the methodologies. There is also the possibility that the audit methodologies and environment interact simultaneously to shape the audit methodologies and environment in a continuous process of developing VFM audit practice.

### 1.3 Research Overview on Construction of Auditability

Within the accounting literature, it has been argued that the influence of the practices of audit are expanding. The principal advocate for this notion has been Power (1994, 1997), who coined the terms ‘audit explosion’ and ‘audit society’. Power’s (1997) theory is that practices of audit and rituals of verification are becoming ubiquitous human activities. The processes of making things auditable (Power 1996) involve the two steps of creating audit methodologies that act as abstract knowledge, then establishing an audit environment receptive to that knowledge (and thus being open to jurisdictional colonisation by auditors). This idea of audit methodologies constituting a form of abstract knowledge and the importance of that knowledge to the accounting profession has been recognised by a number of other researchers (such as Knechel 2007; Robson et al. 2007; Khalifa et al. 2007; O’Dwyer et al. 2011). One example of the development of new audit methodologies as a tool to enhance the status and influence of auditors has been the development of risk based audit (RBA) methodologies (Knechel 2007; Power 2007; Robson et al. 2007). Once the
RBA methodologies were established, these methodologies were enacted with the adoption of some institutional strategies within the audit environment (Khalifa et al. 2007).

The introduction of RBA methodologies in the early 1990s substantially changed audit practice, with a view to enhance the economy and efficiency of audit and provide value-added services to auditee organisations (Knechel 2007; Power 2007). This new RBA methodology sparked a wave of interest among the academic community in terms of exploring its credibility and value. As such, Power (1996, 2003), Gendron et al. (2007), Robson et al. (2007) and O’Dwyer et al. (2011) extend Abbott’s (1988) argument on professional jurisdiction over new professional knowledge and highlight that the development of abstract knowledge is vital to establish jurisdictional rights over professions.

Knechel (2007) argues that the RBA methodology is a reinvention of the audit process to capitalise on non-audit service revenues earned as business advisers (Knechel 2007). Khalifa et al. (2007, p. 829) also highlight that this interest in new audit methodologies is fuelled by accounting firms in order to claim these firms’ jurisdictional contests over the new audit methodologies and attract interest from the academic community and business community in RBA methodologies. Similarly, Robson et al. (2007, p. 421) argue that RBA methodology provides symbolic benefits to accounting firms to sustain their control over financial audit and market share in audit practice. The movement of research in developing audit methodologies and practice drove focus onto the back-of-house elements of VFM audit methodologies because researchers (Radcliffe 1998, 1999; Gendron et al. 2001, 2007; Skaerbaek 2009) commenced examining the compilation of VFM audit reports, determination of VFM audit judgements and development of VFM audit strategies by Auditor-Generals’ Offices.

Pentland (1993) examines the micro-sociological behaviour of audit fieldwork by adopting an ethnographic and interpretive research methodology, and highlights that the financial audit process is a socially constructed activity. Pentland (1993) argues that the financial audit is a ritual enacted by auditors in order to provide required comfort and assurance to
the users of financial statements. Pentland (1993) demonstrates that financial audit is a process in which auditors are engaged in a series of ritual processes of purifying the data given in financial statements. At the end of this ritual process, the partner in charge of audit signs off the audit certificate, after relying on junior auditors to complete the audit fieldwork. Pentland (1993) argues that auditors’ joint fieldwork spirit places the sociological trust on junior auditors’ work by senior auditors and partners.

Extending the Pentland (1993) approach to examining field auditors’ work and behaviour in audit decision making, Radcliffe (1999) introduces a novel way to examine VFM audit practice by adopting ethnographic observations of auditors’ field activities. Radcliffe examines how auditors determine VFM while they are in the audit field, and argues that the VFM audit decision-making process is a qualitative socially constructed activity. Radcliffe also argues that the VFM audit reports that provide information on efficient and inefficient management practices have been constructed based on the audit environment and other surrounding sociological and political factors. Radcliffe concludes that VFM audit is a socially constructed process of cleaning a mass of data in order to create comfort for the stakeholders in the auditee organisations and State Government. Thus, Radcliffe makes a valuable attempt to move away from examining the front-of-house activities of an Auditor-General’s Office to focus on the back-of-house activities of the VFM audit.

Gendron et al. (2007) extend the research on how auditors claim the jurisdictional rights over the VFM audit practice and the arguments about manoeuvring the audit environment to be receptive to the audit knowledge base. Gendron et al. (2007) argue that the Auditor-General’s Office commenced its VFM audit practice by observing and adopting the performance measurement practices of other government departments. Gendron et al. (2007) identify this process as the importing and exporting of professional expertise on VFM evaluations. Gendron’s et al. (2007) work sparked interest in examining the backstage practices of the VFM audit, particularly the development of audit methodologies and enacting those methodologies in the audit context. Skaerbaek (2009) further extends Gendron’s et al. (2001, 2007) work on the construction of auditability. Skaerbaek (2009) points out that the Defence Department of Denmark was forced to align with the interests
of the Denmark Auditor-General’s Office by being persuaded to develop a management accounting system that could be auditable by the Auditor-General’s Office.

Therefore, Skaerbaek (2009) and Gendron et al. (2007) reflect two sides of a coin. While Gendron et al. (2007) argue that VFM practice adopts the performance measurement practices of government departments, Skaerbaek (2009) reverses this position to argue that the departments adopt the performance measurement practices (as embodied in the VFM methodologies) of the Auditor-General. Further work is required to understand this relationship because it is possible that Skaerbaek (2009), Gendron et al. (2007) or both are correct. The nature of this balance between auditor-driven VFM and stakeholder-driven VFM practice becomes evident during deeper study of the audit environment and the development and influence of VFM audit methodologies to audit practice, particularly from a long-term perspective.

Radcliffe (1999), Gendron et al. (2007) and Skaerbaek (2009) provide initial insight into the construction of auditability by Auditor-Generals’ Offices, associated with the establishment of an audit environment and VFM audit methodologies. Radcliffe (1999), Gendron et al. (2007) and Skaerbaek (2009) highlight that VFM audit practice is strongly linked to and mediated by audit methodologies. However, these studies need to be extended to explore the aspects of both the development of VFM audit methodologies and their influence on VFM audit practice by transcending the personal choices of the Auditors-General and other social and political environmental forces. This study argues that the auditability in the VFM audit is constructed through the development of audit methodologies and the operationalisation of those methodologies in the audit environment.

1.4 Research Problem and Aim of the Study

The aim of this study is to more fully understand and resolve these debates regarding the construction of auditability—most particularly the question of whether this process is primarily audit office-driven or departmentally (audit environment)–driven. This study addresses and extends Power’s (2003b) and Radcliffe’s (1999) request to examine
emerging audit methodologies by using new audit jurisdictions to enhance understandings of the legitimation of new audit practices.

The current VFM audit literature focuses on the outcomes of VFM audit, the audit mandate and struggles with the Executive. However, there is limited knowledge on how VFM audit practice emerged, was sustained and was moulded within the Auditor-Generals’ Offices through developing audit methodologies and strategic planning. The literature on RBA methodologies states that audit practice is developed through the framing of audit methodologies and enactment of those methodologies in the audit context (Knechel 2007; Khalifa et al. 2007; Robson et al. 2007). Therefore, the construction of audit methodologies and enactment of those methodologies led to obtaining legitimacy for audit practice and, in the long-term, to sustaining jurisdictional rights over the new audit practices. Thus far, the VFM audit literature has not addressed this issue of the development of VFM audit methodologies and enactment of those methodologies as a longitudinal study. This study addresses this gap in the VFM audit literature.

This study explores the more general issue of constructing auditability and the specific issue of the interaction between the audit environment and audit methodologies of VFM audit in the context of the evolution of VFM audit methodologies at the VAGO in Australia from 1982 to 2007. While Skaerbaek (2009) suggests that these practices of auditability are driven from within the Auditor-General’s Office, Gendron et al. (2007) raise the possibility of dominant (or at least significant) external stakeholders. Therefore, I also consider interactions between the audit environment, audit methodologies and in-house practices (such as corporate and annual planning processes). This longitudinal study examines the development of the VFM audit methodologies and strategic planning process of an Auditor-General’s Office over a 25-year period from its infancy to maturity. Therefore, this study examines the construction of auditability processes in VFM audit practice in an Auditor-General’s Office. To achieve this aim, the construction of the audit

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6 This research period depicts the 25-year development of the VFM audit methodologies and other in-house procedures of the VFM audit practice at the VAGO, from the submission of the first VFM audit report in 1982, to the development of the fully computerised VFM audit methodology of audit method performance (AmP) in 2007.
methodologies and the development of an audit environment receptive to those methodologies, through a strategic planning process by an Auditor-General’s Office, are examined as the research objectives.

1.5 Theoretical Framework

Given the socially constructed (and contextualised) nature of VFM audit practices, it is important to adopt a theoretical framing that engages with VFM audit as a social and organisational practice. This study uses the concepts of ‘framing’ and ‘overflowing’ (Goffman 1959, 1974; Callon 1998, 1999) as the theoretical framework to analyse the research case study and address the research questions. The notions of framing and overflowing provide a rich way to focus on both the backstage practices and activities of the Auditor-General’s Office (one expected driver for VFM auditability) and the front-of-house interactions with powerful stakeholders, such as parliamentarians and parliamentary committees.

Framing is a sociological theory concept that helps understand the interactions of actors or agents in a given social setting (Goffman 1974). Goffman (1974, p. 21) argues that some frames are neatly presentable—such as postulates and rules—while some do not come with a particular shape. Goffman (1974, pp. 21–22) classifies framing into two broad categories: social frames and natural frames. Natural frameworks are unguided natural or physical events, such as past weather reports, whereas social frameworks are the interactions of human beings and organisations. Framing the construction of auditability is considered a social frame because that framing process explains the interactions of organisations, human actors and scripts.

Callon (1998, 1999) adopts Goffman’s (1974) notion of framing to study economic markets, and combines it with the economic concept of externalities or overflows. As such, Callon develops the dual notion of framing and overflowing. Framing provides a secure space in which actors conduct interactions or transactions. These framing interactions can occur with human actors, non-human actors, structures or devices. Framing allows the
actors to define and separate the objectives, tasks, goods and services with which they are associated. This is identified as the de-entanglement of complex relations (Callon 1998, 1999). The de-entanglement of complex relations in the framing situation or market enables the smooth operation of markets because de-entanglement separates the buyers, sellers and goods and services (Callon 1999).

The frames fabricated by actors are not perfect and cannot contain the overflows arising from power struggles between actors and the influences deriving from the economic, social and political environment. Therefore, frames can overflow due to inherent limitations in the frames or developments in the surrounding environment. Economists identify these overflows as externalities. Overflows represent disorder in human interactions, and framing provides order for such circumstances (Skaerbaek 2009). Therefore, framing provides a description of how overflows are managed in an interaction space to achieve the objectives of actors. The process of framing and overflowing provides an insight into the dynamic processes which underpins cycle of technological (methodological) changes and evolution.

The concepts of framing and overflowing can be supplemented with the concepts of actors, scripts and inscriptions7 (Callon 1986, 1998, 1999; Goffman 1959, 1974; Latour 1987, 2005; Law 1986; Robson 1992) to explore the transformation process of accounting devices (documents and methodologies) from documents and scripts to inscriptions in economic entities. This study argues that auditability is about framing things as audit methodologies and implementing them within the audit context. This study examines how VFM audit methodologies and strategic plans are framed in different perspectives by different actors, and how the roles of audit methodologies and planning documents change. The nature and role of audit methodologies and strategic plans are not static, but can change and evolve. Hence, VFM audit methodologies and strategic plans can become inscriptions8 over a period of time. This is when audit methodologies and strategic plans begin to function as inscriptions, rather than simply as documents or scripts.

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7 The term ‘inscription’ is defined as the ‘material and graphical representations that constitute the accounting report: writing, numbers, lists, tables’ (Robson 1992, p. 685).
8 Another example of inscriptions is geographical maps that have the qualitative characteristics of mobility, combinability and stability (Callon 1986; Law 1986; Latour 1987).
This study argues that audit methodologies and planning devices were transformed by the stakeholders and actors of the VFM audit practice from scripts/accounting devices to inscriptions by enriching those scripts with influencing attributes or power. Therefore, this study examines how, why and when audit methodologies and planning devices transform from accounting devices/scripts to inscriptions in VFM audit practice. Finally, the concepts of framing and overflowing support examining the construction of auditability for a long period as an evolutionary process. Framing and overflowing, supplemented with the concepts of actors, scripts and inscriptions, provide the sociological themes to examine how accounting scripts/devices—such as VFM audit methodologies and strategic plans—support and influence VFM audit practice to sustain and grow as part of the broad social, political and economic environment.

1.6 Research Design

This study adopts qualitative research methodology—particularly constructivist and interpretive approaches. These research methods are selected to be compatible with the research objectives and theoretical framework of overflowing and framing (Goffman 1974; Callon 1998), supplemented with the concepts of actors, scripts and inscriptions (Callon 1986; Goffman 1959, 1974; Latour 1986, 2005; Robson 1992). This study suggests that the VFM audit is similar to a ritual process by which masses of data and information are purified in order to compile the VFM audit reports (Pentland 1993; Radcliffe 1999). Accordingly, qualitative research methods allow the researcher to analyse and interpret this ritual of the public sector audit dramatised by the Auditor-General’s Office before the Parliament. Document analysis, interviews, personal communications and examination of closed VFM audit files are used as research methods in data collection. I also use my previous audit experience as a research method (Robson et al. 2007) to examine the audit programs, methodology manuals and files in relation to VFM audits. These multiple data collection methods are used as a form of data triangulation to enrich the veracity of the research findings (Radcliffe 1999).
The study reviews a sample of VFM audit reports that were submitted to the Victorian Parliament by the VAGO from 1982 to 2007. As Gendron et al. (2007) advise, these VFM audit reports are selected because they function as mirrors of the VFM audit function and provide evidence of the gradual development of the VFM audit scope, objectives, methodology and reporting style over a longitudinal period. In addition to these audit files, corporate plans, annual plans, annual reports and other unpublished documents maintained by the VAGO from 1982 to 2007 are examined, including the five audit policy and methodology manuals produced during this time. These documents provide information on the backstage preparations undertaken by the auditors before the VFM audit reports were submitted to Parliament. I also conduct semi-structured interviews lasting between one and a half to two hours, as a research method. Three sub-processes of data analysis are used—data reduction, data display, and conclusion drawing and verification (Huberman & Miles 1994)—because these data reduction processes help manage the vast amount of published and unpublished data and records maintained by the VAGO.

1.7 Case Organisation: Research Context

This study examines the VFM audit practice of the VAGO for a 25-year period from 1982 to 2007 as the research case study. The case study research method is adopted to examine the research context, VAGO, because case studies—especially descriptive and explanatory case studies—a9—are suitable to explain the social construction of accounting technologies (Scapens 2004, p. 261). Case studies are also suitable for in-depth analysis of accounting phenomena as longitudinal studies. The VAGO submitted its first VFM audit report to the Victorian Parliament in 1982 as a Special Audit Report under s. 48 of the Audit Act 1958, and obtained a VFM audit mandate in 1990. The Public Accounts and Estimates Committee (PAEC) accepted the VAGO as the expert in VFM audit in Victoria in 2010 (PAEC 201).

9 There are various categories of case studies, and ‘Descriptive case studies describe the accounting systems, techniques and procedures used in practice. Explanatory case studies attempt to explain the reasons for the development of observed accounting practice. The focus of the research is on the specific case’ (Scapens 2004, pp. 261–262). This study is a descriptive and explanatory case study because it describes the VFM audit practice and methodologies, and explains the reasons for establishing the VFM audit at the VAGO.
The VFM audit practice of the VAGO has undergone a series of transformations in backstage practices (such as audit methodologies) and its relationships with outside stakeholders for longer than a 25-year period. Therefore, it is a fitting candidate through which to examine the development of auditability. As such, this study examines:

1. how the auditability in VFM audit is constructed through the development of audit methodologies and strategic planning documents

2. how Parliament and auditee organisations have been mobilised to accept the transformations of VFM audit practice and reports through institutional procedures, such as strategic planning.

These actions are similar to the theoretical notions of framing and overflowing of auditing methodologies adopted by an Auditor-General’s Office. To capture the overflowing and framing in the VFM audit practice, it is necessary to study the construction of auditability through the VFM audit over a relatively long period. The VAGO is a good case study context in which to match the above sociological theory attributes. This is because of the duration of its development of institutional practices and procedures in the production of VFM audit reports, its established VFM audit practice, and its stakeholders.

The VAGO also provides an example of a VFM audit practice that developed in parallel to the Canadian ‘comprehensive audit’\textsuperscript{10} model. This study moves beyond the focus on audit mandate or legislative frameworks to examine the co-construction of audit methodologies and audit environment in VFM auditing, from its implementation in 1982 until 2007. The VAGO was established in 1851 and had a history of 131 years of public sector auditing when it commenced the VFM audit function in 1982. Brian Waldron, the Victorian Auditor-General from 1977 to 1986, was the architect of the VFM audit. Waldron revamped and rationalised the audit process at the VAGO in line with contemporary developments in the audit profession (Yule 2002). The VFM audit methodologies of the VAGO were developed from 1982, and the VAGO introduced a series of VFM audit policy and methodology manuals from 1984, including the computerised VFM audit methodology of audit method performance (AmP) in 2007. The corporate planning function of the

\textsuperscript{10} The comprehensive audit methodology was introduced by the Canadian Auditor-General’s Office to examine the financial, compliance and VFM aspects of auditee organisations in the late 1970s and early 1980s (Radcliffe 1998, 1999).
VAGO commenced in 1987. The submission of annual plans to the Victorian Parliament was commenced by the VAGO in 2000. Thus, the VAGO is a fruitful case study because it has undergone various internal re-engineering processes in audit methodologies and corporate and annual planning in order to satisfy the needs of the Parliament, PAEC, auditee organisations and general public.

1.8 Contributions

This thesis makes theoretical and practical contributions in the area of auditing, as outlined below. This study contributes to the area of accounting literature in terms of how auditing practices are developed and sustained through the creation of audit methodologies and the enactment of these methodologies within the audit context. This study argues that accounting structures, such as auditing methodologies, transform their role from scripts to inscriptions in audit organisations because of their status of power and relations with other actors over a period of time. Some researchers argue that the accounting technologies and inscriptions play a passive role and help other human actors make leading economic decisions. However, other researchers contest this approach and argue that accounting technologies function as the central object and actor in organisational networks (Justesen & Mouritsen 2011). This study extends this argument of the performativity power of accounting devices by describing the transformation of VFM audit methodologies and strategic planning documents within audit organisations from scripts/accounting devices to inscriptions.

This study contributes to the accounting profession in two ways. First, it attempts to bridge the gap between academic research and professional practice. This is a collaborative research project that examines VFM auditing practice and audit policy matters adopted by an Auditor-General’s Office, in collaboration with the VAGO in Australia. Thus, it enhances understandings of VFM audit practice and its underlying audit methodologies and other in-house practices. Second, the research findings of this study can educate VFM audit report users, such as the Parliament and the general public, about how those reports are
compiled, and how the reliability and credibility of these reports and VFM audit practice can be improved.

1.9 Thesis Structure

This thesis is organised in the following manner. Chapter 1 has provided the introduction and overview of the thesis; a brief discussion of the research problem; and the theoretical framework, research method, case study, research aim and contributions of the study. Chapter 2 presents the literature review to highlight the research gap and subsequent aim of the study. Chapter 3 outlines the theoretical foundations of the study and the research questions, justifying the adopted approach to explore the construction of auditability in VFM audit practice. Chapter 4 outlines the methodological foundations and research methods, explaining the data collection and analysis methods. Chapter 5 introduces the research context—the VAGO in Australia—and justifies its selection as the case study. Chapters 6 and 7 present the data analysis and findings of the study and address two research questions regarding the construction of auditability. Chapter 8 provides the conclusions of the study and a discussion of the study’s implications, contributions and limitations, as well as future areas for research on VFM audit practice.
Chapter 2: Literature Review

2.1 Introduction

This chapter reviews the literature on VFM audit alongside the broader literature on NPM, audit society and the contemporary development of audit methodologies. This chapter is organised under two major themes: the literature on emergence and development of the VFM audit (Sections 2.2 to 2.5) and the operationalisation of the VFM audit (Sections 2.6 and 2.7). Section 2.2 reviews the literature on NPM and its influence on the emergence and development of the VFM audit. Section 2.3 focuses on the literature on audit society and risk society. Section 2.4 reviews the VFM audit literature, focusing on the personal influences of Auditors-General. The studies of the struggle between the Executives and Auditor-Generals’ Offices are explained in Section 2.5. Section 2.6 summarises the literature on the construction of auditability and development of the technological aspects of VFM. Section 2.7 summarises the literature review and presents the research gaps in relation to the emergence and development of VFM audit practice.

The literature identifies a number of factors that have influenced the emergence and development of VFM audit in the public sector. These factors include the development of NPM (Hood 1991, 1995; Power 1999, 2000, 2003b; Gendron et al. 2001; Lapsley 2009, 2010), the social and political environment, the personal influences of Auditors-General (Hamburger 1988; Radcliffe 1998; Jacobs 1998; Funnell 1998, 2003; Guthrie & Parker 1999), the growth of audit society, performance evaluations in organisations, and risk management (Power 1997, 2000, 2003b, 2007). It is argued that the NPM reforms acted as one of the driving forces to establish the VFM audit (Power 2000; Lapsley 2009). These reforms emphasised the need for an alternative public sector audit method, such as the VFM audit. There was a general economic and political climate within which these two forces comprising NPM and audit society emerged (Power 1997). For example, this occurred during a period in which there was a significant shift from public-centred policy to privatisation (Ronald Regan in the United States [US] and Margaret Thatcher in the United
Kingdom [UK] led the move towards privatisation), which increased pressure on the public sector (and Auditors-General) to defend the level of spending and rationalise government organisations. It is within this type of climate that NPM emerges, as do comprehensive audits and VFM audits, as a part of comprehensive audits (Pollitt et al. 2002).

The influence of NPM reforms on VFM audit is considered part of the broad social, political and economic environment (Jacobs 1998; Radcliffe 1998; Gendron et al. 2001). Hamburger (1988) and Guthrie and Parker (1999) also argue that the personal choices of Auditors-General drove the VFM audit to its present status. In Australia and New Zealand, the VFM audit provided the tools and methodologies to measure the economy, efficiency and effectiveness of government entities, which the financial audit failed to perform in these organisations (Jacobs 1998; Guthrie & Parker 1999). Hamburger (1988) states that Auditors-General influenced the growth of the public sector audit, such as the development of the performance audit at the ANAO in the late 1970s. There is evidence in Canada and other developed countries that NPM created demand for comprehensive audit methodology, which developed into the supply force of the VFM audit (Radcliffe 1998, 1999; Gendron et al. 2001; Power 2000). The importance of the VFM audit continues to grow as liberalisation of government organisations under the NPM require ex-post audit mechanisms to measure the VFM of government operations (Lapsley 2008).

While NPM reforms were a driver for VFM auditing, other environmental forces—such as the contemporary development of the audit profession and the desire to avoid and reduce risk by the broader society—also played an important role in the development of the VFM audit (Power 1997). Professional accounting associations in Canada provided the conceptual framework and accountants to operationalise the practice of VFM audit (Radcliffe 1998; Gendron 2001, 2007). This study explores another of these driving forces of VFM audit. It argues that the audit methodologies and other in-house processes had an important role in constructing and elevating the VFM audit practice as a legitimate answer to the problems of public sector audit and accountability. Power (1996) highlights the importance of audit methodologies in his theoretical notion of ‘making things auditable’.
Theoretical notions became practices that could influence the VFM audit (Power 1996; Robson et al. 2007; Skaerbaek 2009). In highlighting the importance of accounting and audit methodologies to the growth of the professional practices, Justesen and Mouritsen (2011) argue that accounting and audit technologies became the central object or actor, and influenced the growth of the accounting phenomena. The following sections of this chapter review and summarise the literature that influenced the emergence and development of VFM practice.

2.2 NPM Reforms and the Emergence and Development of the VFM Audit

The VFM audit is understood as a response to the growth of performance measurement within NPM reforms (Lapsley 2008, 2009). Guthrie and Parker (1999) use the recommendations of the Royal Commission on Australian Government Administration as an example of the link between NPM and the VFM audit in Australia in examining the VFM audit practice of the ANAO. NPM was coined by Hood (1991, p.3) to describe the liberalisation of public administration system in countries such as Canada, the US, the UK, Australia and New Zealand. NPM reform programs emerged in the developed countries in late 1970s and early 1980s and replaced the Progressive Public Administration (PPA) model adopted in these developed countries such as the UK, USA, Australia, New Zealand and Western European Countries. Funnell (1998, 2003), Gendron et al (2001,2007), Guthrie and Parker, (1999), Lapsley (2008, 2009), Power (1997) and Skaerbaek, (2009), argue that the VFM audit emerged as a result of NPM reforms in order to measure the economy, efficiency and effectiveness of the state government departments and organisations.

Hood (1991, p.4) classified what he called the ‘doctrinal components of NPM’. While these doctrinal components do not directly mention the VFM audit, Hood suggested that need arose for an independent verification method to measure the performance of the liberalized government organizations under the NPM. Hood’s (1991, p.4) doctrinal components, such as explicit standards and measure of performance, greater emphasis on output controls,
stress on private sector styles of management practice, and stress on greater discipline and parsimony in resource use, suggest the need for an audit mechanism that measures the economy, efficiency and effectiveness in the use of resources by the government entities. Hood (1991, p. 15) describes these characteristics as ‘cutting costs and doing more for less as a result of better-quality management’. These three characteristics of economy, efficiency and effectiveness are the objectives of the VFM audit. Accordingly, NPM reforms may have spurred the growth of the VFM audit, this VFM audit practice provided a necessary government program evaluations carried out by an independent officer of the Parliament to the respective state governments (Lindeberg, 2007).

The attributes of NPM that encouraged the emergence and development of the VFM audit included frugality and concern over waste of money and time. These values and processes have similarity with the VFM audit objectives. Hood (1995, p. 94) points out the differences between the PPA and NPM and highlights the importance of accounting and auditing technologies to implement the NPM reform programs as given below;

The basis of NPM lay in reversing the two cardinal doctrines of PPA; that is; lessening or removing differences between the private and public sector and shifting the emphasis from process accountability towards a greater element of accountability in terms of results. Accounting was to be a key element in this new conception of accountability, since it reflected high trust in the market and private business methods (no longer to be equated with organised crime) and low trust in public servants and professionals (now seen as budget-maximizing bureaucrats rather than Jesuitical ascetics), whose activities therefore needed to be more closely costed and evaluated by accounting techniques. The ideas of NPM were couched in the economic rationalism, and promoted by a new generation of ‘econocrats’ and ‘accountocrats’ in high public office.

Hood (1995) concludes that the success of the NPM reforms depended upon acceptance of the values and processes that kept public management lean and purposeful.

Hood (1995, p.106 ) also points out that there are variations of the implementation of NPM from one country to another, arguing that there are four variations in adapting NPM. First, it is not certain whether the old PPA model has collapsed completely or is operating alongside NPM. Second, conventional explanations of NPM do not clarify its real application in different countries. Third, there is no relationship between macro-economic
growth rate and intensity of adapting NPM. Forth, there is no relationship between the level of strife of the government and implementation of NPM. Hood (1995) concludes that the basic theme of NPM is the setting of organizations goals and establishing the accounting controls to measure actual performance against those goals. Accordingly, Hood (1995) utilises his doctrinal components of performance measurement and audit to explain the variations in themes, and lists the doctrines as “explicit formal measurable standards and measures of performance and success” and some possible accounting implications as “performance indicators and audit” (Hood, 1995, p. 96).

The transformations and changes of governing styles of public sector organisations might have influenced the growth of the VFM audit. Hood (1998) argues that government organisations can be classified into bureaucratic and market-concept driven, and that the public sector audit has a place in bureaucratic-type organisations, but may have relatively little place in more of a market setting. Hood concludes that the audit encourages rule-bound governance approaches to organisations. Accordingly, Auditor-Generals’ Offices tend to prescribe best practice guidelines as part of regular audit communications with government organisations. These best practice guidelines develop the necessary accounting controls in government organisations and make audit possible (Power 1996). Hence, auditors are identified as providing management consultancy services to auditee organisations (Gendron et al. 2001; Skaerbaek 2009).

More recent work on NPM challenges a simple connection between NPM and the VFM audit. Hood and Peters (2004) describe the possible link between NPM and the growth of the audit society and VFM audit as an audit paradox. They argue that the objective of the NPM reforms was to remove the ex-ante processual controls, together with the ex-post audit evaluations. However, the ex-post audit evaluations remained based on the compliance audit and processually oriented financial audit, instead of measuring effectiveness and efficiency. This has become an audit paradox. Hood and Peters (2004) conclude that NPM was intended to enable managers to make innovative decisions without their managerial actions being restricted by ex-ante processual controls. However, this did not become reality in practice because managers are controlled by the logic of auditability.
Dunleavy et al. (2005) suggest that NPM is dead or stalled and that a new governance model is emerging as an alternative public administration model, with some components of NPM operating and continuing to grow under this new model. This new form of governance reintegrates government services and digitises administration processes. One example is the improved performance measurement in government organisations. Within this new form of digitised governance model, Dunleavy et al. (2005) identify reintegration of the government as a key component. Examples are joined-up government, re-governamentalisation and reinstating central processes. The underlying theme of this reintegration is enhancement of value and demand for the public sector audit. Thus, it is possible that the audit society and VFM audit continue to grow and develop under this new model of governance. Dunleavy et al. (2005) argue that NPM was developed by invoking three main themes: disaggregation of government entities, competition within government entities, and incentivisation of managers based on their performance measurement. Under NPM, the disaggregation of government entities encouraged the emergence of new audit models, such as the VFM audit.

Contrary to Dunleavy et al. (2005), Lapsley (2008, 2009) argues that NPM is not dead. Lapsley (2008) recognises the necessity of the audit as a toolkit of NPM, and highlights the public sector audit as a constraint to the growth of NPM. However, Lapsley (2008) further highlights that the liberalisation of organisations and organisational performance measurement activities is controlled in the private sector by market mechanisms; however, no market control mechanism in the public sector exists. Therefore, public policymakers deploy the audit as a mechanism of regulation and control. Lapsley (2008) concludes that this audit control mechanism has become an obstruction to innovative managers, creating a compliance culture, and that this necessity of the audit leads to the unintended consequence of creating Power’s (1997) notion of an audit society.

Power (1997, 2003a) details the necessary links between NPM and the VFM audit function, arguing that the demand side and supply side factors of public sector auditing created the audit explosion with NPM. Power (1994, 1997) frames these notions of ‘audit explosion’
and ‘audit society’ under the broader themes of loss of trust in society, risk reduction and the risk aversion mentality of the social and political environment. Power (1997, 2003a) argues that the relationship between NPM and the VFM audit are all sub-themes of this broader ‘audit society’. A demand side factor contributing to the audit explosion is the political demand for greater accountability of public services, such as public accountability for NPM reforms. Other demand side factors in the audit explosion include the demands for fiscal constraints on public spending, as well as efficiency, effectiveness and quality in public services. The supply side factor contributing to the audit explosion is the availability of professional advisory groups to cater for the demand side factors.

It is suggested that, as a result of the NPM policies and programs on smaller government and accountability to the general public with efficient and effective public services, the Australian Auditors-General’s offices introduced the VFM auditing into their audit portfolios. As highlighted by Radcliffe (1998, 1999) on the emergence of the VFM auditing in the State of Alberta in Canada, the VFM audit was introduced through the demand and supply side factors that came within the Auditors-General’s Offices and from the audit environment in Australia. The legislators in the Australian Commonwealth Government made a recommendation to introduce the VFM auditing to the ANAO’s audit portfolio through the Royal Commission on Australian Government Administration (RCAGA) in 1976 (Guthrie and Parker, 1999, p. 302). Similar to these demands, the legislative members of the Victorian Parliament made requests to introduce the VFM auditing to the VAGO in order to enhance the transparency and accountability of the public sector to the general public (Yule, 2002, p.187). The Auditors-General like Waldron at the VAGO and Steel Craik, Auditor-General (1972 to 1981) of the ANAO provided the supply side technological forces to commence the VFM audit practice to the Australian public sector.

Funnell (1998, 2003) argues that the NPM and VFM auditing created contestable public sector audit regimes in Australia because the VFM audit became a powerful auditing practice compared with the annual financial audits. Funnell (1998, 2003) argues that the VFM audit could make adverse comments on the performance of the Executive government by transgressing beyond the numbers given in the financial statements of the government.
entities. John Taylor, Auditor-General of the ANAO from 1988 to 1995, argues that the Auditors-General’s Offices operate under pressure from their Executive government counterparts in other government departments because the Executives do not like criticism coming from the external audit. Yet, Taylor (1996, p. 155) points out that the Auditors-General’s Offices always need to work hard to maintain their reputation, integrity and competency to work in a hostile environment among government bureaucrats. Taylor (1996, p. 151) also highlights that the NPM or managerialism has enhanced the scope and responsibilities of the public sector audit;

But to suggest that from ‘letting public sector managers manage’ there would flow a significant reduction in the need for independent auditing and reporting to the parliament on the way public power and resources are actually being used is to misunderstand the qualitative difference between the private and public sectors. It is likely that the auditor-general will have even more need to worry under the new approach given the extent of uncoordinated devolution, the absence of market disciplines and the lack of candour in agency reports about future or current problems facing programs and policies.

These arguments highlight the connection between NPM and the emergence of the VFM audit. Yet there is a need to better understand this theoretical connection via the examination of empirical studies (Power 2000). Power (1997, 2003b) elaborates these ideas of growth of new forms of audit as part of the ‘audit society’ and argues that empirical studies are required to understand how these new audit practices become established in the wider social and political environment.

**2.3 Audit Society and Risk Society**

Within the broader framework of risk, Power (1997, p. 14) theorises that advanced economies are ‘grappling with the production of risk, erosion of social trust, fiscal crisis and the need for control—all under the umbrella of accountability’. Therefore, Power (1997) argues that there are many processes of checking and verification within the social and political environment to produce organisational legitimacy, reduce risk and provide comfort and assurance to society. Power (1997) identifies this process as various forms of audit, resulting in an ‘audit society’.
Power (1996) points out that the audit is not a neutral activity, and that the auditor ‘makes things auditable’ by negotiating a legitimate and institutionally acceptable knowledge base and creating an audit environment receptive to that knowledge base. This view has appeal for this study because it highlights that the VFM audit emerged not just because of the NPM trend, but also because of the wider growth of audit (and risk) technologies. Although this seems plausible, the nature of this process has not been adequately explored. Power (1997, 2000) links the VFM audit to the phenomena of the audit society, audit practice and risk society. In other words, the growth of the VFM audit is driven not by public sector reforms per se, but by wider underlying social concern about risk management. Power (1997, 2000) classically represents the VFM audit as an outcome of NPM. However, Power (1997) points out that the VFM audit could have been driven by two forces—public sector reforms and risk management. Power (1997, p. xvi) further argues that the emergence of the ‘audit society’ is not simply related to ‘Thatcherism’, but is a process of institutionalised checking mechanisms to provide comfort and reassurance to members of society to avoid or reduce risk. However, Power’s (1997) comments about audit and the risk society also support the NPM literature, as Power argues that audit and risk society is part of NPM.

Further, Power argues that the audit and risk society is universal because it is attributable to both public and private sector organisations. Power’s (1997, 2000) argument that the audit society relates to both private and public sectors leads to the universal position that NPM may actually be a consequence of the audit and risk society. Nevertheless, Power (1997, 2000) draws some clear links between the growth of the audit society and the VFM audit. Power’s (1997, p. 52) argument on the emergence of the VFM audit and its link with NPM is stated below:

To conclude, this section has argued that while state auditing and concerns with value for money have a long history, they have received a decisive stimulus since mid-1980s as programmatic commitments to the reform of public sector administration have taken hold. The NPM has given rise to an audit explosion in the form of new financial audits where none had existed before together with a rapidly evolving agenda for value for money auditing. The NPM necessarily presupposes that these audits are themselves instrumentally effective and neutral in their operation, despite evidence that this is not the case. VFM auditing functions not only to verify what is already there but also to install an internal
control system which embodies auditable performance measures. However, this is not only a feature of VFM auditing. It also reflects a broader shift in regulatory style as control responsibility is passed down into organizations.

Power (1997) argues that the VFM audit creates the necessary environment for the public sector audit because the VFM audit establishes the necessary internal control systems within the auditee organisations. Power (2000, p. 112) further highlights that there are three reasons for the audit explosion: ‘the rise of the NPM, increased demand for accountability and transparency and the rise of quality assurance models of organizational controls’. Power (2000) points out that more research is needed to demonstrate that this audit explosion is not limited to the UK.

Society’s expectations and broader concepts—such as the risk society, audit society and performance measurement in organisations—contribute to the development of VFM audit practice. The link between the growth of the VFM audit and the concept of a performance measurement society has its roots in the NPM debate as well. Both NPM (Hood 1991, 1995) and post-NPM reforms (Dunleavy et al. 2005) support performance measurement in government organisations. Accordingly, NPM and post-NPM reforms have contributed to performance measurement in government organisations, and the performance measurement function contributes to the audit society. Therefore, the VFM audit is part of the audit society and evaluates the performance of government organisations. Power (2003a) re-evaluated the idea of the audit explosion, arguing that the traditional auditing function had a low profile in the public sector and did not work as a change agent in that sector. Power (2003a) highlights that, with the inadequacy of the annual financial audit in measuring the performance of government organisations, the importance of alternative audit methods was recognised.

Power (2003b, p. 392) calls for more research into new audit methodologies and practice, such as RBA methodologies and VFM audit, because the audit process is constantly changing and new methodologies are challenged in terms of their legitimacy, due to the misalignment of expectations between the auditor and the stakeholders of the audit. Power
(2003b) also emphasises the need for more research into the role of auditing in producing legitimacy because this enhances society’s understanding of the role of the audit.

2.4 Personal Choices of Auditors-General and Other Social and Political Environmental Forces

Adams (1986), Hamburger (1988) and Funnell (1998) support the view that the VFM audit was primarily established and driven from within Auditor-Generals’ Offices by the idiosyncratic influence of the Auditor-General. In contrast, Guthrie and Parker (1999) and Radcliffe (1998) argue that the VFM audit was established by both the influence of the Auditors-General and by structural forces, such as the social and political environment. Adams (1986) describes the early development and progress of the VFM auditing function in the ANAO from the perspective of an inside official of the ANAO. VFM audits at the ANAO focused only on economy and efficiency between 1979 and 1986 because it was deemed by members of Parliament that questioning the effectiveness of government policy would harm the independence of the Auditor-General (Adams 1986). Adams (1986) highlights that the early development of VFM work was hampered by the audit staff’s lack of technical knowledge in the area of VFM audit.

Adams (1986) views the growth of the VFM audit within the Australian federal jurisdiction as fitting the NPM-style Financial Management Improvement Program. Adams (1986, p. 193) highlights that the ANAO developed its first VFM audit methodology—known as the General Audit Manual—as part of the systems-based audit and comprehensive audit in 1984. Adams (1986, p. 193) states that the scope of the VFM audit methodology of the ANAO encompassed areas of legal and administrative compliance, financial regularity, economy and the efficiency of auditee organisations. Adams concludes that the ANAO audit methodologies were not perfect at that time, but were thriving and continuing to grow with the demand coming from Parliament for an audit with a broader scope to evaluate the economy and efficiency of government organisations.
With the same perspective, Hamburger (1988) further extends the argument that the VFM audit was modernised and shaped by the personal view of the incumbent Auditors-General. Hamburger (1989) documents the development of VFM auditing in the ANAO from 1974 to 1987, focusing on how the three Auditors-Generals during this time shaped the VFM audit function of the ANAO. Hamburger (1989) argues that the personal attributes and thinking of Auditors-General shaped the VFM audit function. For instance, the Auditor-General from 1973 to 1981, Steele Craike, modelled the VFM audit function in the ANAO on the General Accounting Office (GAO) of the US. Craike created a separate Efficiency Audit Division with a manager whose specialisation area was engineering and operations research. The Auditor-General from 1981 to 1985, Keith Brigden, disbanded the Efficiency Audit Division and combined it with Financial Audit Division, treating VFM audits as part of a comprehensive audit process. The Auditor-General from 1985 to 1987, John Monaghan, reversed this yet again, and returned to a separate efficiency audit or VFM audit function (Hamburger 1989). Hamburger (1989) concludes that the politics, personalities and institutional structures drove the development of the VFM audit at a federal level, with the personalities of the respective Auditors-General being paramount.

In contrast to Hamburger’s (1989) analysis, Funnell (1998) attempts to highlight that the Auditor-General’s Office remains in a continuing power struggle with VFM audit reporting. Funnell (1998) extends the work of Hamburger (1989), focusing particularly on the struggle between the Executive Government and Auditor-General of Australia from 1978 to 1984, drawing on internal ANAO documents to explore the methods used by the Executive Government to limit or curtail the Auditor-General’s review of government accountability and VFM audit function. Funnell (1998) presents three arguments on the growth of the VFM audit. The first is that the VFM audit and status of the Auditor-General were enhanced through the confrontations originating from the VFM audit recommendations. Second, the VFM audit was a more intrusive form of audit than the annual financial audits. Third, the independence of the Auditors-General was contested by the Executive and auditee organisations, who worked as a team to undermine VFM audit recommendations. Funnell (1998) points out that VFM audit was seen within the ANAO as
a more powerful form of audit than the annual financial audit, and was considered intrusive and a potential threat by politicians.

The changes to the structure and place of the VFM audit described by Funnell (1998) could be understood as stages in a social drama, where the first VFM audit report led to a breakdown of the relationship between the Auditor-General and the Executive Government because it provided a threat to norms of behaviour between the parties. Thus, there was a process of repressive action and the Auditor-General retreated temporarily from the VFM audit function. The action of combining the performance audit and financial audit unit represented a state of ‘reintegration’. Funnell (1998, p. 454) also notes that a financial audit based on clear standards of practice was seen as objective, whereas the VFM audits were considered highly subjective and threatening to the Executive. Funnell (1998) argues that political pressure was consequently placed on the Auditor-General, with a resulting negative effect on quality and independence. Funnell also states that the VFM audit function was in conflict with the Executive. Funnell concludes that the manner in which the VFM audit interacted with the Executive can be understood only by examining the inner workings of the Auditor-General’s Office. Funnell’s arguments are contrary to that of Gendron et al. (2001)—that the Auditor-General’s Office tended to violate the social norms of auditor independence as a VFM auditor. However, neither Gendron et al. (2001) nor Funnell (1998) focus greatly on the inner workings of the Auditor-General’s Office and the development of the VFM audit methodologies.

Guthrie and Parker (1999) also adopt a social theory model that seems to blend elements of external social and political forces and the internal driver of the personal influence of Auditors-General to explain the changing place of the VFM audit in the federal ANAO, although they tend to emphasise the influence of the Auditors-General. While they argue that the growth of the VFM audit function of the ANAO reflected the broader process of NPM and managerialism, they highlight the critical importance of key actors, such as the role and influence of the Auditor-General, Parliament and Executive. Guthrie and Parker show that, although the ANAO had no mandate to cover the issue of effectiveness, it

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11 The Executive has been explained as the members of the governing party of the Parliament (Funnell 1998).
actually dealt with aspects of effectiveness in many of the VFM audit reports. In extending their study to a review of the actual VFM audit reports, Guthrie and Parker highlight an important point that there could be significant variations between the practice, commentary and legal structure of the VFM audit from one Auditor-General’s Office to another.

Gendron et al.’s (2001) observation about the violation of the social norms of auditors’ independence was similar to Guthrie and Parker’s (1999) statement that the Auditor-General’s Office and VFM audit function supported the government’s NPM reform programs. Guthrie and Parker (1999, p. 329) conclude their paper by stating, ‘so performance auditing has shown signs of becoming a potent force in promoting the economic rationalist agenda of government and contributing momentum to the “new managerialism” of the Australian public sector’. Yet, they conclude that the VFM audit function was a malleable masque that changed as it was deployed to reflect the attributes of different actors, and was moulded to reflect the attitudes and political needs of the era. Therefore, internal drivers and external stakeholders are equally critical in the creation of the environment and methodologies for VFM audit practices.

However, it is wrong to view these technologies and practices simply as the solution to an existing social problem. Rather, Jacobs (1998) argues that organisations compete to provide solutions to contemporary perceived problems. Therefore, the relationship between an accounting technology, such as a VFM methodology, and the perceived problem of external stakeholders is not pre-existent or self-evident, but needs to be constructed. Jacobs examined the evolution and development of the VFM audit process from the early 1970s to the late 1990s, as practised by the Auditor-General of New Zealand. Jacobs highlights that the VFM audit function had a reputation and recognition in New Zealand from 1970 to 1994. However, in the early 1990s, the New Zealand Treasury implemented NPM reforms to improve the performance of public sector bodies, and sidelined the Office of the Auditor-General of New Zealand, as the VFM audit work was less relevant to the NPM reform program. To maintain the importance of the VFM audit function within the public sector

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12 In Canada, the VFM audit function supported the NPM reform programs (Gendron et al. 2001). However, in Australia and New Zealand, there was a struggle between the Executive and Auditor-General’s Office. The Executive attempted to curtail the VFM audit mandate given to the Auditor-General’s Office under the NPM
of New Zealand, the Auditor-General changed the VFM audit function to an advisory role of the select committee of the New Zealand Parliament. Therefore, accounting technologies, such as the VFM audit, are not the inevitable solution to the growing ‘accountingisation’ or rise of the ‘logic of auditability’ (Jacobs 1998). This is broadly consistent with Funnell (1998), English (2003) and Pallot’s (2003) arguments that the nature and role of VFM audit practices are a product of ‘struggles’ and contests that involve key actors both within and external to the Auditor-General’s Office.

Radcliffe (1998) pays particular attention to how external elements and actors drive practices of VFM auditing in Alberta, Canada. Radcliffe argues that the VFM audit is created by the social and political environment and by epistemic communities of professional accountants and lawyers. Radcliffe also claims that the state Auditors-General gave their support to outside influences on government reforms to make VFM audit possible. Radcliffe (1998, p. 404) states that:

> to understand the attractiveness of efficiency auditing in the province at that time, one must address political debates and rationalities over a broad horizon, attending both to those that were specific to Alberta, and those that drew from a wider frame.

Therefore, VFM audit involves the creation of audit methodologies and institutional environment of auditability. However, this institutional embedding of VFM auditing within the broader social and political environment was only made practical by the actions of key external actors with professional expertise, and internal actors from within the Auditor-General’s Office (Radcliffe 1998). These key external actors involved in the development of Alberta’s Auditor-General Act included accountants, treasury officials and lawyers. Therefore, Radcliffe (1998) argues that the creation of VFM audit practice involved powerful actors both internal and external to the Auditor-General’s Office, and that the VFM audit emerged and developed as a result of influences from the wider social and political environment and professional accounting associations in Canada.

The development of the VFM audit and subsequent effect on the social norms of auditor independence with the Canadian audit context is further analysed by Gendron et al. (2001).

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reform programs (English 2003; Funnell 2003; Pallot 2003).
Gendron et al. examine the changing role of the Auditor-General of the Province of Alberta from financial auditor to comprehensive auditor, including the VFM auditor’s role from 1979 to 1997. They explore the Office’s mission, audit criteria, nature of recommendations and rhetorical style of reporting. Gendron et al. (2001) argue that VFM audit practice was the product of a collusion between the Alberta Auditor-General’s Office and the NPM reform agenda of the Alberta State Government. Their conclusion is that this collusion undermined the independence of the Auditors-General, as reflected in the financial auditor, because the VFM audit work was intended to provide best practice guidelines to State Government organisations and thus facilitate and support the NPM reform agenda of the government. From the current study’s perspective, this further illustrates the interplay between internal and external factors in the creation of the audit environment. However, Gendron et al. (2001) imply that the external factors (and actors) are the driver, while the internal elements are the follower. The notion of significant external stakeholders in the development of VFM audit methodologies is also evident in Skaerbaek (2009), who places particular emphasis on the role of Parliament and the Public Accounts Committee (PAC) in driving VFM.

These authors paint a complex picture. The emergence of VFM audit does reflect wider NPM reform programs, but is also the product of idiosyncratic Auditors-General and significant actors within the Auditor-Generals’ Offices. However, another important theme evident in the literature is the complex and contradictory relationship between the Auditor-General’s Office and the Executive, and how that relationship moulds the practice of performance audit. Arguably, the most important stakeholder is not the auditee organisation or department, but the Executive.

2.5 The VFM Audit and Consequent Struggle between the Executive Government and Auditor-General’s Office

Funnell (2003) contests that the struggle between the Executive and the Auditors-General has most critically shaped VFM audit function. However, this introduces a paradox. If the VFM audit is a by-product of the NPM, and the Auditors-General have merely supported
the State Government’s privatisation and liberalisation of government entities (Power 1997, 2000; Gendron et al. 2001; Lapsley 2008, 2010; Skaerbaek 2009), why is there a body of empirical studies of the VFM audit in Australian and New Zealand that suggests that the audit is both the product and cause of protracted struggles between the Executive and Auditor-General? Authors such as Funnell (2003), English (2003) and Pallot (2003) argue that, rather than promoting VFM audit, NPM reforms were used to curtail the audit mandate and independence of Auditors-General. However, these attempts have not always been successful, particularly when the audit office has been able to mobilise other external stakeholders as allies.

Pallot (2003) examines the various ways in which the Auditor-General’s Office has facilitated or challenged public sector reforms in New Zealand. Pallot’s primary themes are the New Zealand Treasury’s attempt to displace democratic accountability with managerial accountability, and the reactions of the New Zealand Auditor-General’s Office. Pallot points out that a compromise had to be reached between the public sector audit function and the Auditor-General’s Office of New Zealand because of pressure from the New Zealand Treasury to divide the public sector audit function into two organisations—Audit New Zealand and Auditor-General of New Zealand. This reorganisation resulted in a broader framework that fitted within the NPM reform based on public choice theory, agency theory and theories of property rights.

At the beginning of the reform process, the Audit Office of New Zealand acceded to the New Zealand Treasury reforms. In the last stages of the struggle, the Auditor-General managed to maintain a well-established position within the Parliament and the Executive though mobilising the public as allies. New Zealand rejected key elements of the NPM reforms and removed the Executives who were responsible. Pallot (2003) describes this transformation as the replacement of ‘public managerialism’ with ‘public governance’, and this resulted in the restoration of much of the influence of the Auditors-General, combined with the strategies to retain and protect the VFM audit practice that Jacobs (1998) describes.
The struggles between the Auditor-General and the Executive around practices of VFM audit were also evident in Australia. English (2003) describes the reforms undertaken by the Kennett Government (State of Victoria) to the VAGO from 1997 to 2000 and argues that the reform of the Victorian Auditor-General’s Office and VFM audit reflected the personal political motivations of the Executive. English highlights the fact that the Auditor-General had criticised the government through VFM audit reports, and the State Government consequently restricted the Auditor-General’s audit mandate. English suggests that the Kennett Government’s reform process transformed the Victorian Auditor-General’s role into that of a messenger between the Victorian Parliament and the auditors. English argues that private sector auditors could not provide audit reports that met the expected audit scope, depth, quality and impartiality to discharge the responsibility for public accountability in a similar manner to the Victorian Auditor-General.

Funnell (2003) argues from a broader conceptual level that NPM or managerialist government reforms and constitutional accountability in Australia, by contracting out government services to the private sector, violated and concealed public sector accountability and audit requirements. The practice of VFM audit was constrained by these circumstances, which rendered Auditors-General helpless except to divulge violations of public sector accountability to the general public and Parliament (Funnell 2003). Therefore, Funnell’s (2003) and English’s (2003) perspectives state that the NPM reforms enabled the Executive to radically reduce the scope and effect of the VFM audit. However, English is marginally more optimistic because she illustrates how the public resistance to (and the ultimate removal of) the Kennett Executive Government resulted in the restoration of most of the Auditor-General’s powers. Elements of this optimism are evident in a later paper by Funnell and Wade (2012) that suggests that, at the Commonwealth level, the Auditor-General’s Office has managed to maintain the legitimacy and influence of their VFM work, despite challenges from the Executive. Yet this demonstrates that the relationship between NPM and VFM is ambiguous and multifaceted (Power 2000; Jacobs 1998; English 2003; Pallot 2003).
In order to extend and develop understandings of VFM audit, further attention must be given to developing the backstage practices associated with audit methodologies. While some initial work—such as by Radcliffe (1999), Gendron et al. (2007) and Skaerbaek (2009)—introduces the importance of VFM audit methodologies, these need further consideration to underpin understandings of the development of practices of auditability (Power 2003). However, in order to extend understandings of the balance between internal and external forces on the development of VFM audit practice, further attention needs to be focused on how audit methodologies develop, change and are operationalised receptive to the audit environment.

2.6 Development of Audit Methodologies

Since the 1990s, there has been academic interest in the development of audit methodologies, such as RBA methodologies, which are normally understood as a way to sustain the jurisdictional rights and enhance the market share of private sector public accounting firms (Power 2003; Knechel 2007; Robson et al. 2007). While market share does not directly translate into the public sector environment, one way to understand the development of VFM audit methodologies is that they represent an attempt by Auditor-Generals’ Offices to extend their influence and jurisdiction. This argument is reflected by Gendron et al. (2007), who suggest that the Auditor-General’s Office of Alberta established its claim to expertise by developing networks within the audit environment, developing VFM audit manuals and audit reports, exporting its knowledge base to the wider network it had built in the audit environment, and assisting the Government of Alberta to operate in a ‘businesslike manner’. In this setting, networks and stakeholders serve the objective to establish and support claims to expertise.

Gendron et al. (2007) examine how the Auditor-Generals’ Offices of the Province of Alberta established their claims to expertise in VFM audit around the construction of audit methodologies. Gendron et al. (2007) describe this process as ‘importing and exporting performance evaluation audit knowledge’ and suggest that these audit methodologies are centrally linked to the creation of an audit environment receptive to the audit knowledge
base (Power 1996). Gendron et al. (2007) argue that the Alberta Auditor-General’s Office obtained its performance evaluation methods from government entities, and reprocessed those methods by developing the VFM audit practice, which was seen as an extension of their claims to expertise in audit methodology. Thus, the growth of VFM audit methodology was seen as a translation of existing audit practice, the adaption of knowledge from the public sector environment and the re-export of that knowledge to the external context as audit recommendations and good practice guides. Gendron et al.’s (2007) conclusion is that the VFM methodology was a device to extend the jurisdiction and influence of the Auditor-General’s Office. However, despite Gendron et al.’s (2007) claims about the audit methodology, they do not focus on it as an artefact, inscription or actor.

Radcliffe (1999) conducts an ethnographic study and focuses on the deployment of VFM methodologies in practice. Radcliffe’s central argument is that VFM auditors determine what is efficient and effective based on their surrounding social and political environment. This would seem to be an interesting divergence from the simple jurisdictional argument, as the social political environment is not under the direct control of the auditor. However, rather, this further reinforces the notion that the audit methodology, audit environment and audit practice cannot be clearly separated. Radcliffe examines how state auditors determine the economy, efficiency and effectiveness of auditee organisations, in the usage of resources and achieving the organisational objectives, by observing VFM auditors while working on audit assignments. Radcliffe pays particular attention to the VFM audit methodology manuals developed by the Auditor-General’s Office and observes how auditors deploy the audit manual while they are in the field.

The widespread belief among stakeholders outside the Auditor-General’s Office is that the VFM audit is supported by highly technical audit techniques and guidelines, such as audit manuals, audit standards and procedures. Radcliffe (1999) argues that this perceived link with the audit manual and methodology is the reason that VFM audit reports are accorded high priority and reverence by government officials, Parliament, the general public and the press. However, Radcliffe observes that the actual VFM audit work is not heavily supported by comprehensive audit methodologies or procedures, and that the VFM audit
reports are more heavily based on the audit environment and other surrounding social factors, rather than the audit methodology manuals. Radcliffe highlights the important role of methodology and manuals in creating legitimacy and credibility for VFM audit work, but argues that the role is primarily symbolic, rather than a functional tool for jurisdictional claims and market share. This observation has parallels to Guthrie and Parker’s (1999) notion of VFM audit as a malleable masque, and Pentland’s (1993) general observation that the financial audit constitutes a ritual process of cleaning a mass of data in order to create comfort for the stakeholders of the auditee organisations.

If VFM is a malleable masque, a ritual process or a tool for creating symbolic legitimacy, it is not inevitable that it will always perform the same role. In fact, it is inevitable that this role will change as the social and political context changes, despite a relatively stable methodology and manual (this is not to imply that the audit methodology and manual will not change). This notion of a shifting and context-specific role for VFM methodologies is evident in Pollitt (2003), who explores VFM audit practices in the five supreme audit institutions (Auditor-Generals’ Offices) of Finland, France, the Netherlands, Sweden and the UK. Pollitt examines the audit methods used, criteria applied, products generated by VFM audits, and nature of the VFM auditor’s craft. Pollitt argues that the Auditor-Generals’ Offices perform four overlapping roles as VFM auditors: public accountant, management consultant, scientific or research-based organisation, and judge or magistrate. Therefore, I would expect that the nature of this role would change at different times and in different contexts. However, it would be reasonable to argue that the nature of the context, the existing encoded VFM methodology (reflected in manuals and handbooks), and the interaction between internal and external stakeholders would all play significant determining roles. Further work is required to better understand these interactions.

Some evidence on the relationship between audit methodologies, stakeholders and the role played can be derived from Skaerbaek’s (2009) examination of the practice of VFM in the Auditor-General’s Office in Denmark in the Defence Department of Denmark. Skaerbaek (2009) suggests that the Auditor-General’s Office combined both the public accountant role and the management consultant (moderniser) role because it persuaded the Defence
Department to develop a management accounting system that could be more easily audited (public accountant) by the Danish Auditor-General’s Office. While Skaerbaek (2009) concludes that there was a conflict in this dual role of moderniser and auditor, this conflict was not questioned or challenged by key external stakeholders, such as the Parliament or PAC. Therefore, the role of the VFM audit and auditor is dependent on negotiation between context, methodology and critical stakeholders.

Similar observations are implicit in Funnell and Wade (2012) as auditor and auditees negotiate their relationships and therefore determine the role played by a particular VFM audit. Funnell and Wade (2012) argue that auditors, consultants and members of PAC are positive about the VFM audit, and these parties prefer the growth of the VFM audit over the financial audit. The auditors, consultants and members of the PAC also have vested interests in the VFM audit practice. Funnell and Wade (2012) argue that the most critical external stakeholder in determining the nature and role of VFM audits is the Parliament. Increasingly, the VFM audits can be seen to fit Pollitt’s (2003) management consulting archetype, as the VFM audit is a source of institutional pressure on behalf of Parliament to drive auditee organisations to achieve economy, efficiency and effectiveness.

Despite this rich and informative body of literature, there has been relatively little direct focus on the effect of the creation and development of VFM audit methodologies on VFM audit practice. Radcliffe (1999) dismisses audit methodologies as being simply symbolic, and claims that the audit environment and setting are critical. However, the audit environment is only one part of the practice of auditability. Thus, it is timely to focus more directly on the question of the development of audit methodologies, and recognise how the nature of those audit methodologies can change over time. In order to achieve this, I argue that it is profitable to reflect on the existing studies on the development of Risk Based Audit (RBA) methodologies developed by private sector audit firms.

Knechel (2007) and Power (2007) argue that the broader audit profession has undergone a transformation process due to the demands created by the audit expectation gap, and that, as a response, audit firms have developed audit methodologies to understand business risk and
its effect on audit risk. Knechel (2007) states that RBA methodologies entered the audit profession in the 1990s when the profession abandoned the formalism and structure of the ritual audit process, and paved the way for opportunistic auditing professionals to focus on non-audit revenue services, risking their due care and professionalism. The implication here is that, even in a private sector setting, the role of audit methodologies is both symbolic and functional. However, Knechel (2007, p. 403) argues that the RBA methodologies opened the practice of audit to the increasingly risky behaviour associated with consulting services. This led to a greater need for government intervention and regulation in the accounting profession (such as the establishment of the Public Company Accounting Oversight Board in the USA), which culminated in the enactment of the Sarbanes-Oxley Act in 2002. If this trend is true for VFM audit, one would expect that an increasing flexibility and the risk-based focus of VFM audit would lead to more ‘consulting’ oriented (Pollitt 2003) VFM audit reports that have the potential to jeopardise the reputation of the Auditor-Generals’ Offices and even the credibility of existing financial auditing practices.

Robson et al. (2007) also examine the rise of RBA methodologies, but argue that the audit methodology could not be separated from the broader economic and cultural context. Robson et al. also argue that these new audit methodologies were driven by the desire to enhance the jurisdiction and legitimacy of accounting firms as ‘business advisers’. However, they also provide observations on the actual process of methodology construction, arguing that the methodologies were a co-construction of abstract audit knowledge and audit field. Khalifa et al. (2007) also develop these notions to argue that the relationship between the audit methodology and the environment is evident in discourse. Khalifa et al. argue that, through their discourse, audit firms represent and legitimise their audit practices to clients and other actors in the audit environment. Khalifa et al. conclude that, through developing audit methodologies and related audit discourses, accounting firms attempt to relate to the audit environment.

Within the academic literature, the role and significance of audit methodologies generally and VFM methodologies specifically is contested and unclear. Some authors argue that the role is primarily symbolic, supporting claims to legitimacy and broader support for the
VFM audit work. There seems to be a clear link between the creation and development of audit methodologies, the claim for jurisdiction and struggles over market shares. It is possible that VFM audit methodologies have supported the growing influence of Auditors-Generals in their public sector jurisdiction, as they are increasingly seen as ‘management consulting’ partners to the Executive. However, there is also evidence from empirical studies that this process is not so straightforward or universal. It is also clear that there is a dynamic and complex relationship between audit methodologies, the audit environment and the key actors that are both internal and external to the Auditor-General’s Office.

Research into the development of RBA methodologies in private sector audit firms suggest that this has increased opportunistic and risky behaviour among auditing firms. If this is also true in relation to VFM audits, one would expect an increasing orientation towards consulting-type audit reports and a significant decrease in the credibility and status of the work of Auditors-General generally. However, this outcome is not inevitable because the audit methodology, audit environment and actors are still tightly connected. What is critical to the development of both the audit methodologies and audit environment is the ability to secure agreement and support from the market (audit context), and this is increasingly embodied in audit discourses that communicate the value and contribution of the enhanced audit methodology and environment to key external stakeholders.

2.7 Research Contributions and Aim of the Study

The objective of this study is to more fully understand the nature of the historical development and contemporary deployment of VFM audit methodologies, and how these methodologies are operationalised in the audit environment. Despite the rich body of existing work, relatively little attention has been paid to the historical development, structure and function of the audit methodology in this setting. This work is necessary to validate or challenge relative claims for the symbolic or functional contributions of VFM audit methodologies to VFM audit practice. In that sense, the nature of the audit methodology is seen as a critical backstage element in the performance of VFM audit.
There has been little work on how an Auditor-General’s Office constructs and frames audit methodologies as a longitudinal process, even though VFM audit methodologies are central to audit practice. It is necessary to understand why VFM audit methodologies were developed, who were the actors that supported the development of those methodologies, how those audit methodologies were developed, how those audit methodologies interacted and operationalised the VFM audit within the audit environment, and how those audit methodologies and other backstage practices enhance the legitimacy of the VFM audit practice. This task of examining backstage practices of VFM audit involves examining the development of VFM audit methodologies, strategic planning and other in-house procedures of an Auditor-General’s Office for a long period, from the commencement to establishment of the VFM audit practice.

While I recognise that there is a dynamic relationship between the audit methodologies, audit practice and audit environment, I argue that the failure to more fully explore the nature and development of the audit methodologies has ignored the possibility that the audit methodology itself (as embodied in manuals and handbooks) is a significant actor in this process (as audit methodology could function as a non-human actor). In addition, the audit methodology may change over time and in different environments.

The notions of discourse raised by Khalifa et al. (2007) provide a powerful way to access the practices associated with the construction of VFM auditability. Clearly, there is considerable confusion regarding the dynamic relationship between audit methodologies, audit environments and key actors both internal and external to the Auditor-General’s Office. However, discourses embodied in the published reports and strategic planning process (conveniently published by the Auditor-Generals’ Offices in a manner not done by private accounting firms) provide a way to understand these dynamics and practices associated with the construction of VFM auditability. In summary, these research objectives are captured by the single phrase:

How are regimes of auditability created and enacted in an Auditor-General’s VFM audit practice?
Chapter 3: Theoretical Framework

3.1 Introduction

This chapter describes the theoretical framework of the thesis, which is informed by the notions of framing and overflowing, and supplemented with the concepts of actors, scripts and inscriptions. Section 3.2 provides justification for applying the notions of framing and overflowing to this study. Section 3.3 provides a brief overview of the concepts of framing and overflowing. Section 3.4 explains the theorisation of the development of auditability in the VFM audit, describes potential framing and overflowing in the development of VFM audit methodologies, and discusses the enactment of these in the audit environment.

Prior research into VFM audit has focused mainly on the processes or outputs of the VFM audit practice, and struggles regarding the emergence and development of VFM audit and the independence of the Auditors-General, which can be described as front-of-house processes. What is less well understood are the back-of-house practices\textsuperscript{13} associated with the creation, development and deployment of VFM audit methodologies. Power (1996, 2003b) coined the term ‘construction of auditability’ to describe these back-of-house elements (particularly the creation of audit jurisdictions associated with the development of audit methodologies and environments). Although a number of researchers have studied how audit environments are created, less attention has been paid to the creation of audit methodologies and the relationship between audit methodologies and audit environment within the broad framework of the development of auditability.

\textsuperscript{13} The terms ‘front-of-house’ and ‘front stage’ are synonymous, as are ‘back-of-house’ and ‘backstage’. These terms are taken from social dramaturgy (Goffman 1959). The backstage is where the actors rehearse for the performances that are carried out on the front stage for audiences. An example of a front stage activity for the VFM audit is the publication of VFM audit reports; an example of backstage practices is the development of audit methodologies and strategic plans. The front stage is also an element of the principle of region. A region consists of three arenas or stages: front stage, backstage and outside (Goffman 1959).
Power (1996, 2003) and Robson et al. (2007) offer a potentially useful way to explore these back-of-house elements and reconcile them with the front-of-house activities associated with VFM reporting. Power (1996) argues that audit methodologies represent the abstract knowledge of a professional practice that initially defines and creates the skills and boundaries of that practice. This argument reflects the conceptual work of Abbott (1988). Therefore, processes of auditability can be understood as linked intrinsically to the establishment and expansion of professional jurisdictions—most particularly to the establishment and expansion of the accounting profession in the area of auditing (and the corresponding suppression of the jurisdictional claims of other professional groups).

Many of these theoretical themes and ideas are evident in the work of others in this area. However, some authors (Gendron et al. 2007; Skaerbaek 2009) have shifted from the collective focus evident in Abbott (1988) to explore the behaviour and actions of individual public sector auditors. On this basis, one would expect to see a close link between the development and deployment of audit methodologies and expansion of the accounting jurisdiction. Robson et al. (2007) provides that kind of analysis by testing Power’s (1996, 2003b) theoretical argument, making things auditable, or construction of auditability in the context of UK accounting firms. They found that firms engaged with the construction of audit methodologies to enhance their reputation and market share.

In subsequent work, Khalifa et al. (2007) reach similar conclusions, arguing that audit methodologies and relevant audit discourses drive the development and creation of a given audit environment. Similar issues are debated in the broader accounting literature that has examined the growth and influence of RBA methodologies. On one hand, Fischer (1996) suggests that the primary motivation for these RBA methodologies was to enhance audit efficiency and lower audit cost. On the other hand, Knechel (2007) challenges Fischer (1996) to suggest that, while audit methodologies may have an efficiency element, they also enhance the market share of public accounting firms for non-audit services. It would be reasonable to suggest that both these functional benefits (cost reduction and market share enhancement) might be present to a greater or lesser extent in any given context. O’Dwyer et al. (2011) represent a shift away from the rationalist assumptions of the earlier
work, arguing that the development of audit methodologies for environmental auditing did not automatically give rise to jurisdiction, but was dependent upon the creation of legitimacy for new audit practices.

Therefore, there is a reasonable understanding of the potential relationship between audit methodologies and jurisdictional claims by auditors. It could be expected (particularly in the public sector context of the VFM audit) that one of the primary drivers for developing audit methodologies is expanding the mandate of the auditor. This might also require the creation of legitimacy for these new audit practices (Gendron et al. 2007). However, although the motivation for the expansion of audit methodologies has been explored (Fischer 1996; Gendron et al. 2007; Knechel 2007), the nature of the processes, stakeholders/actors and strategies by which these methodologies are developed and fitted to a given audit environment is still not well understood. Therefore, I suggest that additional theoretical tools are required that move beyond Abbott’s (1988) framework of abstract knowledge and jurisdictional claims to understand the fabrication and operationalisation of VFM audit methodologies.

It is argued that the theoretical notions derived from Goffman (1959, 1974) and Callon (1998, 1999) powerfully contribute to this area. This thesis draws on the notions of framing derived by Goffman (1974) that have been enhanced and extended by other sociological theory authors, such as Callon (1998, 1999), to explore the sociological perspective of operations of economic markets. The dual notions of framing and overflowing, supplemented with concepts of actors and inscriptions, were adapted to accounting research by Christensen and Skaerbaek (2007), Skaerbaek (2009), Skaerbaek and Tryggestad (2010), Wittle and Mueller (2010) and Asciu and Lovell (2011). This was done to understand the development of accounting and audit methodologies, and their interactions with the surrounding economic, social and political environment.

This adaptation provides a way to move beyond the explicit and implicit theorisation derived from Abbott (1988) and Power (1996) to more fully consider processes at the level of the individual, in the operation of mediating devices, such as organisational plans and
strategies, and in the more formalised processes associated with the creation and development of VFM audit methodologies. Abbott (1988) provides little insight into the relationship between the knowledge embodied in these methodologies and specific auditors, and little explanation for the nature and role of mediating devices, such as strategic planning documents.\textsuperscript{14} Power’s (1996) notion of ‘making things auditable’ is further expanded in this thesis to better understand how VFM audit methodologies are operationalised through interacting devices, such as the strategic planning documents of Auditor-Generals’ Offices. However, the dual notions of framing and overflowing supplemented with the concepts of actors, scripts and inscriptions provide insights and tools that more directly address these different ontological levels (Christensen & Skaerbaek 2007).

3.2 Selection of the Theoretical Framework

This study adopts the concepts of framing and overflowing (Goffman 1974; Callon 1998, 1999), supplemented with the concepts of actors, scripts and inscriptions (Callon 1986; Latour 1987, 2005), which brings a dynamic practice focus to the research problem of construction of auditability, built on the notions of influencing power of inscriptions. This study’s theoretical framework assumes that the VFM audit process is similar to a theoretical drama or ritual in which uncleaned data and information are purified to provide comfort and assurance to the audience of the VFM audit (Pentland 1993; Power 1996; Guthrie & Parker 1999; Skaerbaek 2009). Therefore, the theoretical framework of framing and overflowing is built on Goffman’s (1959) earlier work of the ‘Presentation of Self in Everyday Life’, which introduces the principles of dramaturgy, such as actors, audience, scripts, impression management, backstage and front stage. Framing (Goffman 1974) is a further extension of the concepts of social dramaturgy (Goffman 1959), in which the social events and interactions of actors can be framed to provide meaning to those scenarios. Within the framed boundary, the social interactions of actors can be defined and explained in a meaningful way, as highlighted by Callon (1998, p. 249): ‘The frame establishes a

\textsuperscript{14} Strategic planning documents include corporate plans, annual plans and annual reports.
boundary within which interactions—the significance and content of which are self-evident to the protagonists—take place more or less independently or their surrounding context’.

Therefore, I use framing and overflowing to analyse the backstage processes of the Auditor-General’s Office. Framing provides the necessary demarcated boundary to describe how audit methodologies are framed by various actors within the Auditor-General’s Office. Goffman (1974) argues that some frames are postulates and structures that are neatly presentable. Likewise, I assume that an audit methodology and strategic plan are a set of postulates and structures that defines the complex relationship of the VFM audit practice, and those methodologies and strategic plans provide a meaningful framework for the VFM audit practice to connect with the outside world or audit environment.

The dynamic nature of audit methodologies and audit environment requires a dynamic theoretical framing. In addition, the way these audit methodologies are enacted through strategic planning processes requires a dynamic focus on practice. It is argued that the construction of auditability is a series of processes that involve the development of audit methodologies, and implementing those methodologies in the audit environment. These series of processes need to accommodate the performances and relationships between various actors in the VFM audit actor network. These actors include humans, non-human actors, physical structures and macro-structural organisations.

The adopted theoretical framework has several features to explain these processes and elements of development of auditability. First, the framing and overflowing helps to define and understand the actors, structures and processes within a demarcated space or boundary. This study argues that the audit methodologies are developed as a frame in which these actors, structures, roles and processes are documented. However, the audit methodology frames are neither permanent nor perfect, and the frames begin to overflow. The overflows are similar to the externalities of the previous frame or model. Thereafter, that model is modified to accommodate the overflows. Therefore, it is suggested that the framing and overflowing of audit methodologies is a continuous process of regenerating the audit methodologies that accommodate the actors, structures and processes in VFM audit practice, as per the changing environmental influences or factors.
Framing can describe how structures, institutions, practices and interrelationships affect the behaviour of actors. It provides a lens to focus on how these various forces and actors affect audit methodologies and audit practice. The central phenomenon of audit practice is the abstract knowledge or audit methodologies (Power 1996). Thus, framing is an exercise in developing this abstract knowledge, which includes the conceptual framework, definitions and descriptions of actors and their relationships with other actors. This is similar to the argument that ‘frameworks are the tacit stock of knowledge that actors draw upon in their everyday interaction’ (Christensen & Skaerbaek 2007, p. 105). Further, framing can describe:

- who or what are the actors or agencies involved in the VFM audit
- what the influences or forces are that work as externalities that create framing and subsequent adjustments to frames
- in what time periods these frames are built
- what categories of frames are built
- what social interactions occur in the development of frames with individuals and agencies.

Accordingly, exploration of framing and overflowing in VFM audit practice can build up a story of the development of audit methodologies and how they affect the audit environment and practice. The VFM audit practice is also ever changing in response to the surrounding influences from the economic, social and political environments. This is reflected in the way that externalities or overflows are framed, whereby potential disorder is transformed into order (Callon 1998, 1999).

I argue that audit methodologies are enacted within the audit environment through in-house strategic planning processes, and the strategic planning of an Auditor-General’s Office is considered a discursive and representational exercise. Therefore, it is argued that, in order to operationalise the methodologies, the Auditor-General’s Office needs to identify the needs of the audit environment and deliver the audit outputs generated through audit methodologies to that audit environment. The audit environment is a separate system outside the boundary of the Auditor-General’s Office, and it constitutes the Parliament,
auditee organisations and other stakeholders. This study suggests that strategic planning serves as an interactional link between the audit methodologies and audit environment. Therefore, these processes of linking the audit methodologies with the environment are also a framing and communication process. In one way, the Auditor-General’s Office needs to identify and frame the needs of the audit environment. Subsequently, the needs of the audit environment are to be accommodated and connected to the audit methodological framing process. I suggest that there should be institutional processes within the Auditor-General’s Office to establish the link between the audit methodologies and audit environment. Accordingly, framing and overflowing has the power to describe the series of processes in the development and linking of audit methodologies with the audit environment.

This study adopts the concept of ‘inscription’ in order to explain the changing role and power of audit methodologies and strategic planning documents. The concept of inscription is a further development of the concept of script. It is a replica of the geographical location or documents and has three qualitative characteristics: mobility, combinability and stability. Mobility refers to the ability of the inscription to move between actors and contexts. Combinability states that the inscriptions can be manipulated or tabulated, similarly to financial statements, to make economic decisions and to achieve the objectives of the actors. Stability is the ability of the inscription to depict and relate to the setting or context (Latour 1987; Robson 1992). This study argues that the audit methodologies and strategic planning documents work initially as accounting devices (intermediaries) and later transform their role to become inscriptions in the evolution of the VFM audit practice.

### 3.3 Framing and Overflowing

Goffman (1974) introduced framing to enhance understandings of social interactions. Goffman (1974) argues that when a person enters an arena in front of others, that person projects the impending situation and reacts with his or her accumulated knowledge about the people in front of him or her (Goffman 1959, p. 241). Accordingly, that person creates a frame about other people for interactions with them. Therefore, framing is an extension of the principles of actors, audience and region. Goffman (1974, p. 21) highlights that primary
frameworks are a system of entities, postulates and rules of social interactions of actors or agents. Goffman (1974, p. 22) classifies primary frameworks into natural and social frameworks. Goffman (1974, p.21) argues that any meaningless aspect of a social or natural event can be framed as a meaningful interaction of natural or social events. An example of a natural framework is a weather report, and an example of a social framework is the interactions between humans or organisational actors. As such, this study focuses on the social frameworks of actors and organisations. Framing provides the space within a boundary for actors and their audience to interact to achieve their objectives. It disentangles many complications and relationships maintained by the actors and structures in order to create a well-defined negotiation or interaction stage.

Callon (1998, 1999) adopted Goffman’s (1974) notion of framing to study economic markets, combining framing with the economic concept of externalities. In this way, Callon developed the dual notion of framing and overflowing. Framing provides a secure space for actors to perform their interactions and transactions. Framing interactions have human actors, non-human actors, and structures or devices. Framing allows the actors to define and separate their objectives, tasks, and the goods and services with which they are associated. Callon (1998) highlights that there exist calculative agents functioning in economic markets. These calculative agents are buyers, sellers, goods and services, and other various actors. In order to operate these economic markets, calculative agents develop frameworks or contracts:

Framing is an operation used to define individual agents which are clearly distinct and dissociated from one another. It also allows for the definition of objects, goods and merchandise which are perfectly identifiable and can be separated not only from other goods, but also from other actors involved, for example in their conception, production, circulation or use. It is owing to this framing that the markets can exist, that is to say that distinct agents and distinct goods can be brought into play since all these entities are independent, unrelated and unattached to one another (Callon 1999, p. 188).

The above statement highlights that the individuals, goods and structures within the framed space are distinctly identifiable, and this demarcation of actors and structures is identified as disentanglement. Disentanglement implies that there are entanglements of actors and their goods and services in their normal day-to-day activities due to the social interactions.
Therefore, Callon (1998, 1999) argues that framing provides clear and well-defined interaction pathways.

The frames fabricated by actors are not perfect and cannot contain the unintended consequences arising from power struggles between actors and the influences emanating from the economic, social and political environment. Frames can thus overflow due to inherent limitations within them or developments in the surrounding environment. Economists identify these overflows as externalities. In turn, the power struggles between the actors can generate overflows and reshape the relationship between the actors. These overflows and restructured relationships need to be subsequently reframed. These overflows can have negative or positive consequences for the economic, social and political environment. Overflows that spill out from the frames developed by actors may be normal or abnormal and, as highlighted by Callon (1998, p. 252), cannot be framed completely because of changing circumstances in the economic, social and political environment. If framing provides the order for social interactions, overflowing produces the disorder of social interactions in individuals and organisations. Callon (1998) provides two categories of framing scenarios:

1. framing is the norm, while overflows are leaks (Callon 1998, p. 250)
2. overflows are the norm, while framing is expensive and always imperfect (Callon 1998, p. 252).

Callon (1998, p. 261) also recognises that the overflows relevant to economic markets fall into two categories: hot and cold. If the overflows are hot, it is difficult to measure and frame their effect because hot overflows create many entanglements and much public debate. It is complex to identify the actors and sources and describe the overflowing process with accurate estimates. If the overflows are cold, their effect can be measured, their possible world status can be identified, and their sources and actors can be identified with some reliability; thus, framing devices can be developed (Callon 1998, p. 261).

If actors, structures and their relationships can be measured with accuracy, then framing is the norm, and overflows are leaks that can be contained by subsequent framing. Overflows
are the norm in situations where the actors, structures and their relationships cannot be measured with accuracy, and framing is an expensive, long-term and complex process (Callon 1998, p. 252). Some overflows can be both the norm and hot. For example, mad cow disease and its effect on the economic, social and political environment was identified as a situation of overflow, which is both a norm and hot, because it is a complex process of framing, with many actors and immeasurable relationships (Callon 1999, p. 261). This study does not predict either overflows or framing as a norm in order to analyse the development of auditability for the VFM audit practice. I argue that VFM audit practice requirements and standards can be enshrined within the audit methodologies, but occasionally need to be upgraded to accommodate the expansion of professional practice and audit environment requirements.

Framing and overflowing work within an observable space that needs to extend to communicate with the outside world. For that reason, this study draws on the concept of inscriptions (Callon 1986, 1998, 1999; Robson 1992). The inscriptions provide the discursive and communication paths of the stakeholders in VFM audit practice. There is an inherent limitation to framing because it assumes that the relationships of actors take place within a demarcated boundary. However, this limitation of organisational boundaries in framing can be overcome by using the inscriptions that can move between the actors and stakeholders (the Auditor-General’s Office and audit environment).

In summary, this study examines the back-of-house (backstage) practices of an Auditor-General’s Office—namely, the development of VFM audit methodologies and strategic planning processes—using the dual notion of framing and overflowing, supplemented with the concepts of actors and inscriptions. This approach is effective in examining the imperfect nature of the technologies and their re-emergence within the social and political environment (Whittle & Mueller 2010, p. 630). These back-of-house activities have connections with the front-of-house practices of an Auditor-General’s Office. This study argues that audit methodologies and strategic planning documents can work as scripts and inscriptions, and support the growth of the VFM audit practice. For example, auditors, with the support of audit methodologies, produce VFM audit reports for the Parliament, auditee
organisations and general public. This study thus focuses on both human actors and inscriptions that move between the actors and organisations relevant to the development of VFM audit practice, establishing a research argument that the back-of-house activities of developing audit methodologies and strategic planning in an Auditor-General’s Office are central to the development of VFM audit practice.

3.4 Theorising the Development and Operationalisation of VFM Audit Methodologies

The process of constructing auditability can be understood as the joint creation of audit environments and audit methodologies. While these two elements can never be separated, the creation of an audit environment can be seen as more related to front-of-house processes, while methodologies are more related to back-of-house processes. Yet any framing within either the back or front of house is recognised as partial and fragile, as it will always be subject to overflows (be they hot or cold). The question remains is how one might expect these front- and back-of-house elements, associated with practices of performance audit, to be framed. Pollitt et al. (1999) provide some important insights in this area. They examine how VFM audit practices are framed in five European countries (admittedly focusing primarily on the front-of-house elements of VFM and annual reports). Pollitt et al. (1999, p. 106) argue that VFM audit reports reflect four different frames (they called them ‘possible roles’): the judge (giving judgements and decisions), the public accountant (public accountability and transparency), the management consultant (giving help and advice and suggesting improvements) and the researcher (creating new knowledge).

From this perspective, it would be reasonable to expect that VFM audit methodologies within the VAGO would be framed in terms of the different roles of judge, accountant, consultant and researcher. While it would be reasonable to expect that financial audit would be framed in terms of the accounting role (with a base in the judge and perhaps an overflow into consulting and research), it is unclear how the VFM role and consequential overflow would be framed. One would expect that the strategic planning process associated with
VFM audit would be a critical determination of how the back- and front-of-house (in this case, the methodology and audit environment) are enrolled in the framing of VFM audit. In this case, both internal actors and external actors (or ‘audience’) are cooperated in the enactment of VFM audit. As such, I would expect that this would be an important locus (and record) of the collective framing process because key external bodies (such as the Victorian PAEC) have the opportunity to request changes to the plan and VFM audit specifications.

I also expect in this study that the VFM audit methodologies and strategic planning documents would have the influencing power to activate and regenerate the public sector audit function, and, more specifically, the VFM audit practice. I argue that VFM audit methodologies work as inscriptions and move between the actors in the VFM audit practice, and that those inscriptions support the human actors to produce the necessary VFM audit reports. Therefore, the audit methodologies have a role to play in the VFM audit practice. Similarly, the strategic planning documents move between the actors of the VFM audit and frame the possible past and future outcomes of the VFM audit. Hence, I propose that the audit methodologies and strategic planning documents take the agency role in driving the growth of the VFM audit.
Chapter 4: Research Design

4.1 Introduction

This chapter describes the research methodology, selection of the case organisation, data collection and data analysis methods adopted in the study. Section 4.2 provides a brief explanation of selecting the qualitative research methodology for this study, informed by critical and interpretive approaches. Section 4.3 explains the case study research method and justifies its adoption. Section 4.4 describes the data collection methods, while Section 4.5 explains the data analysis method. Section 4.6 provides a summary of the chapter.

The theoretical framework of this thesis highlights that the VFM audit literature will benefit from being extended to examine the construction of auditability through the development of VFM audit methodologies and enacting those methodologies in the audit environment. The VFM audit methodologies and strategic planning documents participate in the performance of the VFM audit practice as inscriptions in influencing other actors to compile VFM audit reports. The theoretical framework discussed in Chapter 3 also suggests that the agency and structural analysis of VFM audit practice could be extended to highlight the importance of VFM audit methodologies and strategic planning of an Auditor-General’s Office as central objects of VFM audit practice. Therefore, the focus of the study is the dynamic and evolving nature of VFM audit methodologies, strategic planning devices and the audit environment to better understand how these three elements drive VFM audit practice. In order to do so, this study adopts a critical and interpretive research approach to explore the VFM audit practice of the VAGO from 1982 to 2007.

The use of qualitative methods in this study aligns with the work of Chua (1986) and Hines (1989), who question the orthodox form of accounting research methodologies. They argue against adopting the principles of positive accounting research methodology to measure accounting phenomena, and instead promote alternative forms of accounting research methodologies. Chua (1986, p. 583) states:
The dominant perspective in accounting has three major features. First, research is largely conducted within a view of reality as an objective phenomenon ‘out there’. Such a realist ontology accepts that accounting phenomena (a) are identical to the technical, social occurrences of the natural world; and (b) may be studied as a detached entity which is divorced from the ‘independent’ researcher. Accounting reality is not seen as a constituted domain which emerges, changes and is changed through a constant interplay between Theory (and the theorizer) and the Real.

Therefore, this study argues that, as an accounting technology, the VFM audit is a socially created activity and has connections with the environment in which it operates (Radcliffe 1999). Socially created functions, such as auditing, need to be evaluated by adopting a qualitative research methodology that is flexible and does not follow any strict predetermined hypothesis. As stated by Covaleski and Dirsmith (1990, p. 543):

‘Qualitative Methods’ is an umbrella term applied to a number of interpretive techniques directed at describing, translating, analyzing, and otherwise inferring the meanings of events or phenomena occurring in the social world. The raw ingredients of qualitative research, the questions asked and methods used in observing behavior, are largely invented in medias res, at the research site, rather than developed a priori, in order for the social context to drive the research rather than a pre-formulated theory. Such research aims to describe the social context being examined with the purpose of developing maps of primarily the social processes but secondarily the social structures in use, in order to provide a basis for subsequent interpretation and analysis.

As highlighted by Covaleski and Dirsmith (1990), the concepts of framing and overflowing, informed with the concepts of actors and inscriptions, are compatible as a theoretical framework and research method to use within a qualitative research methodology because framing and overflowing do not observe prior hypotheses or assumptions. With this departure from a conventional positive accounting research approach, the adopted theoretical framework in this study permits a more sense-making stance to better understand VFM audit–related issues.

The VFM audit literature, which concentrates on the idiosyncratic influences of the Auditors-General and the wider social, economic and political environmental influences that helped the VFM audit to emerge and perform, neglects the technological developments and backstage practices of VFM audit. This study considers VFM audit methodologies and other backstage occurrences that have been able to mould VFM audit practice as core
activities. It argues that the shortcomings of the current literature can be overcome by applying a theoretical framework and research method that transcend analysis focusing on the personal choices of the Auditors-General and the social, economic and political environmental factors that have driven the VFM audit function. Thus, the research methodology adopted in this study has the capacity to examine the daily backstage practice and procedures that helped establish and perform VFM audit practice. This study examines the role of the Auditor-General and auditors, social and political environmental factors, and in-house practice procedures in order to capture the development of VFM audit methodologies and the enactment of those methodologies in the audit environment.

4.2 Research Methodology

The qualitative research methods adopted in this study include archival document analysis, examination of VFM audit files and programs, interviews with auditors, and personal communications with a representative of the Auditor-General’s Office. The audit experience (Robson et al. 2007) of the investigator is also used to analyse and interpret VFM audit reports, audit methodology manuals and programs. These methods allow the researcher a broad view of how the VFM audit changed the public sector audit and accountability culture (Corbin & Strauss 2008, p. 12). The cultural changes, technological developments, malleable nature of VFM audit (Guthrie & Parker 1999), idiosyncratic influences of the Auditors-General, and the Auditors-General claiming VFM audit jurisdiction are all historical events. Thus, qualitative methods are most suitable to explain these attributes in this case context.

The research questions of the study aim to unravel the construction of auditability or ‘making things auditable’ (Power 1996) in VFM audit practice, and thereby explain how the Auditor-General’s Office developed VFM audit methodologies and strategic plans in the backstage. The focus of this study is to explore the evolution of VFM audit methodologies and strategic planning documents in an Auditor-General’s Office from accounting devices to inscriptions, as embodied by VFM reports, corporate plans, annual plans, annual reports, PAEC reports, VFM audit methodology manuals and audit software
packages. Accordingly, the research questions, theory and data involved in this study are interrelated, as highlighted by Ahrens and Chapman (2006, p. 837):

To generate findings that are of interest to the wider management accounting research community, the qualitative field researcher must be able to continuously make linkages between theory and findings from the field in order to evaluate the potential interest of the research as it unfolds. This ongoing engaging of research questions, theory and data has important implications for the ways in which qualitative field researchers can define the field and interpret its activities.

Ahrens and Chapman (2006) highlight the importance of case study research for management accounting, and the need for continual engagement with the research questions, theory and data to provide substantive research evidence and arguments that have universal validity. Similarly, this study on VFM audit continually engages with the research questions, theory and data to generate research findings that are of substantive value to the research community.

The study thus extends the work undertaken by Power (1996, 1997, 2003b), Radcliffe (1998, 1999), Gendron et al. (2001 and 2007), Robson et al. (2007), Khalifa et al. (2007) and Skaerbaek (2009). Radcliffe (1998), Gendron et al. (2007) and Skaerbaek (2009) conduct direct analyses of the reports and documents produced by particular Auditor-General’s Offices. In most cases, archival document analysis, ethnographic observations and interviews are adopted (Radcliffe 1998, 1999). It is also important to consider the VFM audit methodology manuals and relevant electronic audit software packages and planning documents because the research questions of this study focus on the fabrication of VFM audit reports by construction of the audit environment and audit methodologies from 1982 to 2007. This involves a detailed examination of the backstage processes and procedures that support VFM audit practice.

4.3 Research Method: Case Study Method

This study adopts the case study method to examine an Auditor-General’s Office as the research context. The Auditor-General’s Office selected for the study is VAGO. The VFM audit is a complex accounting phenomenon, and examining the development of VFM audit
practice requires detailed longitudinal analysis of the practices, procedures and documents of the Auditor-General’s Office. This enables the researcher to develop new theories, if necessary, about the development of VFM audit (Cooper & Morgan 2008). Similarly, Humphrey and Scapens (1996, p. 100) argue that case studies are useful to examine the development and performance of complex accounting practices:

While recognizing the important contributions of ‘alternative’ accounting research in challenging the well-established roots of accounting knowledge and history, the paper argues that we should move beyond the ‘illustrative’ use of social theory in case-based research. Such uses of social theories have brought the ‘political’ and ‘social’ into the realms of accounting knowledge, but it has not produced significant insights into the intricacies, diversities or contradictions of accounting practice in contemporary organizations. As explanations have largely resided in social theories themselves, rather than in (theoretically informed) observation, accounting research has struggled to explain the differential nature of day-to-day accounting practices.

Accordingly, the case study research method is used in this study to unlock the backstage daily practices of an Auditor-General’s Office in fabricating auditing methodologies, planning documents and audit reports. There are various categories of case studies, such as interpretive, descriptive, illustrative, experimental and exploratory case studies, yet the distinctions between these different categories are not clearly visible (Scapens 2004, pp. 259–260). The present study narrates the history and development of VFM audit practice. It also explains how VFM audit appeared at the ‘margins of accounting’ (Miller 1998) and progressed as an effective public sector audit method within about three decades. Therefore, this study uses an interpretive, descriptive and illustrative case study. The illustrative case study describes why and how new accounting technologies were developed in economic entities (Scapens 2004, pp. 259–260). This study attempts to describe how VFM audit practice was established by developing new audit methodologies and various other internal procedures by an Auditor-General’s Office over a longer period. The case study research method is the most suitable method to examine this development of accounting phenomena over a long period because it allows the research to examine the daily activities of an organisation and its related actors.

This study adopts the concepts of framing and overflowing, supplemented with the concepts of actors, scripts and inscriptions, to address the research problem. As such, the
theoretical framework is compatible with the research method to examine the in-house processes of an Auditor-General’s Office. Examining the VFM audit practice involves exploring the front stage and backstage practices of VFM audit and the creation of the audit environment by the case organisation. The case study method provides the opportunity to examine the inside activities of an Auditor-General’s Office in-depth and over a long period, to explore the backstage and front stage practices and audit environment. The actors\textsuperscript{15} are the Auditor-General and staff of the Auditor-General’s Office, Parliament, PAEC and auditee organisations. One of the front stages of the Auditor-General’s Office is the Parliament, where VFM audit reports are submitted to parliamentary members. The backstage is the in-house activities of the Auditor-General’s Office, in which the audit methodologies and other field activities of VFM audits occur. The actors communicate with scripts and inscriptions that include VFM audit reports, planning documents, annual reports, audit programs and other various documents generated by the Auditor-General’s Office. In this way, in-depth analysis of the establishment and evolution of VFM audit methodologies and other institutional practices at the VAGO is performed.

4.3.1 Selection of the Case Organisation

This study examines the micro-activities undertaken in the development of VFM audit methodologies and audit environment in an Auditor-General’s Office. This requires a case organisation that has engaged in the fabrication of audit methodologies, strategic plans and audit reports, as explained by Scapens (2004, p. 261):

Cases should be selected so that the researcher can focus on the questions to be addressed in the research. The research question(s), together with the theoretical framework that underpins the research, will define the characteristics of the cases to be studied, and the researcher should try to select cases that display those characteristics.

This study selects the VAGO as the case organisation because it has maintained a well-developed VFM audit group of actors and stakeholders (Callon 1986; Latour 1987, 2005) in developing and performing VFM audit practice since 1982. The VAGO is a unique

\textsuperscript{15}Callon’s (1998, 1999) work of framing and overflowing concepts draws from social dramaturgy, framing (Goffman 1959, 1974) and actor network theory (Latour 1987, 2005). In addition to the actors, Goffman (1959) highlights the concept of audience. In this study, the Parliament, PAC and auditee organisations are also members of the audience.
example through which to explore various attributes, such as the idiosyncratic influence of the Auditors-General; the macro social, economic and political influences that have shaped VFM auditing; and an organisation that has developed VFM audit methodologies and strategic plans.

The VAGO engaged actively with the Victorian Parliament, auditee organisations and audit environment, stating that it had expertise to be the auditor to evaluate VFM in government departments and programs. The VAGO was established in 1851 and had a history of 131 years of public sector audit experience before it commenced VFM audit in 1982. The VAGO submitted its first VFM audit report to the Victorian Parliament in June 1982. Subsequently, the Victorian Parliament gave a specific mandate to the VAGO to conduct VFM audits under s. 16 of the Audit Act 1994 of Victoria, Australia. The VAGO had developed audit methodologies for VFM audits from 1984. In implementing VFM audits, the VAGO adopted a comprehensive audit methodology similar to that used in Canadian Auditor-Generals’ Offices since 1982. The VAGO also developed in 2005 its own RBA methodology in collaboration with the Queensland Audit Office (QAO), known as the Integrated Public Sector Audit Methodology (IPSAM). The IPSAM is now used by several Auditor-Generals’ Offices in Australia, including QAO, VAGO, the Tasmanian Audit Office and the Australian Capital Territory Auditor-General’s Office.

The research period for this study is 25 years from 1982 to 2007. Some important political and social events took place during this period. For example, Waldron, who was appointed Auditor-General in 1977, was the architect of the VFM audit under the umbrella of the comprehensive audit approach adopted at the VAGO. Further, there were major developments in VFM audit methodologies and management of VFM audit during this period. The PAEC (2010, p. 23) of the Victorian Parliament completed an inquiry into Victoria’s Audit Act 1994, and, in its discussion paper, recognised the VAGO as expert in VFM audit. It also confirmed that the VFM audit profession was solely limited to the public sector organisations in Victoria (PAEC 2010). The VFM audit practice of the

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16 The comprehensive audit methodology refers to the audit covering the financial audit, compliance audit and VFM audit in one government organisation or project. The VAGO (1984a) adopted the comprehensive audit methodology in order to commence VFM audit practice in 1984.
VAGO experienced changes in the person of the Auditor-General and was subject to broader institutional forces associated with the NPM reforms. Thus, the VAGO has maintained a well-developed VFM audit practice and other attributes, such as audit methodologies and strategic planning process, and has all the characteristics that should be available in order to examine the research problem. The VAGO also assisted in providing access to the inner workings of an Auditor-General’s Office and in providing access to the VAGO’s closed VFM audit files. These matters contributed to selecting the VAGO as the case organisation.

4.4 Data Collection

A formal authority to engage with the VAGO for the purpose of research activities was requested and granted by the Auditor-General to the researcher in 2007. This study is primarily a historical case study in examining the construction of auditability for VFM audit practice by the VAGO from 1982 to 2007. As such, this study belongs to the category of ‘new accounting history’, as highlighted by Miller et al. (1991, p. 395). It attempts to explore transformations in accounting knowledge and practice. As such, multiple sources of research evidence were required from the case organisation, including documents, interviews, observation of actions and meetings, and assessment of the outcomes of actions (see Scapens 2004, p. 206). This study adopted the data collection methods of document analysis (scripts), interviews and communications with designated officials of the VAGO, email communications with former and current senior VAGO officials, and examination of closed VFM audit files. The various categories of documents that were collected and reviewed for this study are presented in Table 4.1 below.

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17 The ‘new accounting history’ has been explained as studies that pay attention to examining how accounting technologies and knowledge are transformed, and how various actors and institutional forces participate in these transformations of accounting knowledge and practice (Miller et al. 1991, p. 395).

18 The primary data for this study were collected from document analysis. The six interviews conducted with the five audit managers of the VAGO and one of the former Victorian Auditors-General complemented and supported the documentary evidence.
Table 4.1: Summary of Documents Examined

<table>
<thead>
<tr>
<th>Name of publication</th>
<th>Period</th>
<th>Number of reports</th>
<th>Research sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VFM audit reports</td>
<td>1982–2007</td>
<td>136</td>
<td>20</td>
</tr>
<tr>
<td>3. Corporate plans</td>
<td>1987–2007</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>4. Annual plans</td>
<td>2000–2007</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>6. VFM audit methodology manuals</td>
<td>1984–2007</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

To gather research evidence, the researcher used ‘hanging-around practical audit knowledge’ (Robson et al. 2007, p. 406). This refers to the researcher’s practical audit knowledge obtained while working as an auditor. I have accumulated over 10 years of experience as an auditor with KPMG Sri Lanka, the Auditor-General’s Department of Papua New Guinea and the QAO in Australia. This practical knowledge was used to read and interpret the data in the VFM audit files. The method of triangulation was adopted to enrich the validity of the research evidence, as recommended by Radcliffe (1999, p. 344), because the information captured from the documents and audit programs could be verified through interviews and personal communications with the staff of the VAGO.

4.4.1 Document Analysis: Published and Unpublished Documents

4.4.1.1 VFM Audit Reports

The study reviewed a sample of 20 of 136 VFM audit reports that were submitted to the Victorian Parliament by the VAGO from 1982 to 2007 (see Appendix 4 and 5). The sample of 20 VFM audit reports was selected by adopting the following criteria.

1. All 3 VFM audit reports submitted by Waldron, Auditor-General (1976-1985) to the Victorian Parliament to reflect the details of emergence and policies of the VFM audit from 1982 to 1985.

2. A random sample of another 17 VFM audit reports, stratified to reflect the different time periods and different Auditors-General in order to review and monitor the development of VFM audit methodologies, corporate planning and audit environment from 1985 to 2007.
As Gendron et al. (2007) advises, these VFM audit reports were selected because they serve as mirrors to the VFM audit. The VFM audit reports provide evidence of the gradual development of VFM audit scope, objectives, technology and reporting style over the 25-year period examined in the study. Further, the VFM audit reports sampled were selected to reflect the work of five different Auditors-General who held positions during the research period, thereby addressing the possibility raised by Hamburger (1989) that the personality and practices of the Auditor-General explain VFM audit practices.

In addition to the sample of 20 VFM audit reports, the researcher reviewed six recent VFM audit reports with the relevant computer audit files and hardcopy files to track the development of the VFM audit methodology, known as the AmP, implemented by the VAGO in 2007. The details of the AmP computer audit files reviewed are presented in Table 4.2 below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of the audit file</th>
<th>Days spent</th>
<th>Audit methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 25–27 February 2008</td>
<td>Southern Cross Station Project</td>
<td>3 days</td>
<td>AmP</td>
</tr>
<tr>
<td>2. 17–19 November 2008</td>
<td>Victoria’s Planning Framework for Land Use and Development</td>
<td>3 days</td>
<td>AmP</td>
</tr>
<tr>
<td>3. 14–16 April 2009</td>
<td>Patient Bed Flow Management</td>
<td>3 days</td>
<td>AmP</td>
</tr>
<tr>
<td>4. 12–14 June 2009</td>
<td>Patient Flow and Bed Management in Public Hospitals</td>
<td>3 days</td>
<td>AmP</td>
</tr>
<tr>
<td>5. 23–25 October 2010</td>
<td>Tendering and Contracting in Local Government</td>
<td>3 days</td>
<td>AmP</td>
</tr>
<tr>
<td>6. 6–8 June 2011</td>
<td>Managing Water Infrastructure Projects in Australia</td>
<td>3 days</td>
<td>AmP</td>
</tr>
</tbody>
</table>

The review of the VFM audit reports and AmP methodology was relevant to answer the research questions of how audit methodology was developed, as reflected in VFM audit practice, and how those audit methodologies changed their role from being an accounting device to being a powerful inscription and possibly having agency role.

The VFM audit reports were a rich source of information in elucidating the research themes, such as the relationship between NPM and the VFM audit, development of the VFM audit mandate, Auditor-General’s independence, idiosyncratic influence of the
Auditor-General, development of VFM audit methodologies, creation of the VFM audit environment suitable to VFM audit knowledge, and development of the VFM audit scope. For each of the audit reports included in the sample, the researcher scrutinised the cover letter, executive summary, detailed audit recommendations and audit agency responses to understand the audit findings and recommendations. The cover letter to the Victorian Parliament provided the VFM audit mandate, whereas the executive summary provided the foreword by the Auditor-General, scope of the audit, audit findings and recommendations, and auditee responses to the audit findings. Thereafter, the researcher prepared a data reduction summary report for each VFM audit report and highlighted research themes and data codes. The research themes and data codes are presented in Figure 4.1.

4.4.1.2 Annual Plans and Annual Reports

The researcher reviewed seven annual plans and twenty three annual reports published by the VAGO from 1985 to 2007 in order to answer the research questions regarding how VFM audit methodologies were enacted and operationalised within the audit environment, as reflected by strategic planning in an Auditor-General’s Office. The annual reports provided information such as audit policy and methodological developments, summaries of corporate plans, brief summaries of VFM audit reports and financial audit reports submitted to Parliament. They also provided information about what the VAGO had achieved during that particular year. The annual report outcomes could be compared with the annual plans of the VAGO. The first annual report was submitted in 1984 as per the Annual Reporting Act of 1983. In accordance with the Audit (Amendment Act) 1999, which required the VAGO to submit its annual plan to the PAEC and obtain its comments, the VAGO commenced submitting the annual plan to the PAEC from 2000. The researcher reviewed the seven annual plans submitted to the PAEC from 2000 to 2007 to identify sections relevant to the research themes. Subsequently, the relevant sections were summarised under the research themes and a data summary report was compiled for each annual report and annual plan.
4.4.1.3 Corporate Plans

This study reviewed seven corporate plans completed by the VAGO from 1986 to 2007 in order to examine the major developments and operationalisation of audit methodologies and other in-house practices. The corporate plan works as a script and inscription of the impending drama that will be performed by the VAGO for a three-year period. This study expects that the corporate plans drive and manoeuvre the audit environment, ensuring its suitability for the audit methodologies already developed by the Auditor-General’s Office. The corporate plans can predict the behaviour of the VFM audit actors, which are the Parliament, PAEC and auditee organisations. This study also expects that the VAGO also aligns their interests with those of the VFM audit actors and stakeholders through corporate plans.

This study expects that the corporate plans to change the behaviour of other actors, such as the PAEC and Parliament, because corporate plans work as communicating devices (scripts and inscriptions) moving from the VAGO to the actors and audit environment, such as the PAEC and Parliament. The VAGO completed its first five-year corporate plan in 1986 and has since completed five corporate plans up to 2007. The corporate plans were reviewed to identify important paragraphs relevant to the production of audit reports, the development of VFM audit methodologies and other backstage practices and procedures. Subsequently, these paragraphs were summarised into a data summary report.

4.4.1.4 Parliamentary Acts

The audit acts enacted by the Victorian Parliament since 1857 were reviewed. These audit acts provided the audit mandate and other provisions in relation to auditor independence and the reporting responsibilities of the VAGO. The audit acts function as the binding relationship between the actors and audience (such as Parliament and PAEC) in the VFM audit drama. The VAGO commenced VFM audits through the mandates given by the Audit

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19 The first corporate plan of the VAGO was prepared for a five-year period from 1986 to 1991. The subsequent corporate plans were prepared for a three-year period.

4.4.1.5 Unpublished Reports and Other Documents

This study evaluated the documents maintained by the library of the VAGO in order to plan the data collection sources. Based on this evaluation, the researcher reviewed unpublished reports, such as the Public Bodies Review Committee Report published in 1981 (VAGO 1981). The other unpublished records included internal staff reports completed by staff members of VAGO who had undergone VFM audit training programs in Canada (VAGO 1984b). The PAEC’s reports and performance audit reports compiled by the independent reviewer appointed by the PAEC to evaluate the effectiveness of the VAGO for every three years were also evaluated, because these reports could provide vital information about the performance of the VFM audit comparable to other Auditor-Generals’ Offices and professional accounting firms.

4.4.2 Communications with the Staff of the VAGO

The researcher communicated with VAGO present staff and the Victorian Auditors-General, via several communication methods during the period from 2007 to 2013. These communication methods included interviews, email communications and conversations. The researcher carried out email communications with the official contacts (Audit Manager in the Audit Policy Division and Director-Audit Methodology) of the VAGO, after obtaining the approval from Pearson, the Auditor-General in 2007. These communications and conversations helped the researcher to validate and triangulate the data obtained from the documents and other sources. The electronic and hard copy documentary evidence was maintained for the 6 interviews and the details of them are given in Table 4.3. These communications basically focused upon the historical development of the VFM audit practice, audit methodologies, strategic planning process, auditor independence, and audit planning, field work and reporting phases of the VFM audit. Other email communications
and conversations were carried out to organise interviews with the VAGO staff, obtain and verify information on VFM audit practice and obtain published and unpublished documents maintained by the VAGO.

4.4.3 Interviews

As aforementioned, this was primarily a historical study examining how VFM audit knowledge and practice have been transformed in an Auditor-General’s Office. As such, the researcher conducted interviews with one of the former Victorian Auditors-General and five Audit Managers who participated in this transformation process of the VFM audit practice, in order to understand the various inside actors and other institutional forces that participated in this transformation process (Miller et al. 1991). The researcher followed the interview methodology adopted by critical and interpretive studies on the development of accounting and auditing methodologies. Specifically, the studies done by Dent (1991, p.711), Gendron et al., (2001, 2007) and O’Dwyer et al.(2011) were closely followed as these studies allowed the interview participants to openly discuss the development of new accounting and audit methodologies and practices. The researcher used semi-structured interview method as highlighted by Scapens (2004, p. 267) in order to allow the ‘flexibility to explore the issues in depth’. The researcher adopted the following two procedures when conducting interviews to validate the data given in the historical documents maintained at the VAGO.

1. The researcher allowed the interview participants to express their comments freely in order that the data and information to emerge on the enactment of auditability from the interviews (Dent, 1991, p.711).

2. Interview participants were contacted prior to the interviews through emails and they were provided with a list of broad open ended questions/themes for discussion to explain their experience and knowledge in relation to the development of VFM audit methodologies and the creation of audit environment receptive to those VFM audit methodologies (O’Dwyer et al., 2011, p.39).
The researcher conducted 6 semi-structured interviews from 2008 to 2011 that lasted between one and a half to two hours. The researcher used his previous audit experience to design the interview questions/themes and uncover other information relevant to this study during the interviews. The interview schedule focused on the key information on this case study site and proceeded until no new information was being produced. The researcher requested interviews from all current audit managers in the Performance Audit (VFM audit) Division and the Audit Methodology Division and all 5 Auditors-General worked from 1982 to 2007, who would agree to be interviewed. Only 5 Audit Managers in the Performance Audit (VFM audit) Division and one of the Victorian Auditors-General, had agreed and participated in the interviews conducted by the researcher.

The researcher interviewed five Audit Managers who worked in the VFM (Performance Audit) and Audit Methodology Divisions of the VAGO. The researcher interviewed the Audit Managers and senior officers of the VAGO who worked during this research period before 2007. Those individuals had accumulated audit experience in AmP and other previous VFM audit methodology manuals adopted by the VAGO. The interview details are presented in Table 4.3.

<table>
<thead>
<tr>
<th>Interview date</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 14 July 2008</td>
<td>Senior Director, Performance Audit Division</td>
</tr>
<tr>
<td>2. 17 November 2008</td>
<td>Audit Manager, Performance Audit Division</td>
</tr>
<tr>
<td>3. 18 November 2008</td>
<td>Audit Manager, Performance Audit Division</td>
</tr>
<tr>
<td>4. 22 February 2009</td>
<td>Former Victorian Auditor-General</td>
</tr>
<tr>
<td>5. 05 July 2011</td>
<td>Sector Manager and Audit Manager in the Performance Audit Division—two managers</td>
</tr>
<tr>
<td>6. 06 July 2011</td>
<td>Director—Audit Methodology</td>
</tr>
</tbody>
</table>

The interviews were organised through the research contact official designated by the VAGO. The researcher submitted all research publications based on this research project to the VAGO for approval and consent before they were presented at conferences. These interviews were conducted between 2008 and 2011 at the VAGO. The research period was limited to 1982 to 2007. An interview guide was prepared on pre-planned research themes.
in order to cover the research problem. These research themes included the relationship between NPM and the VFM audit, the development of the VFM audit mandate, the VAGO’s auditor independence, the VFM auditors’ decision-making processes while they were in the field, and the development and usage of VFM audit methodologies. The list of research themes is presented in the Table 4.4. Specific technical questions were asked about the selection of the VFM audit cases, selection of VFM auditors to complete the fieldwork, selection of outside consultants, planning aspects of the VFM audit, actual conduct phase of the VFM audit and reporting stages of the VFM audit.

The interviews were commenced with a courteous and general discussion about the participants’ professional background, education and years of VFM audit experience with the VAGO. The participants were informed about the nature and broad purpose of the research project. They were also informed about their rights to decline participation in the interview and to decline permission to publish the interview details after the interview, as per ethical protocol guidelines. Before each interview commenced, the researcher obtained permission to record it. The interviews were recorded without the name of the participants (except the former Victorian Auditor-General) and were subsequently transcribed. Instead, the participant’s official designation was recorded on the interview, identified as Audit Manager 1, Audit Manager 2 and so forth. In addition to recording the interviews, the researcher noted any important points that arose during the interviews. These handwritten reports were word-processed and documented as a summary report along with the transcriptions of interviews.

4.4.4 VFM Audit Methodology Manuals and VFM Audit Programs

The VFM audit technologies include the VFM audit methodology manuals and audit programs. The five VFM audit methodology manuals developed by the VAGO since 1984 were considered abstract knowledge, and were reviewed in order to examine the development of VFM audit knowledge (Power 1996). In this study, examining the backstage practices included the VFM audit methodologies, audit software packages and programs, hardcopy audit files and other unpublished internal memos and reports. These
documents and scripts were confidential and disclosed the ‘behind the scenes’ backstage drama of the VFM audit. Therefore, the researcher’s practical audit experience with the QAO from 2003 to 2006 was useful for gathering and interpreting the information and data by examining the closed audit programs on IPSAM and AmP.

Accordingly, the researcher used ‘hanging-around practical audit knowledge’ (Robson et al. 2007) to communicate with the VAGO and examine backstage audit files and other information. As such, this study follows arguments similar to those highlighted by Dent (1991, p. 711) in analysing and interpreting the data contained in the VFM audit methodology manuals, programs and planning documents, because the data in those sources originated from the audit field and could not be predicted in advance. The researcher allowed the interpretations to emerge from the actual VFM audit files without making any prior assumptions about the backstage practices adopted by the research context, when addressing the research questions.

4.5 Data Analysis

The data were analysed using three sub-processes: data reduction, data display and conclusion drawing/verification methods (Huberman & Miles 1994; O’Dwyer 2004). Huberman and Miles’s (1994) model is useful because it allows the researcher to condense a vast amount of data into a manageable size, and facilitates subsequent data triangulation. During data reduction, the information in historical documents is highlighted and copied or typed into data reduction tables by using the research themes to address the research questions. From the data reduction tables or matrices, a summarised compressed assembly of information can be developed for each research theme. As the final stage, the researcher can write summarised reports, findings and conclusions for each research question (Huberman & Miles 1994, p. 429).

Huberman and Miles’s (1994) data analysis model was adopted by Gendron and Bedard (2006) to examine audit committee effectiveness by interviewing the audit committee
members of three large Canadian public corporations. Gendron and Bedard (2006, p. 217) developed data reduction matrices compatible with the theoretical themes and thereafter ‘for each corporation, a conceptual matrix was prepared to summarise the main themes discussed by the interviewees’. In the current study, the researcher prepared similar data reduction matrices for each category of documents, such as VFM audit reports, annual plans, annual reports and audit methodology manuals. The data originating from published and unpublished documents were verified through interviews and examination of computer audit files.

Much of the data for this research project originated from historical documents. The researcher read all the research source documents and used professional judgement to analyse the data according to the research themes, as opposed to relying on electronic devices, such as Computer Assisted Qualitative Data Analysis Software (CAQDAS). O’Dwyer (2004, p. 395) highlights the trade-offs involved in this process and argues that CAQDAS can pinpoint and sort data based on the research themes, yet is unable to generate research observations and conclusions for the researcher. Thus, the researcher did not use CAQDAS methods, but manually read all the published and unpublished information relevant to this study, including the interview transcripts.

4.5.1 Data Reduction and Display, Stage 1

Data reduction and display is an exercise in which a large pool of data are summarised under data themes or codes to address the research questions (Huberman & Miles 1994). The major historical events relevant to the research period were recorded in chronological order from 1982 to 2007, emphasising the themes shown in Table 4.4. The data codes were assigned to prepare a data reduction report for each document.
Table 4.4: Research Themes and Data Codes

<table>
<thead>
<tr>
<th>Research themes</th>
<th>Data code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Relation between the NPM and VFM audit</td>
<td>(NPMVFM)</td>
</tr>
<tr>
<td>2. Development of the VFM audit mandate</td>
<td>(AUDMAN)</td>
</tr>
<tr>
<td>3. Observations of the Auditor-General’s independence</td>
<td>(AUDIND)</td>
</tr>
<tr>
<td>4. Idiosyncratic influence of the Auditor-General</td>
<td>(IDEAUD)</td>
</tr>
<tr>
<td>5. VFM auditors’ decision-making process while in the field</td>
<td>(AUDDEC)</td>
</tr>
<tr>
<td>6. Development of VFM audit methodologies</td>
<td>(VFMMET)</td>
</tr>
<tr>
<td>7. Creation of the VFM audit environment suitable to VFM audit knowledge</td>
<td>(VFMENV)</td>
</tr>
<tr>
<td>8. Development of VFM audit scope</td>
<td>(VFMSCO)</td>
</tr>
<tr>
<td>9. Relationship with the Parliament and PAC</td>
<td>(VFMPAC)</td>
</tr>
<tr>
<td>10. Relationship with auditee agencies (organisations)</td>
<td>(VFMAGE)</td>
</tr>
</tbody>
</table>

The researcher analysed a sample of VFM audit reports, annual plans, annual reports, corporate plans and other unpublished documents and reviewed these documents with an open mind, highlighting important paragraphs that were relevant to the research questions. Thereafter, the researcher read these documents a second time to ensure that all important paragraphs were highlighted. These highlighted paragraphs were typed into a data reduction report. The data reduction report was highlighted with the name of the original document, author and date published, for identification purposes. These highlighted paragraphs in the data reduction report were coded with the research themes or codes given in Table 4.4. For example, the annual plan of the VAGO for 2000 to 2001 was read, and important paragraphs of this document were taken to a data reduction report and classified as per the research codes as a trial exercise. Paragraphs relevant to ‘auditor independence’ (AUDIND) were classified under this heading in that data reduction report. Selected paragraphs of each report were classified into the 10 research codes shown in Figure 4.1. To reduce the amount of data to a manageable size and interpret them, the following reports were prepared in sequential order:

1. data reduction report—data reduction and display, Stage 1
2. data matrix for research codes or themes—data reduction and display, Stage 2
3. data summary report—data reduction and display, Stage 2
4. ‘thick’ description report for research themes—data interpretation, Stage 1.

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20 The unpublished documents included audit programs and other internal documents of the VAGO. Some of these documents were available in the library of the VAGO.
The flow of data reduction, data display and inferences/conclusion drawing is shown in Figure 4.1.

![Figure 4.1: Data Reduction and Display Diagram](image)

### 4.5.2 Data Reduction and Display, Stage 2

The researcher prepared a data reduction matrix and data summary report for each document reviewed from the paragraphs identified in the data reduction report in Stage 1. These data reduction matrices included the paragraphs highlighted as important to the primary research code and secondary research codes. An example of the data reduction matrix attributable to the annual plan for 2000 to 2001 (VAGO 2000) is depicted in Table 4.5. Thereafter, a data summary report was prepared for each document category under each research code from the data matrix tables. For example, a data summary report was

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21 Some paragraphs of the documents could be related to more than one research code. The relevant paragraph was first listed under the primary research code and was then listed under the secondary research codes. The data matrix example in Table 4.2 explains this data reduction and display process.
prepared for the annual plan of 2000 to 2001 of the VAGO for each data code, such as the relationship between the VAGO and Parliament and PAEC (VFMPAC) as a pilot. The researcher subsequently wrote summary research notes (a ‘thick description report’) (O’Dwyer 2004, p. 402) for each of these research themes or codes, based on the above data summary reports, in chronological order. These summary research notes were used to write the findings and analysis chapters of this thesis. For example, a data summary report was prepared for the development of VFM audit methodologies (VFMMET) taken from the annual plans of the VAGO. There was also a data summary report for the research code of VFMMET for the annual reports of the VAGO.

Table 4.5: Data Reduction Matrix, VAGO Annual Plan 2000–01

<table>
<thead>
<tr>
<th>Description</th>
<th>Data codes</th>
<th>Other related data codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 3</td>
<td>VFM PAC</td>
<td>VFMAGE VFMSCO</td>
</tr>
</tbody>
</table>

1. Under the Audit Act 1994, the Auditor-General, when examining the public sector, focuses on:
   - performance and accountability of public bodies
   - efficiency, effectiveness and economy of service delivery
   - compliance with legislation
   - probity and financial prudence in the management or application of public resources
   - outcome of funding to third parties such as non-government organizations and the private sector.

Within this setting, we express our corporate purpose as “Improving performance and accountability in the Victorian public sector”.

In pursuit of this purpose, our key outcome is that “Parliament, executive government and agencies have greater confidence in the performance and accountability of public sector agencies”.

We plan to do this by:
   - providing assurance on past events within the public sector
   - furnishing constructive advice, guidance and suggestions for improving the future performance of public sector agencies.”

4.5.3 Data Interpretation (Conclusion Drawing), Stage 1: Thick Description Reports

The researcher wrote a ‘thick’\textsuperscript{22} description report for each research theme, combining the data summary reports and research notes for the five major sources of documents, as highlighted in Table 4.1. These five sources were the corporate plans, annual plans, annual

\textsuperscript{22} A ‘thick’ description report is a descriptive chronological narrative story written for research themes (O’Dwyer 1994, p. 402).
reports, VFM audit reports and interview documents. This exercise is similar to the data interpretation model adopted and explained by O’Dwyer (2004) and O’Dwyer et al. (2011). These thick description reports were enriched with information gathered from examining closed VFM audit files, audit methodology manuals and other unpublished documents maintained at the VAGO, as data triangulation.

4.5.4 Data Interpretation (Conclusion Drawing), Stage 2: Using the Theoretical Framework

The thick description report for each research theme was used to address the research questions, adopting the dual notion of framing and overflowing (Callon 1998, 1999; Goffman 1974) and the concepts of actors and inscriptions (Callon 1986; Law 1986; Latour 1987). Once the thick description for each research theme was written in chronological order, the researcher organised these thick description reports under the research questions in chronological order: the framing of VFM audit methodologies, transforming the role of VFM audit methodologies from accounting device/script to agent and inscription, and creation and development of the VFM audit environment. This process of writing the narrative descriptions as answers to the research questions is similar to what O’Dwyer (2004, p. 403) highlights as developing a narrative story ‘clustered around an analytical theme’.

4.6 Conclusions

This study adopts qualitative research methodology to examine the construction of the auditability in VFM audit practice in an Auditor-General’s Office, in which it examines the backstage daily processes and procedures of the VAGO as a longitudinal study. Therefore, this study uses document analysis, interviews and examination of VFM audit files as research methods. Following Huberman and Miles (1994), data analysis and interpretation were conducted using data reduction, data display and data interpretation, which allowed the researcher to summarise the mass of data available for the 25-year period at the VAGO from 1982 to 2007.
This study expects that the Auditor-General’s Office develops the audit methodologies and strategic plans as back-of-house or backstage procedures to enhance the growth and development of the VFM audit practice. It is expected that the Auditor-General’s Office engages with the VFM audit actors and stakeholders (who consist of the front-of-house or front stage audience) to establish and claim the jurisdictional rights for the VFM audit. It is a process of establishing, building and modifying auditing methodology frames and strategic planning documents for the VFM audit practice. As a result, the theoretical underpinnings of this study are informed by framing and overflowing (Callon 1986, 1998, 1999; Law 1986; Latour 1987, 2005; Goffman 1974). Accordingly, the narrative stories developed from the thick description reports are organised under the dual notion of framing and overflowing to address the research questions.
Chapter 5: Case Organisation

5.1 Introduction

This chapter presents the justification for selecting the VAGO\(^{23}\) as the research context. The aim of the study is to examine how regimes of auditability are created and enacted for VFM audit practice in an Auditor-General’s Office. This study considers the development of VFM audit methodologies and creation of the audit environment suitable to those methodologies through the strategic planning process, in order to examine the research aim of the development and enactment of a regime of auditability.

The VAGO is argued to be a suitable organisation to analyse the research objective because it commenced development of VFM audit methodologies in 1984 and undertook long-term strategies to establish these in the audit environment in 1987 through corporate planning. The VAGO unveiled its first VFM audit methodology document as the ‘Approach to Comprehensive Auditing’, with its third VFM audit report submitted to the Victorian Parliament in 1984 (VAGO 1984a). The first five-year corporate plan of the VAGO was implemented in 1987 by Richard Humphry as Auditor-General. The development of audit methodologies and institutional strategies, such as strategic planning, are vital to the establishment of audit regimes, and the VAGO provides ample evidence in these two aspects in the area of the development of VFM audit practice.

Radcliffe (1998, 1999) and Skaerbaek (2009) examined some aspects of the development of audit regimes relevant to VFM audit practice, such as how auditors determine VFM. Radcliffe and Skaerbaek argue that research studies need to concentrate on different audit jurisdictions because VFM audit practice differs from one Auditor-General’s Office to

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\(^{23}\) The VAGO is one of the State Auditor-Generals’ Offices in Australia. Australia has a Commonwealth Federal Government and eight State Governments: Victoria, New South Wales, Queensland, South Australia, Western Australia, the Northern Territory, the Australian Capital Territory and Tasmania. Each State Government has a Parliament and an Auditor-General’s Office. The ANAO is the Commonwealth Federal Government Auditor-General’s Office.
another, due to differences in the economic, social and political environments. The VAGO provides a unique example to extend this research further because it established its VFM audit practice in line with the Canadian comprehensive audit methodology model, in which a VFM audit is one component (VAGO 1984a). Further, this study concentrates on the development of audit methodologies and strategic planning, and their influence on the VFM audit practice of the VAGO in Victoria, Australia. Much of the previous VFM audit literature in Australia is based on the national ANAO, rather than state Auditor-Generals’ Offices (Hamburger 1988; Funnel 1998, 2003; Guthrie & Parker 1999). In contrast, this study attempts to describe institutional processes in the development of VFM audit practice in an Auditor-Generals’ Office in a State Government of Australia. This has importance for understanding the development of the public sector audit function in State Governments because those state administration systems are embroiled in a local political atmosphere.

The remainder of the chapter is organised as follows. Section 5.2 explains the importance of selecting the VAGO as the case organisation to examine the research objectives. Section 5.3 describes the historical background of the VAGO. Section 5.4 provides the conclusions for the chapter.

5.2 Selection of the Case Organisation

The VAGO was selected as the case organisation because of its transformation of audit methodologies and other institutional procedures over a 150-year period and, more specifically, its transformation of VFM audit methodologies and strategic planning process over a 25-year period under five Auditors-General from 1982 to 2007. The VAGO was established in 1851. Victoria was one of the pioneering states in Australia to adopt the NPM reforms, which was one of the main reasons for the introduction of VFM auditing (Yule 2002, p. 189). The VAGO provides a unique example of VFM audit practice that developed along parallel lines to the Canadian comprehensive audit model. The following statement by the Auditor-General of Victoria explains the VFM audit scope of the VAGO:

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24 It is argued that the NPM and inadequacy of the financial audit to evaluate the VFM in government organisations created the demand for VFM audit (Power 1997, 2003; Radcliffe 1998).
In recent years, my reports to Parliament have included comments on the gradual extension of the scope of audit activity within my office to encompass value for money issues. My comments have centred on the progressive implementation within the office of the audit methodology known as comprehensive auditing. Comprehensive auditing is a concept developed originally in Canada which has its primary application in the public sector. In an external audit context it extends the audit role beyond the expression of opinion on financial statements and questions of regularity or compliance with legislative and policy directives. It embraces the additional component of provision of an independent and objective assessment of the monitoring processes used within organisations to ensure that resources are economically and efficiently utilised and objectives of programs are achieved (VAGO 1984a, p. 1).

This study covers 25 years of the development of VFM audit practice at the VAGO, from 1982 to 2007. The researcher also examined important events at the VAGO surrounding this time because these events influenced the development of the VFM audit during the research period. For example, Waldron restructured audit policies at the VAGO from 1977 to 1982. This change of audit policies affected the research period and VFM audit practice. This period witnessed the submission of annual reports, development of the VFM audit mandate, development of corporate plans and annual plans, separation of the VAGO into two organisations25 and combination of these two institutions once again. Finally, it involved acceptance of the VFM audit jurisdiction by the PAEC of the Victorian Parliament. Even though the VAGO submitted its first VFM audit report to the Victorian Parliament in June 1982, it took eight years to obtain a clear VFM audit mandate through the Audit (Amendment) Act 1990. The VAGO submitted its early VFM audit reports to the Victorian Parliament as Special Audit Reports under s. 48 of the Audit Act 1958. Subsequently, the Victorian Parliament gave a specific mandate to the VAGO to conduct VFM audits under s. 16 of the Audit Act 1994.

The chosen research period permits capturing of some interesting and critical episodes in the development of the VFM audit under a total of five Auditors-General. Important critical events of the change of audit mandate are presented in Table 5.1.

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25 The Audit (Amendment) Act 1997 divided the VAGO into two organisations: Audit Victoria and VAGO. Audit Victoria was a government agency controlled by the Department of Finance. However, the Audit (Amendment) Act 1999 repealed the Audit (Amendment) Act 1997 and combined these two organisations again as the VAGO.
Table 5.1: Development of Audit Acts and Important Events Relevant to the VFM Audit—VAGO

<table>
<thead>
<tr>
<th>Date/Year</th>
<th>Event</th>
<th>Auditor-General</th>
</tr>
</thead>
<tbody>
<tr>
<td>1851</td>
<td>Establishment of the Auditor-General’s Office in Victoria and appointment of Charles Ebdon as the first Auditor-General.</td>
<td>Charles Ebdon</td>
</tr>
<tr>
<td>1857</td>
<td>The first Audit Act became law in 1857. The Auditor-General was replaced with three Commissioners of Audit. This system of appointing three Commissioners of Audit was in force until January 1902.</td>
<td>Edward Grimes</td>
</tr>
<tr>
<td>1958</td>
<td>The Victorian Parliament passed the <em>Audit Act 1958</em>. The first VFM audit report was submitted to the Victorian Parliament in 1982 under s. 48 of the <em>Audit Act 1958</em>.</td>
<td>Redvers Gillard</td>
</tr>
<tr>
<td>1990</td>
<td>The <em>Audit (Amendment) Act 1990</em> was passed, enhancing the mandate for the VAGO to conduct VFM audits. This replaced s. 48 with s. 48 A of the <em>Audit Act 1958</em>.</td>
<td>Ches Baragwanath</td>
</tr>
<tr>
<td>1994</td>
<td>A clear VFM audit mandate was granted to the VAGO by the Victorian Parliament through the <em>Audit Act 1994</em>.</td>
<td>Ches Baragwanath</td>
</tr>
<tr>
<td>1997</td>
<td>The <em>Audit (Amendment) Act 1997</em> passed by the Parliament of Victoria curtailed the audit mandate of the Auditor-General. A new public sector audit entity of Audit Victoria was formed under the Department of Finance of Victoria.</td>
<td>Ches Baragwanath</td>
</tr>
<tr>
<td>1999</td>
<td>The <em>Audit (Amendment) Act 1999</em> was passed, abolishing the <em>Audit (Amendment) Act 1997</em> and Audit Victoria, and reverting the Auditor-General’s audit mandate to <em>Audit Act 1994</em>.</td>
<td>Wayne Cameron</td>
</tr>
</tbody>
</table>

These developments included change of the audit mandate, development of the audit methodologies, development and implementation of the strategic planning process, and establishment of the VFM audit jurisdiction with the PAEC of the Parliament of Victoria. These moments are similar to the four stages of the VFM audit at the ANAO identified by Funnell (1998) as breach, crisis, redressive action and reintegration. As Guthrie and Parker (1999) explain, these stages in the development and performance of the VFM audit are similar to a social dramaturgical performance because the play, script and stage progress through an evolutionary process along with the social and political environment. This study noted that the PAEC of the Victorian Parliament recognised the VAGO’s legitimacy and jurisdiction over the VFM audit in its inquiry into Victoria’s *Audit Act 1994* (PAEC 2010).

This is an explanatory, analytical and evidence-based case study that examines how the VFM audit was developed and performed by making things auditable (Scapens 2004; Power 1996). The researcher plays both an outsider and visitor role in gathering the data for the study. As an outsider, the researcher examined published documents. As a visitor to the
VAGO, the researcher conducted interviews and examined audit programs and files. The criteria for selecting a case organisation are explained by Scapens (2004, p. 265) as follows:

Now, assuming the research questions have been specified, and the nature of the case and the involvement of the researcher decided, the available theories relevant to the case should be reviewed in order to draw up a checklist of things to look for the study. This review of prior theory will determine the way in which the researcher approaches the case.

The case organisation was selected on the basis that it could provide evidence to analyse the research problem more vividly because the VAGO underwent many processes of developing VFM audit methodologies and other related re-engineering of audit processes from 1982 to 2007.

5.3 Historical Background of the VAGO

Victoria was part of New South Wales until 1851, and the Colonial Auditor for the Colony of New South Wales from 1824 to 1851 audited government revenue and expenditure. On 5 July 1851, Charles Ebdon was appointed as the first Victorian Auditor-General. Only seven staff members, including the Auditor-General, worked at the VAGO at its inception (Yule 2002). The first Audit Act, enacted by the Legislative Council and Legislative Assembly of Victoria (Parliament of Victoria) on 2 October 1857 (Parliament of Victoria 1857), introduced the appointment of three Commissioners of Audit. This was effective until the enactment of the Audit (Amendment) Act 1901, which replaced the Commissioners of Audit with an Auditor-General. James Bagge was appointed Auditor-General of Victoria in January 1902. Appendix 3 provides a list of Auditors-General and Commissioners of Audit appointed to the VAGO.

The other major historical event for this period was the enactment of the Audit Act 1958. When the first VFM audit report was submitted to the Victorian Parliament, the then Auditor-General, Brian Waldron, did not have a clear mandate to conduct a VFM audit at that time, although s. 48 of the Audit Act 1958 gave a vague audit mandate. The first VFM audit report was submitted to the Victorian Parliament in June 1982 under s. 48 of the Audit
Act 1958 as a ‘Special Audit Report’. The period for this current research commenced from that date.

During the 25 years examined in this thesis, from 1982 to 2007, a series of transformations of audit practice occurred in the VAGO under the leadership of five Auditors-General. These five Auditors-General submitted 136 VFM audit reports to the Victorian Parliament, details of which are given in Appendix 4. This period extends from the submission of the first VFM audit report in 1982 to the development of an electronic VFM audit methodology, known as the AmP, in 2007. Subsequently, in 2010, the PAEC of the Parliament of Victoria reviewed the Audit Act 1994 and recognised the VAGO as the expert in VFM audit.

The researcher has mapped the growth of the VFM audit through the number of VFM audit reports submitted to the Victorian Parliament by the 5 Auditors-General from 1982 to 2007 (Refer appendix 4). Waldron submitted 3 VFM audit reports from 1982 to 1985 whereas Humphrey submitted 7 VFM audit reports from 1986 to 1987. Baragwanath submitted 51 VFM audit reports for the 12 year period from 1988 to 1999 averaging 4 VFM audit reports per year. Cameron submitted 60 VFM audit reports to the Victorian Parliament for the 6 year period from 1999 to 2006 averaging 10 VFM audit reports per year. Pearson submitted 16 VFM audit reports to the Victorian Parliament from May, 2007 to December, 2007. As such, it can be seen that the VFM audit practice has grown rapidly since 1988.

The VFM audit was financed by the Victorian Parliament from the beginning of 1982. The annual data on appropriations given by the Victorian Parliament to conduct the VFM audits to the VAGO was not readily available in the annual reports of the VAGO from 1982 to 2007. The Victorian Parliament allocated $14.1 million to the VAGO in order to conduct VFM audits and discretionary audits in 2010-11 financial year whereas the VAGO was allocated $20.3 for the financial audit function in the same year (PAEC, 2010, p.6). These figures show that the VAGO utilized 40% of the total budgetary allocations to the VAGO to conduct VFM audits in 2010-11. The VAGO’s organizational structure consisted of 4 divisions namely; financial audit, performance audit (VFM audit), information technology.
and finance and administration. These 4 divisional heads reported to the Auditor-General through the Deputy Auditor-General from 1982 to 2007.

The researcher also attempted to map the growth of the VFM audit at the VAGO through the percentage of the VFM audit staff from 1982 to 2007. There was no readily available information about the proportion of audit staff members working in the financial audit and VFM audit divisions on annual basis. The VAGO reported in its annual report of 1985 that it employed total staff of 154 (VAGO, 1985, p. 23) whereas the VAGO employed 130 audit staff to conduct financial and VFM audits in 2001 (VAGO, 2001a, p. 15). The VAGO also reported that it had total staff of 136 for the 2005-06 financial year (VAGO, 2006b, p.64). As such, this study suggests that the total audit staff might have remained without much variation from 1982 to 2007 but the proportion of the VFM audit staff might have increased relative to the financial audit staff during the research period. This study also suggests over the years that the computer assisted audit technologies (CAAT) might have kept staff numbers without much variation even though the number of VFM audit reports has increased since 1989.

Brian Waldron (1977–1986) was the architect of the VFM audit, and he revamped and rationalised the audit process at the VAGO in accordance with contemporary developments in the private sector audit profession. During his tenure, Waldron submitted three VFM audit reports as Special Audit Reports and shaped the methodology and philosophy of the VFM audit. Waldron also submitted the first annual report of the VAGO in 1985 under the Annual Reporting Act 1983. The other four Auditors-General who worked at the VAGO during the research period were Richard Humphry (1986–1988), Ches Baragwanath (1988–1999), Wayne Cameron (1999–2006) and Des Pearson (2006–2012). To summarise, this 25-year transformation period witnessed a major overhaul of both the front stage and backstage practices of the VAGO.

Politically and structurally, there were also major changes in public sector auditing in Victoria. The VAGO was restructured in 1997 by the Liberal Kennett Government in a manner similar to the Auditor-General’s Office reforms adopted in New Zealand (English
2003; Pallott 2003). As part of these reforms, the VAGO was divided and reformed as two organisations—the VAGO and Audit Victoria. The Victorian Auditor-General’s role became that of facilitator between the Victorian Parliament and the auditors (English 2003). Many of these changes were reversed by the subsequent Labor Government in 1999. The VAGO audit mandate was reverted to in 1999 (through the Audit Amendment Act 1999) under the Audit Act 1994.

The problems on auditor independence and curtailing of the public sector audit mandate faced by the VAGO were not only unique to them. There were other similar attempts to curtail the audit mandate of the public sector audit at the ANAO and Auditor-General’s Office of the New South Wales (AGONSW) (Funnell, 1996, 1998, 2003; Guthrie and Parker, 1999). The VFM audit function of the ANAO was initiated as a result of the recommendations made by the Royal Commission on Australian Government Administration in 1976. The VFM audit function was commenced at the ANAO under the direction of Steel Craik, Auditor-General (1972-81) and subsequently the VFM audit practice at the ANAO progressed well with his successors, Keith Bridgden, Auditor-General (1981-85) and J.V. Monaghan, Auditor-General (1985-88). Hamburger (1989, p.19) highlights that the VFM audit function at the ANAO was commenced in order to improve the accountability but progressed to work as something like management consultancy but he argues that the VFM audit function at the ANAO was not served to the expectations of the audiees and Parliament.

Extending Hamburger’s arguments on the VFM audit, Funnell (1998, 2003) points out that the VFM audit at the ANAO was a powerful audit practice with compared to the annual financial audit as the VFM audit can comment on the managerial performance of the Executive government. This powerful image of the VFM audit among the audience of the Auditor-General’s Offices in Australia created many problems to the Auditors-General’s offices. Therefore, the Executive government attempted to curtail the VFM audit mandate as documented below by Taylor (1996, p.150), Auditor-General from 1998 to 1995 at the ANAO.
I had been told, after I had taken up the appointment, that DoF wanted the efficiency audit function to be transferred to it from the office. If this was true, there were going to be problems with DoF, for such a wish suggested a chasm between our views on the role of such audits and their relationship to the parliament which could never be bridged.

Funnell (2003, p.118) points out that the Executive government in NSW and Queensland made attempts to open-up the public sector audits for competition and giving the choice of appointing the external auditor to the auditee organizations. Funnell (2003, p.118) highlights that the Public Accounts Committees (PACs) of NSW and Queensland have rejected these ideas of public sector audit contestability by the private sector auditors. Pallot (2003, p. 151) and Jacobs (1998, p.343) highlight that the NPM concept became so powerful with the Executive government of New Zealand and as a result of that, the Auditor-General’s Office of New Zealand had to support ideas put forward by the New Zealand Treasury on privatization of government entities and assets under the name of NPM or managerialism. The above comments demonstrate that the problems faced by the VAGO are similar to the VFM audit practice at the ANAO and other Auditors-General’s Office in New South Wales (NSW), and Queensland in Australia and New Zealand (Funnell, 1998, 2003; Pallot, 2003). Therefore, it is apparent that the criticisms and challenges faced by the VFM audit practice of the VAGO are not unique to that Auditor-General’s Office and these challenges were common among the similar Auditors-General’s Offices in Australia.

It is clear that the VAGO is an exceptional example because it experienced changes in the position of the Auditor-General, and was subject to broader institutional forces associated with the NPM reforms in 1980s and 1990s. The VAGO also revolutionised its internal processes, such as audit methodologies and strategic planning, to meet the changing needs of the surrounding audit environment. The major historical events at the VAGO for this period are summarised in Table 5.2. The above historical episodes, transformations in audit methodologies and planning practices adopted justify the VAGO as a valuable case study for examining the research aim of the construction of auditability in a public sector context.
Table 5.2: Major Historical Events of the Development of the VFM Audit—VAGO

<table>
<thead>
<tr>
<th>Date/Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>Brian Waldron appointed Auditor-General of Victoria</td>
</tr>
<tr>
<td>1977 to 1982</td>
<td>Rationalisation of the audit process and policies, such as introduction of comprehensive audit approach and sampling audit methods</td>
</tr>
<tr>
<td>1982</td>
<td>Publication of the first VFM audit report as Special Report No. 1 under s. 48 of the Audit Act 1958 in June 1982</td>
</tr>
<tr>
<td>1985</td>
<td>Issue of the first annual report of the VAGO</td>
</tr>
<tr>
<td>1986</td>
<td>Appointment of Richard Humphry as Auditor-General</td>
</tr>
<tr>
<td>1987</td>
<td>Implementation of the first five-year corporate plan by the VAGO from 1987 to 1991</td>
</tr>
<tr>
<td>1988</td>
<td>Appointment of Ches Baragwanath as Auditor-General</td>
</tr>
<tr>
<td>1990</td>
<td>Audit (Amendment) Act 1990 passed, granting a clear mandate to the VAGO to conduct VFM audits. This revision implemented s. 48 A of the Audit Act 1958</td>
</tr>
<tr>
<td>1994</td>
<td>Granting of a clear VFM audit mandate to the VAGO by the Victorian Parliament through the Audit Act 1994</td>
</tr>
<tr>
<td>1996</td>
<td>Publication of the revised VPAM</td>
</tr>
<tr>
<td>1997</td>
<td>Division of the VAGO into two organisations—Audit Victoria and the VAGO—by the Audit (Amendment) Act 1999</td>
</tr>
<tr>
<td>1999</td>
<td>Appointment of Wayne Cameron as Auditor-General</td>
</tr>
<tr>
<td>1999</td>
<td>Audit (Amendment) Act 1999 passed, replacing Audit (Amendment) Act 1997. Audit Victoria was abolished and the staff of Audit Victoria absorbed by the VAGO</td>
</tr>
<tr>
<td>2004</td>
<td>The Manual for Auditing Performance (MAP) was implemented</td>
</tr>
<tr>
<td>2006</td>
<td>Implementation of IPSAM—an RBA methodology</td>
</tr>
<tr>
<td>2006</td>
<td>Des Pearson appointed as Auditor-General in October 2006</td>
</tr>
<tr>
<td>2007</td>
<td>Implementation of AmP—the first electronically supported VFM audit methodology</td>
</tr>
</tbody>
</table>

5.4 Conclusions

This chapter explained why the VAGO was selected to examine the research question of development and enactment of regime auditability for VFM practice through audit methodologies and strategic planning. This study examines the development of VFM methodologies, the influence of those methodologies on VFM audit practice and the manoeuvring of the audit environment to be receptive to these audit methodologies. It uses the VAGO as the research context, and the research period is from 1982 to 2007. The case study approach fits with the ‘how’ and ‘why’ type of research questions (Cooper & Morgan 2008). The development of VFM audit methodologies and creation of the audit environment receptive to those methodologies depicts a process of transformation, framing and overflowing of VFM audit practice (Goffman 1959, 1974; Callon 1998, 1999; Khalifa et al. 2007).
This is a longitudinal study of the VAGO that contributes to the notion that ‘auditing is a socially constructed activity’ (Humphrey & Moizer 1990) and that auditors ‘make things auditable’ (Power 1996; O’Dwyer et al. 2011). The VAGO is a unique example to elaborate the argument that the development of audit knowledge or methodologies and manoeuvring the audit environment to be receptive to that knowledge supports the legitimacy and jurisdiction of the Auditor-General’s Office. The VAGO developed five versions of the VFM audit methodologies and five corporate plans, and obtained the VFM audit mandate during the research period. The framing and overflowing of VFM audit methodologies and the audit environment is explained in the following two analysis chapters.
Chapter 6: Creation and Evolution of VFM Audit Methodologies

6.1 Introduction

This chapter addresses the research questions of how VFM audit methodologies are developed over time and reflected in VFM audit practice; how the role of VFM audit methodology changes over time in VFM audit practice; and how VFM audit methodologies relate to the four alternative focuses for VFM audit described by Pollitt (2003) (legal, auditing/financial, consultancy and research). This chapter describes the creation and evolution of VFM audit methodologies at the VAGO for the 25-year period from 1982 to 2007. It recognises the possibility that methodologies might evolve from an inanimate instrument (script/inscription or inter-mediator) to a non-human actor (or mediator).

This chapter is organised in the following order. Section 6.2 provides a description of evolution of VFM audit methodologies and practice at the VAGO from 1982 to 2007 and describes the emergence of the VFM audit as special audit projects, establishing the VPAM, contesting the VFM audit practice and development and implementation of AmP in 2007. Section 7.3 provides the chapter’s summary and conclusions.

6.2 Evolution of VFM Audit at the VAGO

The VAGO developed five VFM audit policy and methodology manuals from 1984 to 2007, the details of which are given in Table 6.1 below.

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26 The VFM audit is identified by various names in different audit jurisdictions—namely, performance audit, efficiency audit and VFM audit. The VAGO identifies the VFM audit as a performance audit. The conceptual framework and definitions of VFM audit are described in Appendix 1 of this thesis.
Table 6.1: Summary of the Development of VFM Audit Methodology

<table>
<thead>
<tr>
<th>Description</th>
<th>Year implemented</th>
<th>Auditor-General</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The first VFM audit policy unveiled with the third VFM audit report</td>
<td>1984</td>
<td>Brian Waldron</td>
</tr>
<tr>
<td>2. 1st VFM audit methodology manual—VPAM</td>
<td>1991</td>
<td>Ches Baragwanath</td>
</tr>
<tr>
<td>3. 2nd VFM audit methodology manual—VPAM 2nd version</td>
<td>1996</td>
<td>Ches Baragwanath</td>
</tr>
<tr>
<td>4. 4th VFM audit methodology manual—MAP</td>
<td>2004</td>
<td>Wayne Cameron</td>
</tr>
<tr>
<td>5. 5th VFM audit methodology manual—AmP</td>
<td>2007</td>
<td>Des Pearson</td>
</tr>
</tbody>
</table>

6.2.1 Early Starts: Special Audit Reports and Comprehensive Auditing

VAGO established a special audit review group to conduct VFM audits, and presented their first report to Victorian Parliament in June 1982 on public sector contracting. The second VFM audit report (VAGO 1983) was also on public works contracting, and presented VFM auditing as a logical extension of existing financial auditing practices into issues of economy, efficiency and effectiveness (known as comprehensive auditing). In one sense, this could be understood as a cold overflow that extended the role of financial audit beyond the accountant frame and into the consultant frame. At this stage, there was no formal methodology, thus the auditors extended existing financial auditing approaches, drew on wider program evaluation practices and looked to Canada as the comprehensive auditing role model. One of the auditors of the VAGO undertook a training mission to the Ontario Auditor-General’s Office to study VFM audit practice (VAGO 1984b), and the Auditor-General himself went on a training mission to Canada in 1981 to study the concept of comprehensive auditing. It was following these overseas study tours that the Auditor-General introduced the concept of comprehensive auditing to the VAGO in 1982 (Yule 2002).

The VAGO made its first VFM audit public announcement of the VFM audit methodology policy document with its third audit report in 1984. However, these practices were not formalised into a recognisable document until 1991 (see Table 6.1). The early VFM audit reports established the concept of a comprehensive auditing (and the concept that this would be produced by the Auditor-General) by presenting it as a logical and valuable extension of the financial audit (overflow). However, because there was no formal VFM
audit mandate, these were called ‘Special Audit Reports’, rather than performance audit reports or VFM audit reports, and the Auditor-General justified the work by reference to s. 48 of the Audit Act 1958, which allowed for the conduct of special audits.

The shift into VFM auditing work was presented by the Auditor-General from the traditional financial ‘fault-finding’ role of the VAGO to a constructive or consulting role (VAGO 1983, p. 2). However, the early reports indicate that the framing shift from the ‘accountant’ to the ‘consultant’ was incremental. This was to retain the credibility and wider support for the development of VFM audit.

This balance between a traditional legal and audit-based approach and the emergent consulting role was evident in the ‘best practice’ style of the earliest VFM reports, which drew on the insights derived from the financial audits conducted across the state. The first VFM report was the Works Contract Overview (VAGO 1982), which had a strong compliance element, focusing on whether work contract arrangements were administered in compliance with all relevant legislation, directives and guidelines, with secondary objectives relating to the quality of internal controls and managerial controls in order to ensure financial management and compliance aspects. This actually looked like a step back from the ‘accountant’ frame focus on accountability and a return to a ‘judge’ focus on compliance and legality. However, because this was a general report (and was based on the compliance/judge frame), it was seen as relatively uncontroversial and there were few overflows (Yule 2002).

The second VFM audit report, issued in 1983 (VAGO 1983), was an extension of the earlier one, but represented a stronger shift towards the consulting frame, as the report criticised the mismanagement of key projects, suggesting that there were inadequate administrative, technical and oversight skills (recommended improvements). This report was more controversial because the new consulting frame was more politically challenging and embarrassing (Yule 2002, p. 195).
However, despite the political reaction, the third VFM audit (VAGO 1984a) represented a further extension of the consulting-type work and a greater emphasis on questions of economy and efficiency, which were reflected in the argument that ‘excessive funds are invested in stores which are either obsolete, slow moving or surplus to foreseeable demand’ (VAGO 1984a, p. 32). In this same report, the Auditor-General presented his argument for VFM auditing that drew a link between the emergent practice and the Canadian model of comprehensive auditing. He argued that, ‘it embraces the additional component of provision of an independent and objective assessment of the monitoring processes used within organizations to ensure that resources are economically and efficiently utilized and objectives of programs are achieved’ (VAGO 1984a, p. 1).

This public statement of the VFM audit agenda and the link to the Canadian practice can be seen as part of the strategy to establish and position this more consulting-oriented role, achieve recognition for this work and suppress the overflows associated with the changing frame of audit work. The fact that the VAGO submitted 15 VFM audit reports to the Victorian Parliament under this policy from 1982 to 1991 illustrates both the progressive transformation of the role from pure financial audit to the broader consulting role, and the growing normalisation of this shift (and translation of potential hot overflows into cold overflows). This strategy and narrative was also reflected in the VAGO internal documents that describe the shift as follows (VAGO 1991a, S1-5):

The traditional role of the public sector auditor was one which primarily involved the expression of an opinion on the financial statements of public sector agencies. However, the role has expanded since the 1970s to meet the additional information needs of parliaments and the public. These needs have increasingly been directed at whether or not government programs are administered in an economic, efficient and effective manner and consequently added emphasis has been placed on these issues by public sector auditors. This change in emphasis has been reflected within the Office which has seen a gradual extension of the scope of audit activities to encompass performance audits which address value-for-money or resource management issues.

Therefore, the incremental emergence of VFM auditing can be understood as an attempt by the Auditor-General to shift the work from having a primary focus on the legal compliance (judge) and accounting control (accountant) and into the consulting and advisory space
described by Pollitt (2003). Although there was some initial resistance, this resistance was managed and neutralised as the consulting framing of the VFM work became normalised.

The emergence of the VFM audit outcomes as Special Audit Reports and change in the traditional role of the public sector auditor can be considered an overflow of the traditional financial (accounting) and compliance (judicial) role. However, this can be understood as a cold, rather than hot, overflow\textsuperscript{27} (Callon 1998, p. 261) because the changes were represented as being part of both the wider global NPM trends. They were also a way of addressing the concerns of key parliamentary stakeholders regarding the VFM of public spending (Yule 2002, p. 187; Victorian Parliament 1997, p. 10248; Victorian Parliament 2010, p. 6). In that sense, the development of VFM was framed with both the broader global reform developments and the growing expectation from parliamentarians for information of the VFM of government projects.

One explanation for these changes, and an argument that has been presented by some authors (such as Hamburger 1988), was that this was primarily attributable to the actions and vision of the Victorian Auditor-General at the time (1977–1986), Waldron. While I would not argue that the Auditor-General was the only force, it is reasonable to argue that Waldron was a significant actor in this network. If it were just about the structural forces, then one would expect that the VFM audit model adopted by the VAGO would be the same as the one adopted at the ANAO.\textsuperscript{28} However, this was not the case, as the approach adopted by the VAGO was more closely aligned to the model in the Canadian Auditor-General’s Office and was implemented following Waldron’s Canadian study tour. There is clear evidence of the repositioning of the audit office into the consulting or advisory space.

However, Waldron only oversaw the first three reports and was superseded by Richard Humphry in 1986. Humphry continued and consolidated the VFM work, tabling six VFM audit reports between 1986 and 1988, and extending the emphasis on the

\textsuperscript{27} Callon (1998, pp. 260–261) classifies overflows as ‘cold’ and ‘hot’, as explained in Chapter 3. In cold situations, the effect of the overflow can be measured and related actors can be identified with ease. As such, the overflow can be reframed without difficulties.

consulting/advisory role of the VAGO by producing a good practice guide on foreign exchange management (VAGO 1987a). Humphry was an unusual appointment because he was a qualified accountant with an interest in computer technology, rather than an auditor, and his experience was at the Commonwealth Government level, rather than the State Government level. Humphry’s appointment as the Victorian-Auditor General was also unusual in two other aspects. The previous Auditors-General were experienced career auditors or financial managers but Humphry worked as a computer programmer for the Department of Finance of the Commonwealth Government during his career rather than as a financial auditor. Humphry was younger at the age of 46 when he was appointed as the Auditor-General in 1986, compared with previous Auditors-General appointed to the VAGO (Yule, 2002, pp. 204-206). However, Humphry strongly supported the VFM audit initiatives, and the VFM audit of foreign exchange borrowings (VAGO, 1987a) could be explained as an extension of his background and knowledge in finance obtained from the Commonwealth Department of Finance.

This project was significant for two reasons. First, it showed that the VFM audit work could be understood as a way to address risk (foreign exchange risk, in this case). Second, it was one of the first examples of moving away from financial auditing expertise and the use of outside non-accounting experts in VFM audit work (VAGO 1987a). However, even upon Humphry’s departure in 1988, the performance audit work was still relatively experimental and lacked a formalised methodology or documentation. This did not appear until 1991 and was the work of the next Auditor-General, Chas Baragwanath (VAGO 1991a). Despite Radcliffe’s (1999) argument that VFM audit practices are vague and ambiguous, Power (2003, p. 387) leads me to expect that both audit practices and procedures will be increasingly institutionalised. I would expect that this institutionalisation process would occur through the process of framing and imbedding within a pre-existing audit context or environment.
6.2.2 Establishing the VPAM

Baragwaneth commenced as the Victorian Auditor-General in 1988. He was a qualified accountant and experienced auditor who had worked at both the Commonwealth and State levels in Australia, and had worked both at the ANAO and as the Chief Auditor of the Northern Territory. The practices of VFM auditing became normalised and institutionalised under his leadership as the VAGO developed and issued the first comprehensive VPAM manual in 1991. Baragwanath’s other critical institutional change was to oversee the amendment of the Audit Act to establish a formal and definite mandate for the VFM audit work (s. 48 A of Audit (Amendment) Act 1990) (VAGO 1991a; Yule, 2002).

The VPAM manual was never a public document, but was the only unpublished internal document of the VAGO that provided a comprehensive documentation of VFM audit guidelines and procedures. The structure of this is shown in Table 6.2. Therefore, although it did not constitute a direct public representation, it provided a coherent script for the nature and role of VFM audit for internal actors, and a representation of a coherent abstract knowledge set when dealing with external actors.

The VPAM states that the VFM audit was introduced because the financial audit could not meet the requirements of public sector accountability for the government. Therefore, the extension into VFM audits represents a logical extension of existing compliance and financial audit work (and, by implication, extension of the compliance and financial roles into consulting/advisory roles) (VAGO 1991a, p. 5). While formal standards existed for the financial audit practice, they did not exist for the VFM audit. The VPAM addressed this perceived gap. These standards were promoted to other Auditors-Generals’ Offices in Australia, further reinforcing the claim to knowledge and expertise in the area. For instance, the VAGO (1991c, p. 21) provided training and guidance to the Tasmanian Auditor-General’s Department in the use of VFM audit methodologies in 1991.
Table 6.2: Structure of the VPAM Manual 1991

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<th>Section</th>
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<td>5.</td>
<td>Communicating with auditees</td>
<td>Overview</td>
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<td>Processes to be followed when communicating with auditees</td>
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Source: VAGO (1991a)

The VPAM methodology was produced by a working party within the VAGO, which was chaired by the Auditor-General and conceptualised the process into three key phases (clearly mapping the three phases from financial auditing): planning, implementation and reporting. Paradoxically, the VPAM was described as providing both structure and
flexibility (VAGO 1991c). This paradox can be reconceptualised through the concept of script. While the VPAM manual provided a script that framed the performance of VFM audit, the actors involved (in this case, the auditors) had freedom to ad-lib. In addition, the reactions of the audience affected how the play was performed. Therefore, the enactment of VFM evaluation or VFM audit was an interaction between the actors, manual and audit context. The other aspect of this function was that the manual provided framing to the relationships between the actors, most particularly between the auditors involved in the project, between the auditors and the entity being audited, and between the VAGO and Parliament.

The VAGO issued 24 VFM audit reports under this manual. While the VPAM constituted a practical inscription of the ‘efficiency and economy’ VFM audit mandate reflected in the Audit (Amendment) Act 1990, it is reasonable to argue that the perception of rigour and expertise embodied in the manual facilitated the expanded ‘economy, efficiency and effectiveness’ mandate reflected in the revised Audit Act produced in 1994. The expanded and enhanced mandate was re-encoded in the 1996 revision of the VPAM manual. It was explained in this manner in the revised manual:

Legislative changes which came into effect in June 1990 and July 1994 endorsed and widened the mandate of the Victorian Auditor-General in undertaking performance audits. While audits undertaken prior to that time primarily dealt with questions of economy and efficiency, the mandate now is clearly focused on performance audits which also encompass an effectiveness component. Specifically, Section 16 of the Act defines a performance audit as one aimed at determining whether an authority is achieving its objectives effectively and doing so economically and in compliance with all relevant Acts (VAGO 1996a, p. 6).

In addition to the expanded mandate, the new VPAM included new sections that emphasised the need for communications with the Parliament and auditee organisations, quality assurance and engagement of specialists. There was also some effort to distinguish between the developing practice of VFM audit and the existing practice of program evaluation. While there were acknowledged similarities, the point was made that the VFM audits were conducted by an independent authority (the VAGO) and reported to the Victorian Parliament, whereas program evaluations were conducted within the public sector organisation and reported to management. The independent nature of the Auditor-General
and the ‘client’ relationship with Parliament distinguished the ‘consulting’ role of the Auditor-General from the work of other (competing) consulting providers. From 1996 to 2004, under the revised VPAM manual, VAGO submitted 54 VFM audit reports to the Victorian Parliament.

While the development of VFM auditing was linked with the expansion and change in the role of the Auditor-General (most particularly, an enhancement of the consulting/advisory role), it would be wrong to argue that the VPAM had shifted from being an inscription to a non-human actor. Radcliffe (1999) argues that, while the auditors refer to the audit manual, this does not constitute an actor; rather, human actors construct what is VFM. This also seems to be true within VAGO. However, the institutionalisation of the audit methodology proposed by Power (2003b) was well advanced, and the practice of VFM was now a mature and accepted technology. One might expect that this would have reduced the contestability regarding the practice, and that any overflows associated with the practice would be cold, rather than hot. However, this was not the case, and, from 1997, there occurred one of the most controversial episodes in public sector auditing in Australia (English, 2003).

6.2.3 Contesting the VFM Audit Practice

Baragwanath submitted 51 VFM audit reports to the Victorian Parliament from 1986 to 1999 that reported elements of the privatisation and reform agenda, most particularly of the Kennett Government elected in 1992.29 This was most visible in the 1995 VFM audit on the privatisation of government-owned business undertakings by the Victorian Parliament (VAGO 1995b). At the commencement of this VFM audit, a dispute developed between the Department of Finance and the VAGO over the issue that the Victorian Auditor-General lacked the power to audit the implementation of government policy. Baragwanath argued that the Auditor-General had the power to audit the instrument of policy or the processes to implement government policy, and that the VAGO had a duty to provide independent comment to the Parliament and Executive Government (whether they wanted it or not).

29 Although, it should be noted that Baragwanath was also critical of many of the actions of the prior Cain/Kirner Government (Yule, 2002).
Baragwanath’s position suggests that the primary obligation of the Auditor-General is to serve the interests of the public, rather than the Parliament (or at least the public when it comes in conflict with the interests of the Parliament) (VAGO 1995b, p. ix).

In effect, the nature of the relationship between the auditor and parliamentary stakeholders was reframed, with the primary stakeholder being the public, rather than the Parliament (and definitely not the Executive). It is thus unsurprising that the cold overflow became suddenly and dramatically hot. Consequently, the overflow could not be contained, and the mandate of the Auditor-General (and their underlying expertise, as encoded in the VPAM) was publically challenged by the Executive (as embodied by Jeff Kennett). This resulted in a major review of the VAGO that led (in 1998) to a revision of the Audit (Amendment) Act 1997, where the mandate to conduct VFM audit work (and indeed the capacity to conduct any audit work) was removed from the VAGO. The broad network-wide agreement regarding the mandate and ability of the VAGO in the VFM audit space was terminated. However, this also resulted in the loss of much of the financial auditing work. All public sector audits were transferred to Audit Victoria and to private accounting firms. VAGO (1999a, p. 27) describes this new policy as follows:

The new legislative arrangements have resulted in a fundamental change in resourcing strategies for financial audits with the Auditor-General required to appoint authorised persons, following a process of contestability, to assist the Auditor-General in the financial audit process. As agreed with the Public Accounts and Estimates Committee of the Parliament, all financial audits will be subjected to contestability over a 3 year period, involving approximately 178 audits per year, commencing in the 1998–99 audit cycle.

The Auditor-General’s task was to review contracted audits and submit the audit reports to the Victorian Parliament. This was seen as virtually preventing the VAGO from conducting public sector audits (Yule 2002). In terms of role, the Auditor-General had not only lost the advisory/consulting role associated with the VFM auditing, but much of the core audit and compliance function. It is questionable whether the role of any other Auditor-General within a democratic country has been so reduced. Baragwanath came to the end of his term of office just before the state election in 1999. In his final annual report, he expressed profound dissatisfaction with the new Audit Act and restructure of the audit office:
In my view, I consider it too early to assess the effectiveness of the new system or, indeed, whether any efficiencies in processes or costs will flow from the new arrangements. However, as this 1998–99 Annual Report shows, my Office has sought to implement the changes while maintaining the high level of service we provide to the Parliament, our audit clients, and most importantly, to the Victorian community. It will be imperative for the Parliament to closely monitor the outcome of the revised audit arrangements and, if dissatisfied with the output of the Office in future years, to revisit the legislation (VAGO 1999a, p. 2).

Wayne Cameron assumed duties as the Auditor-General in 1999, on the eve of the election and in this radically restructured institutional setting. The public of Victoria removed the coalition government from power, and restructuring the VAGO was considered one of the issues that caused that defeat (Yule 2002; Houghton & Jubb 1998). Steve Bracks (of the Labor Party) became Premier of Victoria on 19 October 1999, and the new government passed the Audit (Amendment) Act 1999 that reinstated the audit mandate of the VAGO to its original position under the Audit Act 1994. A revised Audit Act was enacted in January 2000, which eliminated the structural changes, further enhanced the Auditor-General’s powers and strengthened the links between the VAGO and Parliament. The enhanced advisory/consulting role was restored and reinforced. However, it was made clear that this relationship was with the Parliament, rather than the public.

Cameron submitted 60 VFM audit reports to the Victorian Parliament from 1999 to 2006. In addition to managing the institutional restructuring (or perhaps, restoration), Cameron’s significant contribution was the transformation of the VFM methodology from a manual to a computer program. The first stage of this process was a minor revision of the VPAM methodology manual, with the MAP in 2004. In this revision, the VFM audit procedures were removed from the manual (but retained as in-house audit procedures), while only the major audit policies relevant to the audit mandate, planning, fieldwork and reporting were retained. Also retained were the scripts that explained the audit mandate given to the VAGO through the Audit Act 1994; the basic conceptual framework of the VFM audit; and the relationships with major actors, such as the Victorian Parliament (most particularly the PAEC of the Victorian Parliament). However, even the abridged audit manual (MAP) noted that there were many VFM audit procedures supporting the manual’s contents:
The revised and restructured MAP contains the legislative, policy and conceptual framework for performance audits. It sets out the roles, accountabilities standards and expectations for conducting and managing audits through their initiation, planning, executing, reporting and closing phases. Numerous hot-linked references, process documents and templates support the MAP (VAGO 2004, p. 1).

How does one make sense of this restructure of the manual and removal of the audit procedures? While this is speculative, one plausible explanation derives from the experience associated with Cameron’s appointment. The challenge to the competence of the VAGO was the VFM auditing space, which would have been an open wound, and the threat that VFM audit work would be conducted by private sector auditors would have been a persistent fear. Even during the hot overflow era of the VFM audit from 1997 to 1999, the Kennern Government openly criticised the fact that VAGO did not have the required expertise to complete the VFM audit, and that private accountants would be more qualified to complete this task (Yule 2002, p. 256). Therefore, the transformation of the audit procedures into in-house/back-of-house knowledge meant that the manual could not be neatly passed to a private sector audit firm at a future point in time.

6.2.4 The AmP

The subsequent technological change that involved the inscription of the VFM audit methodology to a computer-based system represented both a rationalisation strategy and the reality that the VFM audit expertise was now encoded into the technological structure of VAGO. There was no longer any possibility for private firms to attain this. The development of a computerised VFM audit methodology—the AmP (which was implemented by the next Auditor-General, Des Pearson, in 2007)—accompanied the joint development of a computer-based methodology for public sector financial audit—the IPSAM (which was jointly developed with the QAO in 2005). Both the VFM audit methodology (now encoded in AmP) and the financial audit methodology (encoded in IPSAM) could be distinguished from the existing private sector audit practices offered by accounting firms. Pearson succeeded Cameron as Auditor-General in 2006, and reflected
both an ongoing commitment to the VFM audit work and to the technological developments initiated by Cameron.

The AmP is a fully computerised VFM audit methodology, running on the Lotus Notes database in parallel with the RBA methodology of IPSAM adopted by the VAGO. The AmP has the power and capability to collect and process audit evidence, with human auditors generating the VFM audit reports. The AmP attempts to maintain paperless audit working paper files. The researcher examined six VFM audit files (see Chapter 4, Table 4.2) compiled using the AmP in order to understand and document the structure of the audit methodology. The following discussion and analysis are based on one of these—the VFM audit file for Urban Planning: Victoria’s Planning Framework for Land Use and Development (VAGO 2008d). The AmP categorised the VFM audits undertaken by the VAGO into three categories: broad scope reviews, limited scope reviews and review of compliance and probity. The reviewed audit file was classified as a broad scope review VFM audit because this audit covered the planning framework of several Local Government Councils across Victoria.

The AmP was programmed into each VFM audit undertaken by the VAGO. The VFM audit files were operated using computer files that were stored on laptop computers, as well as head office computer servers. The AmP audit methodology was further expanded into three audit stages: audit planning, audit fieldwork and audit reporting. These stages are presented in more detail in Table 6.3.

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<tr>
<th>Stage</th>
<th>Description</th>
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<tr>
<td>1. Initiation</td>
<td>The VAGO sends the agency (auditee) head an engagement letter and the agency names its audit contact person.</td>
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<tr>
<td>2. Planning</td>
<td>The VAGO develops an Audit Specification that describes the audit’s objectives and scope.</td>
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<tr>
<td>3. Conduct</td>
<td>The VAGO gathers evidence guided by the AmP methodology.</td>
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<tr>
<td>4. Assessment</td>
<td>The VAGO issues a preliminary draft of the conclusions, findings and proposed recommendations.</td>
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<tr>
<td>5. Briefing to agency</td>
<td>The VAGO issues the Audit Act 1994, s. 16 (3), proposed audit report to the agency for response.</td>
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</table>

Source: VFM Audit Practice Statement issued by the VAGO (2011d).
The VFM audit processes in the AmP audit methodology are structured and can be easily understood by auditors. The automation of the audit methodology enhances the economy, efficiency and effectiveness of VFM audit practice. The power of the AmP lies in the fact that it has become the common gateway point with which all auditors must engage in order to complete the VFM audit work and reports. The strategies initiated by Cameron and consolidated by Person represent a strategy to develop a clear and coherent claim to a public sector–specific body of knowledge associated with the practice of VFM auditing. This knowledge was first encoded in the VPAM manual. In the former Victorian Auditor-General’s interview, he suggested that the AmP represented:

The upgrading of the electronic audit toolsets (one for financial audits and another for performance audits) used to codify and record audit working papers which occurred toward the end of my term. The financial audit revamp was a major and pioneering exercise, undertaken collaboratively with the Queensland AG’s [Auditor-General’s] Office. I am pleased to see that a number of other Australian Audit Offices now use this audit toolset. Because of my background in IT [information technology] audit, I was also keen to ensure that the hardware and software available to our computer audit specialist group (CRM) was up to the minute. That they were able to provide the assessments of client IT environments and apply software to assist the audit process with quiet efficiency was very satisfying (The former Victorian Auditor-General, 2009, interview transcript, 22 February, p. 3).

The development of AmP can be understood as an act of framing the public sector audit to neutralise the competition or overflow coming from private sector accounting firms. From 1997 to 1999, the VAGO mandate and jurisdiction were questioned by the Parliament as an actor in the audit environment. This threat of overflowing the public sector audit was realised by one of the former Victorian Auditors-General. The former Victorian Auditor-General effectively reframed this possible overflowing situation with the IPSAM–RBA\textsuperscript{30} and AmP methodologies in 2005 and 2007 respectively. As such, this study argues that the development of new audit methodologies is a counter action against future overflows. Evidence for the success of these strategies can be found in the comments from the PAEC of the Parliament of Victoria, who now appear convinced that the VAGO (and only the VAGO) possesses the expert knowledge and capability for VFM practice:

\textsuperscript{30} IPSAM is an RBA methodology developed jointly by the QAO and VAGO in 2005.
There is no direct equivalent in the private sector to performance auditing, as undertaken by Auditors-General in the public sector. While certain specialised private sector consultancy exercises may exhibit some similar characteristics, there is little private sector audit work that reports publicly and independently on a recurring basis on the economy, efficiency and effectiveness of management of performances. The professional discipline of performance auditing is a distinct public sector function, with Auditors-General the leading proponents of the discipline (PAEC 2010, p. 23).

6.3 Summary and Conclusions

This chapter examined how VFM audit methodologies are developed over time and reflected in audit practice; how the role of VFM audit changes over time in the VFM audit practice and how VFM audit methodologies relate to the alternative focus roles of VFM audit, described by Pollitt (2003). The VAGO commenced its VFM audit as part of the comprehensive audit methodology, based on its accumulated professional knowledge and expertise from 1851, and submitted its first VFM audit report to the Victorian Parliament in June 1982. The policy on comprehensive audit methodology published in 1984 became an ‘enabler’ in changing the VFM audit practice and public sector audit frame at the VAGO. It changed the role of the Auditor-General’s Office from financial auditor to comprehensive auditor. The VAGO published its first formal audit methodology and policy on VFM audit in 1984, highlighting that the VFM audit was an extension of financial audit work in selected auditee organisations to review the economy, efficiency and effectiveness of their operations. Thereafter, in 1991, the VAGO developed a VFM audit methodology handbook, known as the VPAM, for field auditors. This provided the structured framework for the VFM audit function.

The introduction of the VFM audit in 1984 can be understood as an incremental change to the traditional role of the Auditor-General in the compliance and auditing frames reflected in the existing financial audit practice, and the adoption of a more consulting frame for their work intended to go beyond the ‘fault-finding perspective’. In order to secure creditability and support, this was represented as a logical extension of existing financial audit practices. However, the change was also supported by broader NPM reform initiatives and the strong advocacy of activist Auditors-General. The major challenge was the establishment of a
coherent legal mandate for the VFM work. Initially, this was only for economy and efficiency work; however, by 1994, it was extended to also include effectiveness. The formal mandate was followed by an attempt to consolidate the internal competences of the VAGO in the VFM audit space with the recruitment of specialist expertise and the development of a VFM audit manual (VPAM).

While the VPAM and Audit Act 1994 would seem to have consolidated the institutionalisation of the VFM audit and establishment of the Auditor-General in the advisory/consultancy role, it actually triggered a form of hot overflow, when the VFM reports strongly criticised the privatisation agenda and practices of the government of the day in 1997. There is potential that this hot overflow was also linked to a reorientation away from the Parliament and towards the public as the client of the VFM reporting process. This conflict was so significant that the fundamental mandate of the audit office was revoked and the power of the Auditor-General to conduct VFM audits (and financial audits) ended.

With a change in government, the retirement of one Auditor-General (Baragwanath) and appointment of another (Cameron), the structures, mandate and credibility of the VAGO were substantially restored. As such, the capacity of the Auditor-General to function in the compliance, financial audit, management consulting and research frame was re-established. Following this restoration were two further dramatic changes to the VFM methodologies. The first was the separation of the VFM audit methodologies and VFM audit policy framework in 2004. While the framework was still publically visible in the MAP document, most of the methodologies were retained as in-house/back-of-house resources. One interpretation of this change is that it retains the VFM knowledge as specific to the Auditor-General and makes it much more difficult for private sector accounting firms to compete in the VFM space. This process of encoding the back-of-house knowledge was further continued in 2007 when the VFM methodologies were incorporated into the AmP computer system. In effect, these methodologies are now closed knowledge that is only shared with other Auditors-General.
This process was successful in restoring the reputation of the VAGO for exclusive control over the VFM audit methodologies and practical knowledge. It firmly underpinned the reframing of the VAGO work away from compliance and financial audit and towards a more advisory/consulting orientation focused on issues of economy, efficiency and effectiveness. However, in that reframing and the subsequent legal mandate, it was reinforced that the client is and remains the Parliament, and the Auditor-General forgets that at his or her peril.

I found that the VAGO developed the VFM audit methodologies as guidebooks or manuals for field auditors from 1991. The audit work and procedures completed by the field auditors remain separated and the audit methodology works as a script to guide the team of auditors on three stages of audit: planning, fieldwork and reporting. However, this situation changed dramatically after the introduction of the computerised AmP methodology in 2007. Under this new audit methodology, there is a processing power to combine the audit procedures, programs, audit evidence, auditors’ decisions and final audit reports into one single computerised audit methodology. Therefore, the AmP methodology has become an inscription that has the power to influence the auditors, Auditor-General and auditee organisations simultaneously, via one computer signal. Therefore, I argue that the first VFM audit methodology introduced in 1984 was a script and change enabler for the VAGO, but was transformed into an active agent and inscription in 2007.
Chapter 7: Enacting Regimes of Auditability: Strategic Plans and Processes

7.1 Introduction

Power (1996) suggests that auditability is jointly constructed through the development and enactment of audit methodologies and audit environments. Therefore, Chapter 6 extended Power’s (1996) theoretical notion of construction of auditability and provided evidence on how VFM audit methodologies are created and developed at the VAGO. Chapter 7 examines how these methodologies are enacted and mobilised at the audit environment through the strategic planning process by the VAGO in Victoria, Australia. It argues that the strategic planning process is a critical part of this auditability regime. It theorises the strategic planning process as the critical intersection of the backstage (back-of-house) elements that drive the development and presentation of audit methodologies and the external environment.

The process of strategic planning involves the creation of a corporate and annual plan for the VAGO (primarily internal/back-of-house) and annual report. The VAGO has not provided a definition for the strategic planning process in its corporate and annual planning documents. Initially, the VAGO prepared a 5 year corporate plan for the forecasting of audit and administration operations and the associated resource requirements giving projected strategic directions in 1987. The VAGO changed the corporate planning period from 5 years to 3 years since 1991. The VAGO produced a diagram of its corporate and annual planning process in its annual plans and identified this process as the ‘strategic planning cycle’ since 2002-03 financial year (VAGO, 2002a, p.13). In 2007, the VAGO changed the title of the ‘corporate plan’ to ‘strategic plan’ and highlighted the VAGO’s purpose and five key result areas, namely; reports and advice, clients, people, organization, in this strategic plan from 2007 to 2010 (VAGO, 2007c, p.2 and 3). As such, this study
used the phrase ‘strategic planning’ to highlight the VAGO’s back stage activities on preparing and implementing the corporate and annual plans and associated annual reports.

These strategic planning documents that have been designed to communicate and represent the framing of VFM audit to key actors in the external environment, such as Parliament, audited organisations and the general public. In addition, some of these audit environmental actors have the power to directly influence elements of the internal planning process. The most obvious example of this is the Parliament (in the form of the Victorian PAEC\textsuperscript{31}). The Auditor-General also receives many letters from the public and interested parties requesting particular issues to be investigated or subject to VFM audit.

The recognition of the significance of the strategic planning processes is also a response to Gendron et al.’s (2007, p. 124) challenge to the assumption that the actions of the Auditor-General’s Office do not represent a developed and detailed strategy to secure the recognition of their expertise in the field of VFM audit. Instead, Khalifa et al. (2007) would lead one to expect the legitimacy of audit methodologies and the reframing of the audit work, as audit and consultancy will involve a series of representations to key stakeholders. It is reasonable to interpret the strategic planning process and documents as an example of these kinds of representations. In fact, it is possible that these processes of representation identified by Khalifa et al. (2007) provide the mechanisms that underpin how an audit environment (as discussed by Power [1996]) is actually created.

This chapter focuses on the process of strategic planning as a discursive and representational process regarding VFM auditing; hence, it is organised in the following manner. Section 7.2 explains the development and implementation of the strategic planning process of the VAGO as a representation process of the backstage of the VFM audit. Section 7.3 also explains the development of annual plans and annual reports as an in-house procedure and process adopted by the VAGO in order to enact VFM audit methodologies in the audit environment. Section 7.4 provides the chapter’s conclusions.

\textsuperscript{31} The Public Accounts and Estimates Committee (PAEC) is a committee of the Parliament of Victoria and it functions as one of the leading actors/stakeholders in the VFM audit.
7.2 Representing VFM Auditing Through the Planning Process

The VAGO use three strategic planning and reporting documents—corporate plans, annual plan and annual reports—to enact the regimes of auditability for the VFM audit. Within these documents, the VAGO makes a number of critical representations. Annual reports were produced by the VAGO from 1985. The VAGO’s first corporate plan was published in 1986, and annual plans were published from 2000.

In the 1985 annual report, the then Auditor-General (Brian Waldron) presented the progressive development of VFM auditing as an extension of comprehensive audit methodology (system-based audit methodology) and a logical compliment to what he called ‘regularity’ or compliance audit (VAGO 1985, p. 7). VFM audit was seen as a ‘review of the adequacy of management controls in order to provide full accountability for the operation of government organisations in terms of economy, efficiency and effectiveness’ (VAGO 1985, p. 6). What was particularly surprising was Waldron’s optimistic expectation that VFM audit projects would account for 50 per cent of the total audit time of the VAGO by 1986 to 1987 (VAGO 1985, p. 6).

Waldron framed the VFM audit as a logical extension of both the judicial/compliance and the financial/accountability frames, which have been the traditional role of the Auditor-General. Issues such as ‘the adequacy of management controls’ could easily be understood as part of existing financial auditing practices. This conservative and incremental representation of the emergent VFM audit practice can be seen as a clear attempt to reduce risks of hot overflows and deemphasise the consulting role of this kind of work. This attempt to reduce any negative reactions to the development of VFM auditing practices is also evident in the way that Waldron clearly emphasised the independence of the Auditor-General, and that responsibility for improvements in financial management and procedures rested with the executive and not with the Auditor (VAGO 1985, p. 2).

Humphry became the Auditor-General in Victoria in 1986, and attempted to align the Executive Government policies, such as NPM reform, with the VAGO’s corporate plans in
1986, as an extension of the representational process. The following paragraph from the corporate plan provides evidence for this claim:

The Office is very conscious of the extensive changes in public sector financial management already occurring in Victoria. Major developments in information technology, new legislative requirements for financial and operating reporting, increasing complexity and sophistication of government financial activities, and expectations of the community for delivery of new and improved services by government in an acutely resource-restrained climate are among the factors which characterise the current financial management and accountability environment. These factors also reinforce the strategic importance to Parliament and to the Executive of the provisions of high quality professional audit services by the Office (VAGO 1987b, p. 2).

The above statement supports the view that the VFM audit and the Auditor-General’s Office presented the VFM audit practice to the audit environment (especially to the Parliament and Executive Government) as assisting the NPM reform programs implemented by State Governments. Humphry would have activated this strategy to neutralise any possible opposition coming from the Executive Government for the VFM audit practice. From a framing perspective, VFM audit was represented as one of the core business activities and part of the normal engagement between the VAGO and Parliament. At a broader level, the VFM audit was framed both as an extension of the existing role of the Auditor-General to support good financial management and the accountability environment within the Victorian public sector (accounting), and as a tool of change and resource efficiency within the broader NPM reform agenda (consulting). Although there was a strong informal interaction between VAGO and external stakeholders in the development of this corporate plan, there was no formal requirement to consult with the PAEC as part of the planning process until the 1999 amendment to the 1994 Audit Act. The VAGO completed seven corporate plans from 1986 to 2007. A summary of these plans is presented in Table 7.1.

Despite the changes in the Auditor-General (from Waldron to Humphry), both the commitment to develop the VFM audit and the efforts to reduce any potential negative overflows were retained. What is particularly interesting is the explicit statement by Humphry (VAGO 1986, p. 3) that notes that the Auditor-General’s charter does not extend to reviewing government policy, but only to reviewing the economy and efficiency of the
implementation of policies by government agencies. While the definition of VFM auditing still placed emphasis on evaluating the adequacy of systems and procedure, there is evidence that the notion of a consultancy frame for the emergent VFM audit work was becoming accepted. However, it is important to note that this consulting role served Parliament by reviewing the actions of government agencies. The notion of the primacy of Parliament was also evident in subsequent reports (e.g. VAGO 1987a, p. 3).

The first corporate plan covered the period from 1986 until 1991, but was formally published in September 1987. While the annual reports were clearly a discursive representation of the VAGO (most particularly the Auditor-General’s opinion and direction), the corporate plan represented a social frame\(^\text{32}\) (or script) that provided a structure for interactions between the internal and external parties. The corporate plan (VAGO 1987b) represented a clear effort on behalf of the VAGO to secure the ongoing resourcing and enhancement of their capacity for VFM auditing. This was embodied in both the strengthening of the back-of-house elements of continuing development of audit methodologies and audit staff capacity, together with the front-of-house activities of producing relevant audit outputs and more strongly engaging with the audit environment. Although there was no formal mandate, the VAGO identified the VFM audit within the mission statement as a core activity, along with its financial audit function (VAGO 1987b, pp. 2–3) and reinforced the notion that the primary recipient was the Parliament (and the secondary recipient was the Executive Government).

The second corporate plan was produced in 1991 and covered the period from 1991 to 1994. This represented the transition between the terms of Humphry and Baragwanath as Auditors-General and the 1990 amendment of the Audit Act 1958 that formally allowed for economy and efficiency audits. This corporate plan was a very brief document that provided little operational detail, but focused on the broad mission and strategic direction for the VAGO under Baragwanath. Baragwanath noted that the growth of VFM audit had generated an unprecedented awareness and level of interest from the Parliament, Executive

\(^{32}\) Goffman (1974, p. 22) classifies primary frameworks into two categories: natural and social. An example of a natural framework is a weather report, and an example of a social framework is the interactions between human or organisational actors.
Government and public in the work of the VAGO. Therefore, there was a strategic direction to further enhance performance auditing within the VAGO so it would become a predominant activity (including securing a widened legislative mandate) (VAGO 1991b, pp. 5, 7). Baragwanath expressed the agenda in this manner:

> In the external arena, the serious economic environment means that it is more important than ever for public sector resources to be utilised in the most economic, efficient and effective manner. A major challenge for the Office over the coming years will be to firmly establish performance auditing as the predominant activity, consistent with the expanded legislative mandate, and to build on our past achievements in external reporting (VAGO 1991b, p. 5).

The most interesting transition within the 1991 corporate plan was that it highlighted Baragwanath’s intention not just to serve the Parliament and Executive Government, but also to serve the broader public. He expressed this as ‘widening our existing corporate theme to stress public interest … Auditing in the Public Interest’ (VAGO 1991b, p. 5). While the 1991 corporate plan represented a clear framing of the role of VFM audit in terms of the consulting role, the most interesting transition was that the ‘clients’ of this consulting work were not just the Parliament and the Executive Government, but also the broader public.
Table 7.1: Summary of Corporate Planning by the VAGO

<table>
<thead>
<tr>
<th>Year</th>
<th>Auditor-General</th>
<th>Period</th>
<th>Planning duration</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>Richard Humphry</td>
<td>1986–1991</td>
<td>5 years</td>
<td>There was an overflow of the public sector audit model in the early 1980s, and this was framed with the intention of addressing the overflows with five key strategic issues: alignment with interests of key actors, development of audit methodologies, information technology and resource management.</td>
</tr>
<tr>
<td>1991</td>
<td>Ches Baragwanath</td>
<td>1991–1994</td>
<td>3 years</td>
<td>The corporate plan focused on four strategic directions: incorporating the formal VFM audit mandate granted in 1990 through the <em>Audit (Amendment) Act</em>, advancing the audit methodologies, improving staff capabilities, and information technology.</td>
</tr>
<tr>
<td>1994</td>
<td>Ches Baragwanath</td>
<td>1994–1997</td>
<td>3 years</td>
<td>The corporate plan was devised with four strategic directions: motivating skilled staff, satisfying the expectations of key actors, improving the financial audit methodologies, and preserving the VAGO’s position as the leader of VFM auditing in international standards.</td>
</tr>
<tr>
<td>1997</td>
<td>Ches Baragwanath</td>
<td>1997–1999</td>
<td>2 years</td>
<td>There was no corporate plan for this period. The VAGO was divided into Audit Victoria and the VAGO in 1997.</td>
</tr>
<tr>
<td>1999</td>
<td>Wayne Cameron</td>
<td>1999–2002</td>
<td>3 years</td>
<td>The corporate plan was a very brief document highlighting the vision, mission and values of the VAGO. This was revised in 2001, and a new corporate plan from 2001 to 2004 was issued.</td>
</tr>
<tr>
<td>2001</td>
<td>Wayne Cameron</td>
<td>2001–2002 to 2003–2004</td>
<td>3 years</td>
<td>A corporate plan was prepared for the period July 2001 to 30 June 2004 after the consolidation of the VAGO and Audit Victoria. The corporate plan aimed at two outcomes: providing value-adding reports to the key actors on VFM, compliance and financial audit aspects, and assisting the key actors to improve in public sector performance and accountability.</td>
</tr>
<tr>
<td>2004</td>
<td>Wayne Cameron</td>
<td>2004–2005 to 2006–2007</td>
<td>3 years</td>
<td>The corporate plan devised five key strategies: improved reporting, delivering an effective product mix, working with agencies (auditees) to optimise the VAGO’s effectiveness, shaping the direction of the public sector, and strengthening the VAGO’s business processes and organisational capability.</td>
</tr>
<tr>
<td>2007</td>
<td>Des Pearson</td>
<td>2007–2008 to 2009–2010</td>
<td>3 years</td>
<td>The corporate plan was renamed the strategic plan and was focused on four key result areas: reports and advice, Parliament, clients, people and organisations.</td>
</tr>
</tbody>
</table>

The VAGO also faced a challenge to preserve its image as the independent public sector auditor, while representing the public sector audit in the dual role of auditor and moderniser or consultant. The challenge for the VAGO was enhancing the public image of the independence of the Auditor-General that was represented and highlighted through the third corporate plan, implemented in 1994. In the covering letter to the corporate plan,
Baragwanath highlighted the establishment of the VFM audit as a predominant audit activity within the VAGO. He also highlighted the need to preserve the image of the auditor’s independence with this delicate and balancing role of the VFM auditor:

An ongoing challenge is the preservation of our independence and integrity which lies at the cornerstone of the Office’s mission. Our independence is crucial to maintaining our credibility as an office and the confidence of our clients (VAGO 1994b, p. 4).

While highlighting the importance of the quality of independence in the Auditor-General’s Office, the VAGO included four strategic directions in the third corporate plan (1994 to 1997):

1. provide a work environment to motivate the skilled workforce of the office
2. satisfy the expectations of the Parliament, community and auditee agencies
3. upgrade the financial audit practice to meet best professional practice
4. develop the VFM auditing practice to align with international standards.

Under the strategic direction of enhancing client relationships, the VAGO planned a marketing strategy to enhance community awareness of the VAGO’s activities. To upgrade the VFM audit practice to international standards, the VAGO wanted to complete three tasks: upgrade the VFM methodology to reflect cost-effective business principles, recognise the international developments of VFM auditing, and have a dialogue and consultation with the PAEC on the annual planned VFM audit program (VAGO 1994b, p. 15).

Baragwanath adopted a novel way of communicating the audit methodology changes to the audit environment using the corporate plan of 1991 to 1994 and annual report of 1993 to 1994. The VAGO reproduced the corporate plan of 1991 to 1994 with the completed outcomes in the annual report of 1993 to 1994. Under the corporate strategy of ‘successfully implementing and periodically enhancing the revised performance audit methodology’, the VAGO (1994a, p. 7) reported the following achievements in the annual report:

Through effective use of the methodology, quality performance audit reports on significant topics have been produced and presented to the Parliament and the community, the Government and the client agencies. The Office’s Victorian Performance Audit Methodology is now at the leading edge of performance
auditing by world standards, a position confirmed by the Parliament’s external auditor and by the Public Accounts and Estimates Committee. The above given corporate outcomes of the VAGO (1994a) strongly suggests and supports the view that auditors develop the audit methodologies and those methodological changes are communicated to the audit environment through discursive materials, such as annual reports. As such, an annual report was becoming the *ex-post* inscription of the strategic planning process and working as a mirror to reflect and represent the audit practice changes to the audit environment (Khalifa et al. 2007; Gendron et al. 2007).

While there was success in obtaining the VFM audit mandate through the *Audit Act 1994*, the VAGO had to face a severe blow of betrayal and hot overflow from the Executive in 1997. The VFM audit practice of the VAGO underwent an uncontrollable hot overflow from 1997 to 1999, as the VAGO went through a transformation period, and no corporate plan was produced for those two years. Under the *Audit (Amendment) Act 1997*, the VAGO was divided into two organisations: Audit Victoria and the VAGO. The Auditor-General criticised the operations of the Executive Government through the VFM audit reports, and this criticism was not welcomed by the Executive. The Kennett Government openly criticised the VAGO, indicating that it did not have the required expertise to undertake the VFM audit. Eventually, the Executive Government reduced the VFM audit mandate of the VAGO in 1997 (English 2003; Yule 2002). Baragwanth became a helpless spectator in this transformation of the public sector audit model in Victoria from 1997 to 1999, but was assisted by other stakeholders, such as the general public and other Auditor-Generals’ Offices in Australia who condemned the actions of the Kenneth Government.

The VAGO maintained friendly relationships with the Executive until 1991 with the moderate functioning of the VFM audit. The VAGO submitted 15 VFM audit reports to the Victorian Parliament from the commencement of VFM audit in 1982 to 1991. The Executive was in favour of the audit mandate and powers of the Auditor-General to carry out the VFM audit as this was reflected in the enhancement of audit mandate given to the VFM audit through the *Audit (Amendment) Act 1991*. However, this situation had changed from 1991 with the election of the Jeff Kennett as the Premier of the Victorian Parliament. Kennett worked as a premier for two parliamentary periods from October,
1992 to October, 1999. In his first period, the coalition government headed by Kennett worked harmoniously with the VAGO and Auditor-General until 1996. From 1992 to 1996, the VAGO also supported the agenda of the Executive government to re-structure the government process with the introduction of the Public Sector Management Act 1992. However, the VAGO and Auditor-General were not happy about the consultancy projects given by the Victorian Government and privatisation of the government entities and criticised the government actions through the financial and VFM audit reports. Two of such examples are the VFM audit reports on the Metropolitan Ambulance Services: Contracting and Outsourcing Practices (VAGO, 1997a), and Victorian Rural Ambulance Services: Fulfilling Vital Community Needs (VAGO, 1997b). These two VFM audit reports were presented to the Victorian Parliament in 1997 with some unfavourable audit recommendations about the Executive government. The negative VFM audit report recommendations increased the animosity between the Executive government and the VAGO which resulted in the review of the VAGO’s operations by the Maddock Committee in May, 1997 (Yule, 2002, p.253; Funnell, 2003, p. 119).

As per the recommendations made by the Maddock Committee, a new audit organisation named as the Audit Victoria was created under the Audit Act, 1997. The VAGO became a policy making and supporting body to work as an intermediate organisation between the Victorian Parliament and audit service providers including the Audit Victoria. The Audit Victoria was a government entity created by the Victorian Government and administered by a Board of Directors. The operational audit staff of this new audit entity had to report to the governing board of the Audit Victoria (Yule, 2002, p. 265). The Audit Victoria had to compete with the private sector auditors to obtain the audit portfolios under the Audit Act 1997. However, this situation was changed in October, 1999 with the removal of the Kennett Government from power. The general public appointed the Labor Government headed by Steve Bracks. The Labor Government restored the Auditor-General’s audit mandate to the former status given in the Audit Act 1994 through the Audit (Amendment) Act 1999. The struggle between the Executive government and the VAGO from 1997 to 1999 enhanced the audit mandate of the VFM audit as never before. The general public,
academics and newspapers have shown their solidarity with the Auditor-General and VAGO in this difficult period of public sector audit.

Baragwanath witnessed the most turbulent time of VFM audit practice in Victoria, but was a dedicated team leader and actor who brought VFM audit practice into prominence and established accreditation for that among the general public. Baragwanath also submitted 51 VFM audit reports to the Victorian Parliament from 1988 to 1999. VFM audit reports were submitted to Parliament under a vague section of the Audit Act 1958 until 1990, when Parliament passed the Audit (Amendment) Act 1990 that enhanced the Auditor-General’s mandate for VFM audit. A clearly refined audit mandate for the VFM audit was later given by Parliament’s passing of the Audit Act 1994.

Cameron assumed duties as Auditor-General of Victoria in 1999, and was the catalyst in submitting the annual plans to the PAEC of the Victorian Parliament as required by the Audit (Amendment) Act 1999. Cameron also consolidated the VAGO and Audit Victoria in 2000 as per the Audit (Amendment) Act 1999. Under his leadership, the VAGO developed a brief three-year corporate plan for the period 1999 to 2002, which did not provide strategies, goals or tasks, but included the vision, mission and values of the VAGO. It identified the mission of the VAGO as ‘working together to deliver quality audit services to the Parliament and community of Victoria’ (VAGO 1999, p. 2). Subsequently, this plan was replaced with a detailed corporate plan covering the years 2001 to 2004, in which Cameron extended the theme of the public sector audit known as ‘Auditing in the Public Interest’. Although the VAGO did not directly report to the community, both Cameron and Baragwanath considered the community a client, and Cameron included the community in his forwarding addresses in planning documents (VAGO 2001a). In his interview with the researcher, the former Victorian Auditor-General (2009, interview transcript, 22 February) highlighted the importance of connecting with the community as a client:

Having said that, the reports are read by more than members of Parliament—the media, for example, and interest groups. Whether the reports are addressed to anyone other than the Speaker or President is a matter of what practice each Auditor-General adopts. For my part, I have always thought they should be addressed to Parliament, but some Auditors-General take a wider view and believe that they are also discharging a well-accepted responsibility to informing
the broader constituency through reporting openly and transparently to Parliament. Hence the reason why some include ‘members of the community’ in the addressee of their reports. We trialled that for a time.

The former Victorian Auditor-General recognises that the primary responsibility of the Auditor-General is to report to the Parliament, but carefully represents his view that the broader constituency or general public is the ultimate client of the Auditor-General’s Office.

One of the former Victorian Auditors-General also refocused the VFM audit function of the VAGO by clearly stating the audit objectives and reporting outcomes, and highlighting that the earlier VFM audit reports and annual reports were directly focused or not clearly addressed to the target audience. Regarding this action, the former Victorian Auditor-General (2009, interview transcript, 22 February, p. 3) stated:

A critical step in achieving an effective and efficient performance audit outcome is clearly defining what it is that you intend to audit, what audit skills are required and how you intend to gain appropriate audit evidence to support your findings. Discipline introduced around these key elements substantially improved audit efficiency—increasing output by a factor of three during my term—and reduced time in report development phase. It was my opinion that earlier reports were too long and not sharply focused enough in telling government and Parliament about the findings and assisting their positive response.

With the above idea of reframing the VFM audit reports, the above mentioned former Victorian Auditor-General sought to simplify the structure of the VFM audit practice and reports that provide the qualities of relevance and reliability of VFM audit reports to the VFM audit actors/stakeholders, especially to the Parliament auditee organisations and community. Cameron’s idiosyncratic influence can be seen in the corporate plans and annual plans that he completed.

The corporate plan from 2001 to 2004 had a series of strategic planning steps that connected corporate planning with annual planning. The corporate plan presented five objectives: ‘deliver value-adding reports to Parliament, undertake high quality independent audit activities, meet the needs and expectation of stakeholders, be identified as a preferred employer and manage the office with maximum efficiency and effectiveness’ (VAGO 2001a, p. 9). This corporate plan also highlighted two major outcomes from two audit
activities. The first was that the Parliament and Victorian community would receive information regarding whether government organisations provided public services effectively, efficiently and economically—denoting the VFM audit. The second was to provide necessary comfort to the Parliament on past events—denoting the financial audit. The corporate plan further emphasised that the VAGO provided constructive suggestions to improve future public sector performance. This comment in the corporate plan highlights the suggestion that the VAGO was presenting the VFM audit as a consultancy practice in the form of an audit. This finding again supports the view (Skaerbaek 2009) that the Auditor-General’s Office functions concurrently as moderniser and auditor.

The VAGO (2001a, p. 7) crafted the corporate plan from 2001 to 2004 after an environmental scan was undertaken to identify emerging public sector accounting developments and necessary contemporary developments within the accounting and audit profession, as stated below:

> Each year, we carry out a detailed environmental scan that is aimed at identifying emerging public sector developments, and any consequential accountability implications that may impact on our activities. It enables us to update our knowledge of international, national and local trends in public sector practices. It also ensures that our audit focus adequately reflects shifts in public sector strategies and operations, including changes in the direction of government policy.

This strategy of scanning the environment is an act of identifying future possible outflows of the public sector audit and VFM audit practice. It is evident from the above description that the VAGO obtains the views of stakeholders or actors and incorporates these into corporate plans to ensure that the VAGO’s long-term interests, including the VFM audit practice, align with the interests of the VFM audit environment. Hence, I argue that the strategic planning documents can function as inscriptions or discursive material that can connect the VFM audit methodologies and practice (backstage processes) with the audit environment or context.

The VAGO also compiled its sixth three-year corporate plan from 2004 to 2007 under the leadership of Cameron. This sixth corporate plan had a distinctive theme: ‘that the parliament, executive government and agencies have greater confidence in the
accountability and performance of public sector agencies’ (VAGO 2004a, p. 3). It also had several key performance indicators to be achieved by the end of the plan period in 2007:

- feedback from key stakeholders, number and proportion of audit recommendations accepted by the agencies, savings by the audit agencies from acting on audit recommendations, improved financial and non-financial performance reporting by the public sector, and effectiveness of VAGO’s audit communications with others on VAGO’s audit products and services (VAGO 2004, p. 3).

To achieve these key performance indicators, the VAGO adopted five strategies: improved reporting, delivering an effective product mix, shaping awareness and direction in the public sector, working with agencies to optimise VAGO effectiveness, and strengthening the VAGO’s business processes and organisational capability. This corporate planning exercise was arguably part of impression management and creating an audit environment suitable to the VAGO’s audit methodologies, as stated by the Auditor-General:

> Our new corporate plan builds on these achievements. It will help us stretch the boundaries of all of our products and services. We aim to be more responsive and collaborative in using our knowledge to shape awareness and direction on emerging issues. This strategy is intended to maximise our value in stimulating better performance in the public sector (VAGO 2004a, p. 5).

In the above comment, Cameron states the VAGO’s strategy as connecting the VAGO’s abstract knowledge (audit methodologies) in audit practice to resolve the direction on emerging issues of the broad social, political and economic environment. This process of communication of representational changes to the audit environment is identified as a discursive language used to transform the auditor’s strategies and methodologies (Khalifa et al. 2007) to enhance the jurisdictional claim over the audit practice and consultancies. Cameron’s six-year term as the Auditor-General ended in 2006, and Pearson assumed duties as Auditor-General from 2006 to 2012.

Although Pearson did not make any drastic changes to the planning mechanisms, he simplified the process and language or discourse of the plan. For example, he changed the title of the plan to ‘strategic plan’ and identified four key result areas for reports and advice: Parliament, clients, people and organisations. Pearson also emphasised the importance of the strategic planning process to align the in-house operations of the VAGO with the audit environment through key outputs, such as reports and advice (VAGO 2007).
Based on the above evidence, I argue that these corporate plans are in the process of framing the public sector and VFM audit because they attempt to align the interests of the VAGO with those of stakeholders, and to enhance the quality of the audit products. The corporate plans work as a discursive material between the Parliament, auditee and other stakeholders in the audit environment in giving a summary of auditor’s goals and interests to the audit environment. The corporate plans also provide adequate information on the methodological changes and other strategic directions of the VFM audit practice to the actors or stakeholders in VFM audit environment. Therefore, I suggest that the corporate plans help enrol and mobilise the VFM audit actors/stakeholders as they gauge the interests of the audit environment with the Auditor-General’s Office interests, and situate the VFM audit methodology and practice in a better position. Thus, the corporate plans work as a preventive mechanism to block the overflowing of the VFM audit practice because corporate plans provide the possible relationship structure to the VFM audit actors and stakeholders. The corporate plans functioned as the connecting link between the VAGO and the audit environment until 2000, and this link was further expanded to include annual plans as per the Audit (Amendment) Act 1999.

7.3 Annual Planning as a Representation of the VFM Audit Practice

Baragwanath initiated a dialogue between the VAGO and PAEC on a future VFM audit program, thus preventing possible outflows of the VFM audit practice by enhancing the relationship with the Parliament. This is similar to informing an audience of the planned theatrical performances that will take place in the coming financial year. As such, the VAGO expanded strategic planning process with annual planning since 1994, but the practice of submitting the formal annual plan to the PAEC commenced from 2000. There was no compulsory requirement to submit the annual plans to the PAEC as a discursive material in 1994. However, in the corporate plan, Baragwanath highlighted that the VAGO (1994b, p. 16) wanted to obtain the comments and opinions from the PAEC to the planned VFM audits: ‘Have in place, by December 1994, a framework agreed with the Public Accounts and Estimates Committee for timely and effective consultations on the Office’s
annual departmental performance audit program and its funding’. Baragwanath clearly mentioned that the Auditor-General wanted to have a two-way communication process on the future VFM audit program. Therefore, that representation process could avoid the confrontations between the Auditor-General and the Executive Government on VFM audit projects, and provide necessary finance resources to the VFM audit projects.  

These discursive and representational engagements with the PAEC were further highlighted in the following comments given in the Auditor-General’s forward message in the annual report of 1993 to 1994 on the VFM audit mandate:

An important consequence of the new legislation has been a reinforcement of the Auditor-General’s nexus with the Parliament through a requirement for consultation with the Public Accounts and Estimate Committee in respect of the Auditor-General’s annual program for performance audits within departments, and for the funding of each year’s program by the Parliament (VAGO 1994a, p. 3).

This statement emphasises the importance of connecting with the audit environment and primarily with the lead actor of the VFM audit—the Parliament. It also highlights that the funding for the VFM audit is provided by the Parliament. As such, it can be argued that the VFM audit practice is an outsourced activity undertaken by the Auditor-General on behalf of the Parliament.

This annual planning process was formalised after the amendment of the Audit Act 1994 through the Audit (Amendment) Act 1999 was implemented in 2000. Cameron, as Auditor-General, saw this representational change as a ‘consultations with our stakeholders’ and penned the following comments in the annual report of 1999 to 2000:

One key stakeholder in this process is the Parliament’s Public Accounts and Estimates Committee. The changes to the audit legislation have given the committee a greater role in the oversight of the Office. This starts at the involvement of the committee in future appointments to the position of Auditor-General, and extends through to discussion of the Office’s Annual Plan and financial budgets. With these changes, the Committee will now have a specific role in considering the Office’s annual work plan (VAGO 2000b, p. 3).

33 The costs of the VFM audit projects conducted by the VAGO are financed by appropriations from the Victorian Parliament, whereas the costs of the financial audits are charged to auditee organisations.
Therefore, I suggest that the annual plan informed the future program of the VFM audit to the audit environment, and that the annual planning process attempted to incorporate the input or feedback of the audit environment within the VFM audit program.

A noteworthy point of the preparation of the annual plan is that it directly communicates with the PAEC of the Victorian Parliament about the impending VFM audit program. The annual plan does not convey an important message to the PAEC on the planned financial audit program because it is a routine annual activity of the VAGO and does not provide surprises for the PAEC and Parliament. This is outlined by the Director of Performance Audit Division of the VAGO:

It mainly focuses on performance audit because with financial audit, that’s non-discretionary, so everyone knows, for example, we are going to do a financial statement audit of a particular agency, and normally a lot of them are contracted out. So with performance audits, it is not clear what we do that is our discretionary program. So that is why the annual plan is largely around the performance audit function. The rest of the stuff, the financial audits, are done every year, year after year, and would only really change if there are changes in the standards and things like that. But we all know there is going to be a financial statement audit of the Department of Education, but the topics of performance audits change, but that is up to us in terms of what we then do (VAGO 2008, interview transcript 1, 14 July).

The above statement explains that the VFM audit cases were subjectively selected based on the annual plans of the VAGO. Thus, the VAGO planning process was a function of aligning its long-term interest with the Victorian Parliament and PAEC. The Victorian community interest was to have a good public sector accountability process. The community appointed the Victorian Parliament. The Victorian Parliament appointed the PAEC and the Auditor-General. Finally, I suggest that the Auditor-General aligned the VAGO’s interest with the Parliament and PAEC interests through the planning documents.

The Audit Managers at the VAGO considered the annual planning process one of the important discursive channels between the Parliament and VAGO because the annual financial audits are a regular feature, and there are no specific audit projects or areas to be considered in the financial audit, as highlighted below. The following statement was made by one of the Audit Managers at the Performance Audit Division of the VAGO about the
process of selecting future VFM audits and the annual planning process of the VAGO. The Audit Manager highlighted the fact that the VFM audit program needs to be agreed upon by the PAEC:

That’s right and we do that in consultation with the Auditor-General. So there’s a whole process that we go through. I’ve pretty much given you a high level description of how it works, but the process is quite involved and it involves analysis, documentation, consultation—outside of this organisation, but also within this organisation. So we brief the Auditor-General, we get his views and we take the input from the senior management and executive, and we do further research if we need to. At the end of all of this process, we come up with an agreed forward plan that we then use to consult with the Public Accounts and Estimates Committee of Parliament, and then, following our discussions with them, the Auditor-General then finalises that plan and it becomes the annual plan of the office, which is published each year (VAGO 2011, interview transcript 5, 5 July).

This also highlights the consultation with the PAEC, but does not mention that the suggestions are provided to amend the annual plan by the PAEC. So that it is a case of informing the impending VFM audit drama to the primary audience or Parliament by the Auditor-General as the lead actor of the VFM audit.

The former Victorian Auditor-General (2009, interview transcript 22 February) also pointed out the importance of connecting with the audit environment through the annual planning as a consultation process of strategic planning process:

A more strategic approach to the planning of discretionary audit activity, such as performance audits, built around a more disciplined and transparent consultative process, including PAEC in respect of the preparation of the Annual Plan. Institution of Strategic Audit planning of performance audits covering three-year horizons and guided by broad themes—described more fully in the annual audit planning document, which is required to be discussed with the Public Estimates and Accounts Committee and tabled in Parliament.

As highlighted in the above phrase, the former Victorian Auditor-General described the annual planning as part of the three-year exercise of the strategic planning or corporate planning process, and it is an exercise to connect with the three main actors—namely, Parliament, auditee organisations and the general public. The broad themes of the VFM audit are outlined in the corporate planning documents, and, thereafter, those broad themes of VFM audit projects are explained as the more specific planned VFM audit projects in the annual plan.
After the implementation of the annual plan, the VAGO develops the VFM audit specification or audit plan for every VFM audit and obtains the opinion and comments from the PAEC before commencing the VFM audit projects. The VFM audit projects in the annual plans are later explained in detail to the PAEC by the VAGO through the VFM audit specifications at the time of the VFM audit planning, and incorporate PAEC comments. One of the Audit Managers highlighted that this process is a consultation and liaison process:

Yes, we do, we actually develop up a draft specification which has the audit objective and the scope, method, high level criteria and also indicates who we have consulted with. And during the course of the preparing of the draft specification under legislation, we are required to take that draft specification, consult with the agencies as well as with the PAEC. We are only required to consult or liaise—I mean, if they tell us something, we naturally take it on board or we respond to them. It is not mandate that we have to do everything they tell us to—it is about a consultation and liaison role (VAGO 2008, interview transcript 3, 17 November).

This consultation on audit specifications provides the nature and objectives of the specific VFM audit from the VAGO to the PAEC and Executive, and the PAEC can provide comments and opinions about the audit scope and objectives. The same Audit Manager who provided the above comments further indicated that the comments given by the PAEC on draft audit specifications are not necessarily applied by the VAGO:

Really, the approval side of it is our internal approval, but it does go up as a draft to the—before it is finalised, it goes up as a draft to the department or agency and the PAEC, and they can provide their comments. But we won’t always take up their comments, but they have that chance to comment on it, but they don’t actually approve it. Once it comes back, we finalise it internally and then AG [Auditor-General] approves it at the end of the day and then it goes back (VAGO 2008, interview transcript 3, 17 November).

These comments highlight that the incorporation of the PAEC’s comments are not compulsory. The Auditor-General can decide to include or exclude the comments from the VFM audit specification. This matter on consultation of the planned VFM audit projects

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34 Audit specification is a detailed VFM audit plan. Audit specification for a VFM audit includes the audit objectives, scope, criteria, method or evidence collection methods, evidence collection and reporting time periods, time budget, costs and so forth. The audit specification needs be approved by the Auditor-General and formally submitted to the auditee organisation.
highlights that there is no possible violation of the socially accepted norms of auditor independence. The above paragraphs highlight that the representation process on the VFM audit practice is an effective way of communicating the changes of the VFM audit practice, methodologies and future audit projects to the audit environment.

As a representational exercise and discursive channel, the VAGO prepared eight annual plans during the research period from 2000 to 2007 and submitted them to both houses of the Victorian Parliament. S. 7A of the Audit Act 1994, which was added through the Audit (Amendment) Act in 1999, requires the VAGO to prepare an annual plan and obtain comments for the proposed VFM audit program from the PAEC. Within the annual plan, the VAGO emphasises its annual goals, proposed annual audit program and the resources required to implement the audit program. The VAGO submitted its first annual plan to the PAEC of the Victorian Parliament in May 2000. This annual plan consisted of three sections: key outcomes and outputs, planned performance for the budgeted year, and forecast financial statements. The VAGO (2000a, p. 8) highlights that it selects future VFM audit projects based on four factors: the financial, social and environment risk to the community; materiality of the funds; nature and timing and past audit coverage; and public interest issues associated with the public sector. Therefore, I argue that the selection of future VFM audit projects is focused on the general public as one of the clients or stakeholders of the VAGO.

The theme of the annual plan of 2000 to 2001 was relationship building with the PAEC, and the following paragraph supports this relationship.

The Auditor-General is an independent officer of the Parliament and, by virtue of this designation and other legislative provisions, has a special relationship with the Parliament. The statutory requirements now in place for the Auditor-General to develop an annual plan and present the plan to the Parliament after consultation with the Public Accounts and Estimates Committee reinforce this relationship. The requirements also serve to recognise that the independence and autonomy granted to the Auditor-General by the Parliament should be accompanied by appropriate lines of accountability back to the Parliament (VAGO 2000a, p. 1).

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35 The research period for this study was from 1982 to 2007; however, the submission of annual plans to the PAEC commenced from 2000.
The important words in the above paragraph are ‘relationship’, ‘consultation’, ‘independence and autonomy’ and ‘lines of accountability’. These words or phrases highlight that the objective of preparing and submitting the annual plan is to represent the VFM audit practice and program to the Parliament and PAEC. Hence, the annual plan of the VAGO is an *ex-ante* management control procedure that connects with the subsequent annual report published after the year with the annual financial statements (VAGO 2006, p. iii). These highlighted words also extend Khalifha’s et al. (2007) argument that transformation of audit practices is relayed to the audit environment through discursive language.

The annual plan provides information on the key organisational strategies and objectives of the VAGO for the period included in the plan. The following organisational objectives were highlighted by the VAGO in the annual plan for 2000 to 2001:

1. to establish a corporate framework aligning the organisational environment with the audit environment
2. to formulate specific business priorities and strategies to drive organisations’ distinctive capabilities
3. to upgrade the information technology infrastructure
4. to develop effective organisational development strategies
5. to create a performance management and reporting framework (VAGO 2000a, p. 15).

These organisational objectives of the VAGO, designed to drive the audit environment, distinctive capabilities (highlighting the VFM audit, VFM audit methodologies embedded in the information technology infrastructure and improving the audit staff skills (organisational development strategies). These organisational objectives were also interconnected, and arguably demonstrate that the VAGO attempted to represent the internal organisational processes to meet the demands and requirements of the audit environment. The first organisational objective given above is an example that connects the VAGO’s corporate framework with the audit environment. In the annual plan of 2001, the VAGO combined five strategies to achieve its long-term objective of serving the
Parliament and auditee organisations. These five strategic areas are audit methodologies, audit environment, information technology, organisational plans and the office’s communication strategies (VAGO 2001b, p. 15).

In the annual plan of 2003 to 2004, the VAGO (2003c, p. 10) included the following statement highlighting its strategic directions:

We have identified a number of higher level strategic drivers which ensure our corporate focus continues to be relevant and useful, namely:

The Office will provide leadership in public sector matters through a range of timely products by:

- Attesting to financial and non-financial information;
- Examining issues early;
- Providing guidance and advice;
- Focusing on value-for-money; and
- Advancing good government,

while continuing to provide assurance to Parliament on the performance of public sector operations.

Over the last 3 years, the Office has placed significant attention on improving the quality, cost and timeliness of its various products. The next year will see an increased emphasis on responsiveness to our stakeholders: Parliament, public sector agencies and the community.

The above paragraph is a testimony of the power of strategic planning as a discursive and representational material to the audit environment. The key messages included are the role of the financial auditor (attesting to financial and non-financial information), the role of consultancy (providing guidance and advice), VFM audit practice (providing guidance on VFM) and responsiveness to the accounting environment (responsiveness to stakeholders: Parliament, public sector agencies and the community). The VAGO’s changing nature of the VFM audit practice and multifaceted role of the VFM audit were communicated to both houses of the Parliament in the following forward paragraph by Cameron in the annual plan of 2002 to 2003: ‘This year’s plan reflects an emphasis on ensuring that our work program includes activities that will provide assurance to the Parliament about agencies’ control frameworks and compliance with legislation, policies and procedures’ (VAGO 2002a, p. 1).

These statements extend the arguments by Pollitt (2003) on the four roles of the VFM audit practice conducted by the Auditor-General’s Office—namely, accountant/auditor, consultant, judge and researcher.
In making advances into the territory of public sector consulting roles as the VFM auditor, the VAGO produced a good practice guide to make accounting systems of the auditee organisations auditable and compatible with audit methodologies, such as RBA and VFM audit. First, the VAGO conducted the VFM audit to highlight the deficiencies in the accounting environment, then it published a good practice guide based on the previous VFM or financial audit findings to make the accounting system of the auditee organisation auditable, as stated by Cameron:

In our 2003 performance audit, Managing risk across the public sector, my Office looked at how public sector organizations manage risk. We found that most organizations we examined used risk management processes in some part of their business and services, and that the board or executive was directly involved in this. However, we also concluded that many things needed to be improved, and much more needed to be done (VAGO 2004d, p. 1).

This finding extends and modifies the argument that an Auditor-General’s Office exports and imports a corpus of audit knowledge to claim the expertise on VFM audit (Gendron et al. 2007). In this episode of the VFM audit, the auditor conducts study on existing systems of how public sector organisations manage risk; thereafter, the Auditor-General provides best practice or good practice guides. Hence, the Auditor-General’s Office works as a researcher and consultant to the auditee organisations.

I examined all the annual plans submitted to the PAEC during the research period from 2000 until 2007, and found that most of these plans had a similar structure. These plans were prepared under the leadership of Cameron until 2006, and subsequently under Pearson, who assumed the lead role as Auditor-General in 2007.36 Accordingly, some idiosyncratic changes can be seen in these annual plans after the change from Cameron to Pearson. I noted that Pearson commenced a three-year rolling prospective program of audits and included this in the annual plan. Further, the VAGO designed a set of new criteria for the selection of VFM audit topics, as listed in Table 7.2.

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36 Pearson was Auditor-General of Victoria from 2007 to 2012.
Table 7.2: Factors Considered During the Selection of VFM Audits

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1. Concerns raised by Members of Parliament, government agencies or the community</td>
<td></td>
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<tr>
<td>2. Progress accounts of the Growing Victoria Together measures</td>
<td></td>
</tr>
<tr>
<td>3. Performance challenges facing the government or its agencies</td>
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<tr>
<td>4. Results of current or previous VFM audits</td>
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<tr>
<td>5. Current or proposed action by the government or its agencies to address performance challenges</td>
<td></td>
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<tr>
<td>6. Effect of performance challenges on the social, environmental or economic expectations of the community</td>
<td></td>
</tr>
<tr>
<td>7. Materiality</td>
<td></td>
</tr>
<tr>
<td>8. Emerging trends or factors that might affect government service delivery</td>
<td></td>
</tr>
</tbody>
</table>

Source: VAGO (2007b, p. 5)

The above given selection criteria for VFM audit projects highlight several key aspects of the VFM audit methodology and practice—that the VFM audit is focused on social and political environment issues, that the VFM audit is focused on making the accounting systems of the government accountable, and that the VFM audit is focused on the Parliament, auditees and community. Hence, I suggest that the annual plans regularly convey these methodological and practice changes to the audit environment. The VAGO (2007b, p. 7) focused its annual plan of 2007 to 2008 on five major areas of the VFM audit projects that are important to the broad social and political environment: a thriving economy, quality health and education, a healthy environment, caring communities and a vibrant democracy. This study notes that the focus of the annual plan of 2007 to 2008 encapsulated three focus areas in VFM practice, as highlighted by Pollitt (2003): auditing (sound financial management), legal (compliance and probity) and management consultancy. Therefore, I argue that the VFM audit practice is more focused on the issues originating from the wider social, political and economic environment. Hence, the VFM practice itself reframes or regenerates the public sector audit to prevent future overflows because the VFM audit recommendations enhance the auditability and align with the actors/stakeholders in the audit environment.

The final step in the representational processes through the strategic planning process at the VAGO was the submission of annual reports to both houses of the Victorian Parliament. The annual reporting process has been identified as the ex-post element of the strategic
planning process by the VAGO, whereas the annual plan worked as the *ex-ante* element of the strategic planning. The annual report worked as a mirror (Gendron et al. 2007) and main discursive communication channel from the Auditor-General’s Office to the audit environment, especially to the Parliament, PAEC and auditee organisations. The annual report highlighted the VAGO’s activities undertaken during the period, as against the annual plan. The annual report included the summary of VFM reports submitted to the Victorian Parliament during the period, as well as the strategic changes of the audit methodologies and client relationships. The annual report of 1999 to 2000 highlighted the sections on:

1. strengthening the Auditor-General’s independence
2. organisational changes
3. the reporting summary provided to the Parliament during the year
4. audit operations (provided in the summary of the VFM audit findings, recommendations and conclusions completed during the period)
5. information technology changes (provided in the information of audit methodology changes)
6. financial management matters (VAGO 2000b, p. 5).

Therefore, the corporate plan, annual plan and annual report are interconnected elements of the strategic planning process of the VAGO.

I argue that the strategic planning documents provide the postulates, structures and future program of the VFM audit, and those planning inscriptions connect the intentions of many actors and stakeholders in VFM audit practice. Therefore, strategic planning documents function as primary social frameworks\(^\text{37}\) because they present the interactional structures, guidelines and other actor relationship matters to the VFM audit practice. I also highlight that strategic planning documents predict the future outcomes of the public sector audit, including the VFM audit; reduce externalities or possible overflowing situations; and thus enhance the output of the VFM audit reports. The strategic planning predicts the future state of outcomes for the VFM audit, and those predictions through strategic planning

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\(^{37}\) Goffman (1974, p. 21) classifies frameworks into two categories: social and natural.
establish a set of guidelines for the VFM audit drama to occur in order to be compatible with the intentions of the audience or audit environment.

I also argue that strategic planning was initiated as accounting devices or scripts, and later became inscriptions and moved between the actors/stakeholders in the audit environment and VAGO. In the later stages of the VFM audit, these strategic plans (especially the annual plans) were enriched with the power to influence and induce other actors in the VFM audit practice. The strategic planning documents of the VAGO became indispensable inscriptions to the VFM audit actors and stakeholders. This changing role of scripts to inscriptions occurred because the Victorian Parliament enriched the annual planning documents with the power to influence and communicate between the VAGO and PAEC through the *Audit (Amendment Act) 1999*. Hence, the VAGO was compelled to submit the VFM audit annual plans to the PAEC for their awareness and contribution to future VFM audit plans. The PAEC was compelled to provide feedback and contributions to the annual VFM audit program through the same *Audit (Amendment) Act 1999*. Thus, the annual plans of the VAGO had the influencing power to combine the relations of three major parties (Auditor-General’s Office, Parliament and auditee organisations) in the VFM audit practice. The Auditor-General’s Office recognised this communication role through the annual plan as strengthening the strategic and working relationship between the Parliament and VAGO (2000–2001). The former Victorian Auditor-General (2009, interview transcript, 22 February, p. 9) stated that this relationship was a way of aligning the Parliament’s goals and interests with the VFM audit practice of the VAGO:

> When the AG [Auditor-General] presents the draft annual plan for consideration by PAEC, the committee is provided an annual opportunity to consider the scale and scope of proposed coverage of work by the AG. That discussion provides an opportunity for the committee to comment on the plan and convey to the AG any concerns or sense of priority the committee has about public administration. Given the range of ways in which the committee members are kept informed about such matters—parliamentary debates or matters raised by constituents—it is a very useful way to ensure that the concerns of Parliament are factored into the AG’s work plans. Other AG’s and PACs in other Commonwealth jurisdictions do this less formally—but with equal merit—but the objective is the same.

In appreciation of this relationship, I argue that the PAEC has recognised that the VAGO is the expert in VFM audit practice (PAEC 2010). Therefore, I conclude that strategic
planning is a way of representing the framing of the VFM audit practice and methodologies to the audit environment.

7.4 Conclusions

This chapter examined how Auditor-Generals’ Offices enact regimes of auditability for the VFM audit through the processes of strategic planning. It explored how the audit environment was developed and mobilised to be receptive to VFM audit methodologies through strategic planning process, which can be argued to lead to obtaining legitimacy and jurisdiction for VFM audit carried out by the VAGO. The backstage processes of the VAGO were highlighted in this chapter because the strategic planning documents of the VAGO were framed within the Auditor-General’s Office, and connected the back-of-house (backstage) with the front-of-house (front stage) operations.

The research evidence from the VAGO shows that it has adopted the strategic planning process as a discursive inscription in the transformation of VFM audit methodologies and practice. This transformation of public sector audit from financial audit to the comprehensive audit model to accommodate the VFM audit with four perspectives—or focus frames (auditor, management consultant, judge and researcher)—has been undertaken through several representational processes. The strategic planning is one of the most important elements of the construction of auditability for the VFM audit practice because strategic planning operationalises a two-way communication process between the backstage and front stage of the VFM audit practice. Strategic planning is a representational framing process that either prevents possible future overflows or repairs existing overflows in the VFM audit practice.

The first framing of the VFM audit practice and methodologies was commenced by the VAGO as a Special Audit Report in 1982, further extending the compliance and financial audit practice. The VAGO transformed the auditor’s role after 131 years of annual financial auditing from 1851, by commencing the VFM audit in 1982 as part of a comprehensive audit method to enhance the services provided to Parliament, PAEC, auditee organisations
and general public. These Special Audit Reports were within the mandate given on the existing audit legislation of *Audit Act 1958*.

In the early periods, there were no formal strategic planning documents or audit methodological frames to support the representational process of the framing of the VFM audit. However, the Auditor-General used the Special Audit Reports as a discursive communication channel to inform this change process to the Parliament and other actors/stakeholders from 1982 to 1987. These Special Audit Reports conveyed the message that the VAGO had implemented a comprehensive audit methodology to encompass evaluations of compliance, economy and efficiency as a consultative practice to the Executive Government and Parliament. These Special Audit Reports, under the comprehensive audit methodology, created awareness of the VFM audit practice and its several focuses for the VFM audit environment. Therefore, the initial Special Audit Reports effectively prevented the out-datedness (possible overflowing) of the public financial audit practice.

As a refinement of the representational process, the VAGO submitted its first annual report to the Victorian Parliament in 1985. Thereafter, the VAGO introduced the corporate planning system in 1987. Hence, the corporate plans and annual reports devised a representational strategy of introducing the changes and modifications of VFM audit practice. This change of direction of the VFM audit was channelled to the audit environment through corporate plans and annual reports until 2000. Thereafter, the VAGO added annual plans as part of its strategic planning process and discursive inscriptions from 2000. The VAGO managed to change its image within the audit environment via continued dialogue through the corporate plans, annual plans and annual reports.

I found that the VAGO prepared seven corporate plans from 1986 to 2007, and seven annual plans from 2000 to 2007. The VAGO took a thorough approach to understanding its clients, the audit environment and especially the Victorian Parliament and PAEC. To do this, the VAGO undertook ‘strengths, weaknesses, opportunities and threats’ (SWOT) analyses, environmental scans and client surveys. In adopting these internal processes and
procedures, the VAGO used planning processes to guide and enhance the quality of VFM audit reports, audit methodology and information technology; the use of human and other resources; and the selection of VFM audit cases. The strategic directions identified by the corporate plans were divided into achievable targets that were implemented through the annual plans. Subsequently, the annual plans were compared with the actual results presented to the Victorian Parliament through annual reports. I thus conclude that the VAGO crafted its own long-term strategies on co-construction of VFM audit methodologies and VFM audit environment through strategic planning processes.

The transformation of VFM audit practice through the representation of strategic planning involved several key actions by the Auditors-General of the VAGO. This representational process involved what is to be audited, how it is to be audited and how those audit outcomes should be conveyed to the Parliament and PAEC (The former Victorian Auditor-General, 2009, interview transcript, 22 February). There was a team headed by the lead actor, the Auditor-General, whose personal choice or idiosyncratic influence drove the three questions highlighted by Cameron. The strategic planning process of the VAGO provided answers to these three vital questions relevant to the VFM audit, and constructed a VFM audit environment suitable to the audit methodologies adopted by the Auditor-General’s Office.

I found that the public sector audit model overflowed (this became a cold overflow\textsuperscript{38}) in Victoria in early 1980, and the VFM audit methodologies were framed in 1982 to produce Special Audit Reports to contain the overflows. The framing of VFM audit methodologies clearly identified the actors, goods and services (VFM audit reports) within the VFM audit practice. The framing of audit methodologies continued until 1997 through reproduction and modification of existing methodology frames with the support of the strategic planning devices. The VFM audit methodology was resisted by the Executive in 1997 and became a hot overflow until 1999 because the restructuring of the public sector audit frame by the Executive generated controversial issues within the VAGO. The Executive Government

\textsuperscript{38} Overflows are classified as hot and cold. Cold overflows generate favourable outcomes to the actors (Callon 1998, 1999).
curtailed the audit mandate for the VFM audit from 1997 to 2000 by creating a public sector audit body called Audit Victoria. This restructure of the public sector audit model in Victoria created a public debate and outcry against the Executive. However, with the assistance of other actors and stakeholders in the VFM audit environment (such as general public and academics), the VAGO managed to reframe the VFM audit practice and bring back order to the public sector audit model and VFM audit in 2000. Subsequently, this overflowing and reframing enhanced the relationship between the Parliament (an actor in the audit environment) and the auditor, VAGO.

Finally, I argue that the transformation of the public sector audit with the introduction of the VFM audit practice in 1982 in Victoria, Australia, was an overflowing and framing process for many reasons. First, VFM audit practice enhanced the relevance of the public sector audit to the primary clients, such as the Parliament and PAEC. Second, the introduction of the VFM audit practice created a distinctive audit theme and separated the public sector audit from private sector accounting firms or audit practices. Therefore, the development and sustaining of the VFM audit practices at the VAGO was a framing exercise. This framing process was communicated to the audit environment through a series of representational discursive materials, such as corporate plans, annual plans and annual reports.

The following chapter, Chapter 8, provides the overall conclusions and theoretical contributions of the construction of auditability for the VFM audit in an Auditor-General’s Office, based on the findings of the VFM audit practice of the VAGO.
Chapter 8: Conclusions

8.1 Introduction

This thesis examines how regimes of auditability are created and enacted in the context of the VFM audit practice of the VAGO, Australia. Power (1996, 1999, 2003), Robson et al. (2007), Khalifa et al. (2007) and Skaerbaek (2009) highlight the importance of examining the practices of auditing as enacted in the environment and methodologies of audit. While a body of work has sought to understand the outputs of Auditors-General in terms of their VFM audit publications and reports, relatively limited attention has been given to understanding the backstage processes associated with the development and enactment of VFM audit methodologies and practices (Jacobs 1998; Guthrie & Parker 1999; Radcliffe 1998, 1999; Gendron et al. 2007; Skaerbaek 2009). Therefore, this study is a response to the wider call to understand how practices of audit and auditability are constructed and enacted (Power 1996, 2003b; Robson et al. 2007; O’Dwyer et al. 2011).

Power (1996) argues that auditors develop audit methodologies and create an audit environment receptive to those methodologies, and identifies this concept as ‘making things auditable’ or the ‘construction of auditability’. While Robson et al. (2007, p. 430) highlight the importance of understanding the nature and transformation of audit methodologies in the context of RBA methodologies in the private sector field, Khalifa et al. (2007) provide research evidence of how those methodologies are enacted through discursive audit communications. Therefore, in this study, I argue that the practices of VFM audit, audit knowledge and audit methodologies are shaped by key actors and institutional contexts. Accordingly, I examine the research problem of how regimes of auditability for the VFM audit practice are created and enacted in an Auditor-General’s Office, and explore the backstage practices of developing VFM audit methodologies and enacting those methodologies at the audit environment through strategic planning process at the VAGO, in the Australian State of Victoria from 1982 to 2007.
The notion of ‘construction of auditability’ implies that auditors construct the audit methodologies and operationalise those methodologies in the audit environment (Power 1996; Robson et al. 2007; Khalifa et al. 2007). The examination and analysis of the development of VFM audit methodologies and other institutional practices of the Auditor-General’s Office, as accounting phenomena, are central objectives of this study. I argue that the VFM audit methodologies and other in-house processes, such as strategic planning, have the capacity to influence and drive the VFM audit practice in an Auditor-General’s Office. The benefits of adopting the examination of in-house processes or backstage practices of an Auditor-General’s Office is that the co-construction of the auditing methodologies and audit environment is elaborated more vividly than the human or other environmental influences that drive the VFM audit practice. In this study, I also attempt to examine the socially constructed nature of VFM audit practice in its institutional, social and political environment, as highlighted by Hopwood (2000, p. 763) and Power (2003, p. 379). Further, this study addresses Hopwood’s (1998, p. 516) call for further research into the need to understand the modes of internal organisation and processes of management of audit organisations.

The remainder of this chapter is organised as follows. Section 8.2 provides a summary of the key literature relevant to the construction of auditability and VFM audit. Section 8.3 provides a brief description of the theoretical framework and research design of this thesis. Section 8.4 presents the key findings and conclusions relevant to the development of VFM audit methodologies and roles played by the VFM audit methodologies in VFM audit practice. Section 8.5 discusses the research implications and conclusions relevant to the transformation of VFM audit methodologies and practice through strategic planning processes. Section 8.6 discusses the limitations of the study and offers suggestions for future research.

39 Audit organisations include audit (accounting) firms, Auditor-Generals’ Offices and other audit practice providers, such as environmental auditors.
8.2 Summary of Key Literature

This study responds to Power’s (1996, 1999, 2003) call for in-depth empirical studies to understand how new auditing practices become established, how these practices affect the social and political environment, and the reliability of the reports that result from these practices. Understandings of the construction of auditability need to draw on two elements: audit methodologies and the audit environment. In order to make things auditable, auditors develop audit methodologies and create an audit environment receptive to those methodologies (Power 1996). Audit methodologies are enacted or implemented within the audit environment through audit discourses and other in-house procedures adopted by audit organisations (Robson et al. 2007; Khalifa et al. 2007).

I extend these research arguments on the construction of auditability by examining the development of VFM audit practice in an Auditor-General’s Office. Arguably, Power (1996), Radcliffe (1998, 1999) and Gendron et al. (2001, 2007) underemphasise the changing nature and role of audit methodologies and strategic planning processes adopted by audit organisations in developing new audit practices. Power (1996) highlights the power of auditors and audit organisations or accounting firms; however, his analysis of auditors and audit organisations needs to be extended to examine the influencing role of audit methodologies and strategic planning processes. Power’s (2003, p. 379) subsequent review article on the backstage practices of audit categorises the backstage practices of audit in four categories (the audit process and formal structure, auditing as a business, working papers and image management, and new audits) and calls for further research in these areas. This study is an attempt to explore some of these four processes through examining the development of three key elements of VFM audit—audit methodology, strategic planning and audit environment.

In summary, the role and significance of the development of audit methodologies and operationalising these in the audit environment is contested and unclear. Gendron et al. (2007) argue that the role is primarily symbolic, supporting claims to legitimacy and broader support for the VFM work. Knechel (2007) and Robson et al. (2007) highlight
links between the growth of audit methodologies, the claim for jurisdiction and struggles over market shares. It is possible that VFM methodologies have supported the growing influence of Auditor-Generals’ Offices in the public sector audit jurisdiction, as they are increasingly seen as ‘management consulting’ partners to the Executive (Gendron et al. 2001, 2007; Skaerbaek 2009). However, there is also evidence from empirical studies that this process is not so straightforward or universal (Skaerbaek 2009). Skaerbaek (2009) argues that the Auditor-General’s Office in Denmark assisted the development of accounting systems of the auditee organisations to be compatible with the VFM audit methodologies of the Auditor-General’s Office. Skaerbaek (2009) suggests that the Auditor-General’s Office works in a dual role of moderniser and auditor, and that this dual role can develop conflicts with the social norms of auditor independence.

It is also clear that there is a dynamic and complex relationship between audit methodologies, the audit environment and key actors—both internal and external to the Auditor-General’s Office. Insights from the development of RBA methodologies suggest that this development in private sector audit has increased opportunistic and risky behaviour among accounting firms (Knechel 2007). If this is also true in relation to VFM audits, one would expect an increasing orientation towards ‘consulting’ reports and a significant decrease in the credibility and status of the work of Auditors-General. However, this outcome is not inevitable because the audit methodology, environment and actors are still tightly connected.

What is critical to the development of both the audit methodologies and an audit environment is the ability to secure agreement and support from the ‘market’, and this is increasingly embodied in audit discourses that communicate the value and contribution of the enhanced methodology and environment to key external stakeholders (Khalifa 2007). The goal and objective of this study is to address the lack of longitudinal studies on the processes of auditability of the VFM audit practice. Despite the rich body of existing work, relatively little attention has been paid to the historical development, structure and function of the audit methodologies and role of the strategic planning process in this setting. This work is necessary to validate or challenge relative claims for symbolic or functional
contributions of VFM audit. In that sense, the nature of the audit methodology and strategic planning process of an Auditor-General’s Office are seen as critical backstage (back-of-house) elements in the performance of VFM audit.

There is limited understanding of how an Auditor-General’s Office constructs and frames audit methodologies as a longitudinal process, even though VFM audit methodologies are central to audit practice. It is necessary to understand why VFM audit methodologies were developed, who were the actors that supported the development of those methodologies, how those audit methodologies were developed, how those audit methodologies interacted and operationalised the VFM audit within the audit environment, and how those audit methodologies and strategic planning process enhance the legitimacy of the VFM audit practice. This task of examining the backstage practices of the VFM audit involves examining the development and modifications of VFM audit methodologies and strategic planning inscriptions of an Auditor-General’s Office for a long period, from the commencement to the establishment of the VFM audit practice.

The researchers who examine the emergence and development of VFM audit practice focus on several themes:

- The relationship between NPM and development of VFM audit practice (Radcliffe 1998; Jacobs 1999; Guthrie & Parker 1999; Gendron et al. 2001)
- The struggle between Auditor-Generals’ Offices and the Executive over VFM audit practice (English 2003; Funnell 1998, 2003; Pallot 2003)
- The relationship between VFM audit and the independence of Auditor-Generals’ Offices (Gendron et al. 2001; Skaerbaek 2009)
- The attempt to understand the backstage practices of VFM audit and creation of the audit environment (Radcliffe 1999; Pollitt 2003; Gendron et al. 2007; Skaerbaek 2009).

I suggest that these studies need to be extended to examine the backstage processes of the development of VFM audit methodologies and strategic planning processes adopted by the Auditors-Generals’ Offices. Therefore, I highlight in this study that VFM audit methodologies and strategic planning documents begin their life in the VFM audit practice.
at the Auditor-General’s Office as scripts or accounting devices. Subsequently, those scripts (accounting devices) are embedded with the power to influence actors and stakeholders (namely, Parliament, PAEC, auditee organisations and the general public) in the VFM audit practice as inscriptions that can drive and perform the VFM audit practice. Therefore, this study suggests that the construction of auditability is not limited to only the development of audit methodologies, but also to influencing the enacting of regimes of auditability for VFM audit practice.

This study also addresses Guthrie and Parker’s (1999) call to examine VFM audit practices in other jurisdictions, as the practices in different Auditor-Generals’ Offices can differ due to idiosyncratic, social and political environment influences. The development of VFM audit has been perceived as an outcome of NPM reforms (Power 1997, 2003). As such, most VFM audit literature has been based on examining published VFM audit and annual reports of Auditor-General’s Office because researchers have attempted to examine the relationship between changes in government policies and VFM audit (Guthrie & Parker 1999; Funnell 1998, 2003; Gendron et al. 2001). Those studies on the development and emergence of VFM practice do not pay attention to exploring the corporate strategies, marketing and promotional policies, and modes of operational management highlighted as important by Hopwood (1998, p. 516). Previous studies have also lacked in-depth descriptions of how VFM audit methodologies and strategic planning processes have been developed and adopted by Auditor-Generals’ Offices.

While this study recognises that there is a dynamic relationship between audit methodologies and audit environments, this study argues that the failure to examine the development and evolution of the VFM audit methodologies has ignored the possibility that the audit methodology itself (as embodied in manuals and handbooks) is a potentially significant script and inscription in this construction of auditability setting. I recognise the possibility that the nature and significance of the VFM audit methodology as an inscription can change over time and in different environments. However, to extend our understandings of the construction of auditability, it is necessary to recognise these possibilities.
Khalifa et al. (2007) provide a powerful way to access the practices associated with the construction of VFM auditability by examining the discursive and representational materials such as audit methodologies and strategic planning processes and documents produced by the Auditor-General’s Offices. There is a lack of research studies examining the dynamic relationship between audit methodologies, audit environments and key actors, both internal and external to the Auditor-General. However, discourses embodied in the published reports and strategic planning process (conveniently published by Auditor-Generals’ Offices in a manner not done by private accounting firms) provide a way to understand the dynamics and practices associated with the construction of VFM auditability. Therefore, I examine how are regimes of auditability are created and enacted in an Auditor-General’s Office for the VFM audit practice.

8.3 Theoretical Framework, Research Design and Case Organisation

I adopt the sociological theory concepts of framing and overflowing (Goffman 1959, 1974; Callon 1998, 1999) as the theoretical framework. Framing and overflowing are powerful enough to explore the daily behaviour of people, organisations and discursive and representational inscriptions. These concepts can describe how various framing devices are developed within Auditor-Generals’ Offices and audit organisations to provide solutions for economic, social and political issues. This theoretical framework of framing and overflowing supports the idea that scripts, such as VFM audit methodologies and strategic planning documents, function within the Auditor-General’s Office as accounting devices or inscriptions, and can be enriched with political and technical power to add value and influence other actors and stakeholders in VFM audit practice.

The concepts of framing and overflowing are also useful to explain the fragile nature of audit practices and auditors’ efforts to develop and cultivate audit methodologies to claim jurisdictional power. More specifically, auditors change their audit methodologies to capture and be compatible with the changing nature of the social, political and economic environment. As such, I suggest that VFM audit is a socially constructed activity. It is a
process of framing and overflowing the VFM audit practice, assuming that audit methodological frames are not everlasting structures and that they have a tendency to become obsolete and overflow. The VFM audit practice and methodologies are emerging and changing continuously within the social and political environment, which indicates the recurrent overflowing and reframing of the existing VFM audit practice.

The process of the construction of auditability can be understood as the joint creation (co-construction) of audit environments and audit methodologies. While these two elements can never be separated, the creation of an audit environment can be seen as more related to the front-of-house (front stage) processes, while methodologies are more related to the back-of-house (backstage) processes. Yet any framing within either the back or front of house is recognised as partial and fragile because it will always be subject to overflows (whether hot or cold). The question remains how one might expect these front- and back-of-house elements associated with the practices of VFM audit to be framed. Pollitt et al. (1999) and Pollitt (2003) provide some important insights in that area, and argue that VFM audit reports reflect four different frames: the legal/judge, the public accountant/auditor, the management consultant/moderniser and the researcher.

From Pollitt et al.’s (1999) work, it would be reasonable to expect that VFM audit methodologies within the VAGO will be framed in terms of these different roles of judge, accountant, consultant and researcher. While it would be reasonable to expect that financial audit would be framed in terms of the accounting role (with a base in the judge and perhaps an overflow into consulting and research), it is unclear how the VFM audit role is framed, and the consequential overflow. I would also expect that the strategic planning process associated with performance audit would be a critical connection regarding how the back and front of house (the methodology and audit environment) are enrolled in the framing of the VFM audit. In this case, both internal actors and external actors (or audience) are cooperated in the enactment of the VFM audit. As such, I expect this is an important locus (and record) of the collective framing process because key external bodies (such as the Victorian Parliament and PAEC) have the opportunity to request changes to the plan and VFM audit specifications.
This study adopts the case study method because this allows the qualitative examinations necessary to unravel the longitudinal process of developing the VFM audit practice (construction of auditability) in an Auditor-General’s Office, while remaining compatible with framing and overflowing (Goffman 1959, 1974; Callon 1998, 1999). Examining the inner workings of an Auditor-General’s Office is an analysis of micro-sociological activities that requires qualitative research methods, such as interviews and observation of audit activities. Qualitative research methods allow the researcher to analyse and interpret the ritual of the VFM audit dramatised by the Auditor-General (and team of auditors in the Auditor-General’s Office) before the Parliament. Document analysis, interviews, personal communications and examination of closed VFM audit files were used as research methods in data collection. I used my previous public sector audit experience at two Auditor-Generals’ Offices as a research method to examine the audit programs, methodologies, planning documents and files. Three sub-processes of data analysis were used: data reduction, data display and conclusion drawing and verification (Miles & Huberman 1994).

This study examines the development of the VFM audit practice from 1982 to 2007 (for a 25-year period) of the VAGO as a research case study. The case studies—especially descriptive and explanatory case studies—are suitable to explain the construction and development of accounting technologies in organisations (Scapens 2004, p. 261). The VAGO submitted its first VFM audit report to the Victorian Parliament in 1982 as a Special Audit Report under s. 48 of the Audit Act 1958, and obtained the enhanced VFM audit mandate in 1990 and 1994. The PAEC (2010) of the Victorian Parliament accepted the VAGO as the expert in VFM audit in Victoria in 2010. The VFM audit methodologies and policies of the VAGO were developed from 1984, and the VAGO introduced five VFM audit methodology manuals and programs from 1984. The VAGO developed a series of corporate and annual plans from 1986 as inscriptions to develop the VFM audit methodologies and enact those VFM audit methodologies in the audit context. Thus, the VAGO is a fruitful case study because it has undergone various backstage processes in audit methodologies, as well as corporate and annual planning to satisfy the needs of the Parliament, PAEC, auditee organisations and other stakeholders in VFM audit practice.
8.4 Key Findings: Construction of Auditability in VFM Audit Practice

This section addresses key research questions regarding how VFM audit methodologies are framed over time and reflected in VFM audit practice, how the role of VFM audit methodology changes in VFM audit practice, and how VFM audit methodologies relate to the four alternative focuses for VFM audit described by Pollitt (2003) (legal, auditing/financial, consultancy and research). It describes the creation and evolution of VFM audit methodologies at the VAGO for the 25-year period from 1982 to 2007, and recognises the possibility that methodologies might evolve from a guiding script to a powerful inscription.

From 1851, the VAGO commenced its VFM audit as part of the comprehensive audit methodology, based on its accumulated professional knowledge and expertise. In June 1982, it submitted its first VFM audit report to the Victorian Parliament. The policy on comprehensive audit methodology published in 1984 became an enabler to change VFM audit practice and public sector audit frame at the VAGO. It changed the role of the Auditor-General’s Office from financial auditor to comprehensive auditor. The VAGO published its first formal audit methodology and policy on VFM audit in 1984, highlighting that the VFM audit was an extension of financial audit work in selected auditee organisations to review the economy, efficiency and effectiveness of their operations. Thereafter, in 1991, the VAGO developed a VFM audit methodology handbook, known as the VPAM, for field auditors, and provided a structured framework for the VFM audit function.

The introduction of VFM audit in 1984 can be understood as an incremental change to the traditional role of the Auditor-General in the compliance and auditing frames, reflected in the existing financial audit practice and the adoption of a more consulting frame for their work. This intended the VFM audit to go beyond the ‘fault-finding perspective’. In order to secure creditability and support, this was represented as a logical extension of existing
financial audit practices. The change was also supported by broader NPM reform initiatives and the strong advocacy of activist Auditors-General.

The major challenge was the establishment of a coherent legal mandate for the VFM work. Initially, this was only for economy and efficiency work; however, by 1994, it was extended to include effectiveness. The formal mandate was followed by an attempt to consolidate the internal competences of the VAGO in the VFM space with the recruitment of specialist expertise and development of the VFM audit manual (VPAM). While this would seem to have consolidated the institutionalisation of the VFM audit and the establishment of the Auditor-General in an advisory/consultancy role, it actually triggered a form of hot overflow when the VFM audit reports strongly criticised the privatisation agenda and practices of the government of the day in 1997. There is potential that this hot overflow was also linked to a reorientation away from the Parliament and towards the public as the client of the VFM reporting process. This conflict was so significant that the fundamental mandate of the VAGO was revoked and the power of the Auditor-General to conduct VFM audits (and financial audits) ceased in 1997.

With a change in government, the retirement of one Auditor-General and the appointment of another, the structures, mandate and credibility of the VAGO were substantially restored in 2000. Therefore, the capacity of the Auditor-General to function in the compliance, financial audit and management consulting frame was re-established. Following this restoration there were two further dramatic changes to the VFM methodologies. The first was the separation of the VFM audit methodologies and VFM audit policy framework in 2004. While the framework was still publically visible in the MAP document, most of the methodologies were retained as in-house/back-of-house resources. One interpretation of this change is that it retains the VFM knowledge as specific to the Auditor-General and makes it much more difficult for private sector accounting firms to compete in the VFM audit space. This process of encoding the back-of-house knowledge was further continued in 2007 when the VFM methodologies were incorporated into the AmP computer system. In effect, these methodologies are now closed knowledge that is only shared with other Auditors-General.
This process was successful in restoring the reputation of the VAGO for exclusive control over the VFM methodologies and practical knowledge. It firmly underpinned the reframing of the VAGO work away from compliance and financial audit and towards a more advisory/consulting orientation focused on issues of economy, efficiency and effectiveness. However, in that reframing and the subsequent legal mandate, it was reinforced that the client was and would remain the Parliament, and the Auditor-General forgets that at his or her peril.

The VAGO developed its VFM audit methodologies by adopting four strategies between 1982 and 2007. First, the VAGO adopted the VFM audit methodologies from the Canadian Auditor-General’s Office. The VAGO sent its auditors to study the VFM audit methodology adopted by the Ontario Auditor-General’s Office. Auditor-General Waldron himself went on a training mission to Canada before the VAGO adopted the comprehensive audit policy in 1984. Second, the VAGO introduced the strategic planning process (corporate planning) in 1986 to develop the audit methodologies, among other things, that could improve audit reports and good practice guides to meet the expectations of the Parliament and auditee organisations. The VAGO conducted stakeholder surveys to identify the needs of the Parliament and auditee organisations, and those stakeholder views were incorporated when developing VFM audit methodologies. The VAGO also introduced a system of annual planning consultation with the PAEC of the Victorian Parliament in 2000 under the Audit (Amendment) Act 1999, and this work further enhanced the cooperation between the primary client and auditor.

Third, the VAGO observed the development of contemporary auditing practices in other countries and private sector accounting firms, and modernised VAGO’s audit methodologies to align and be competitive with contemporary developments in the broader audit profession. Fourth, the VAGO developed a unique public sector RBA methodology, known as IPSAM, in collaboration with the QAO in 2005, and used the same technological hardware platform to develop its computerised VFM audit methodology of

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40 IPSAM refers to the Integrated Public Sector Audit Methodology.
AmP in 2007. This combination of RBA and AmP enabled the VAGO to enhance economy and efficiency in gathering audit evidence and processing this as VFM audit reports. These actions taken by the VAGO confirm that the development of audit methodologies and creation of an audit environment receptive to those methodologies are co-evolving and interrelated.

As a response to the development of VFM audit methodologies over a 25-year period, from 1982 to 2007, the audit mandate of the VAGO was revised, curtailed and finally given an unrestricted VFM audit jurisdiction in which to conduct VFM audits. This was because the VAGO convinced the Parliament and PAEC that they had developed and possessed the abstract knowledge base and expertise for the VFM audit. In recognition of the expertise of VFM audit practice, the Victorian Parliament granted and widened the legal jurisdiction and mandate over VFM practice to the VAGO through legal enactments, as follows. First, the VAGO commenced the VFM audit practice under the vague mandate given in s. 48 of the Audit Act 1958. Second, the Audit (Amendment) Act 1990 revised the VFM audit mandate under s. 48A, clearly identifying the core elements (economy, efficiency and effectiveness) of the VFM audit. Finally, the Audit Act 1994 replaced the Audit Act 1958 and enshrined the VFM audit mandate under s. 15.

I found that VFM audit methodologies can play different roles (accounting device, change enabler, script and inscription) that influence audit practice differently. The VFM audit methodologies were developed and functioned as an accounting device/change enabler/script from 1982 to 2007 because the audit methodology manuals served as guidebooks to field auditors during that time. However, the VFM audit methodology became a powerful inscription with the fully computerised AmP VFM audit methodology in 2007. The AmP was enriched with power by its technical capabilities to influence and add value to the VFM audit practice. It became an indispensable inscription for VFM auditors at the VAGO from 2007 because the AmP had the power to collect and store audit evidence and provide guidance to field auditors to produce VFM audit reports.
I also conclude that the VFM audit methodologies were developed as a focus frame to produce four categories of VFM audit reports: legal, auditing, management consultancy and research frameworks. This conclusion supports and extends Pollitt’s (2003) argument that VFM audit practice represents four different roles carried out by the Auditor-General’s Office. This study also notes that VFM audit methodologies have been developed to produce all four of these focus frames in one VFM audit report. This study found that the VAGO’s focus for its VFM audit methodologies changed over a period of time. At the commencement of the VFM audit practice, the VAGO concentrated on producing VFM audit reports that focused more on the compliance, economy and efficiency of government organisations. Examples are the first three VFM audit reports submitted to Parliament (Works Contract Overview, 1982, 1983 and Government Stores Operations and Departmental Cash Management, 1984). These VFM audit (special audit) reports paid more attention to the compliance, economy and efficiency of operations.

However, the VFM audit practice of the VAGO changed its focus to produce good practice guides based on prior VFM audit reports in the latter part of the evolutionary process. One example is the good practice guide on public sector procurement issued by the VAGO (2007), based on prior VFM audits. This changing nature of VFM audit practice highlights that VFM audit methodologies are developed to generate good practice guides or management consultancy–type reports, in addition to normal VFM audit reports. This changing nature of focus framing also highlights the Auditor-General’s Office’s changing strategies in representing the VAGO’s focus from financial auditor to other audit-related roles.

However, with different focus frames on public sector audit and VFM audit methodologies, the VAGO has had to highlight continuously that the Auditor-General’s primary responsibility is to provide independent audit opinions to the Parliament and other stakeholders. These representational communications on the changing role, focus and necessity of maintaining auditor independence have been communicated with discursive communication channels, such as corporate plans, annual plans and annual reports. This strategic planning process is further explained in the following section.
8.5 Key Findings: Mobilisation of VFM Audit Methodologies

This section focuses on the strategic planning process, which I argue is a critical part of this auditability regime because that is how VFM audit methodologies are enacted or performed in the audit environment. I theorise that the strategic planning process is the critical intersection of the back-of-house (backstage) elements that drive the development and presentation of audit methodologies and the external environment. The process of strategic planning involves the creation of corporate and annual plans for the Auditor-General’s Office (primarily internal/back-of-house) and the annual report. While these are internal documents, they are designed to communicate and represent the framing of the VFM audit to key actors in the external environment, such as Parliament, PAEC, audited organisations and general public. In addition, some of these environmental actors have the power to directly influence elements of the internal planning process. I argue that these processes of representation identified by Khalifa et al. (2007) provide the mechanisms that underpin how an audit environment (as discussed by Power [1996]) is actually created.

Consistent with the claims of previous research (Power 1996; Khalifa et al. 2007; Skaerbaek 2009), the empirical evidence presented in this thesis shows that the Auditor-General’s Office created and developed an audit environment to make it suitable for its methodologies and in-house processes and procedures. The VAGO did this by convincing the Victorian Parliament and auditee organisations of the need for and usefulness of VFM audits by preparing corporate and annual plans and annual reports. Each corporate plan had several long-term objectives related to VFM audit. For example, the first five-year corporate plan from 1986 to 1991 had three long-term objectives related to VFM audit focusing on the development of audit methodologies: i) delivering audit reports; ii) satisfying the demands of Parliament; and iii) increasing VFM audit staff and time capacity. The VAGO established strategies to achieve these long-term goals and ensured those strategies were focused adequately on understanding and delivering the needs of Parliament and auditee organisations. These strategies were broken down to yearly targets and included in the annual plans.
Parliament imposed the requirement that the annual plans of the VAGO be submitted to Parliament through the *Audit Amendment Act 1999*. Accordingly, the proposed VFM audit annual plan was submitted to the PAEC and obtained its members’ comments, thus establishing a harmonious relationship between the VAGO and PAEC. The outcomes of the corporate and annual plans were evaluated by using the annual reports. These annual reports worked as feedback given to Parliament on completed VFM audits, through which VAGO’s audit staff evaluated the achievement, or lack thereof, of both the corporate and annual plans of the VAGO.

Developing an environment that was receptive to VFM audits required the VAGO to transform its focus of audit practice and outcomes. Accordingly, the Auditor-General’s Office transformed its auditors’ role from financial auditor to comprehensive auditor through its involvement in strategic planning processes. Studies have shown that such an involvement helps auditors transform their identity. For example, Khalifha et al. (2007, p. 846) argue that auditors build their image and transform their identity from ‘business value’ providers to ‘audit quality’ providers through the discourses they conduct within the audit environment. The result was that the VAGO transformed its auditors’ role—a financial auditor role that had existed for 131 years—by commencing the VFM audit function in 1982. The VAGO reframed the public sector audit model as auditors in comprehensive audits who would simultaneously serve the needs of the Parliament, Executive and auditee organisations.

The VAGO used corporate plans, annual plans and annual reports to transform the auditors´ role and focus by constructing an audit environment that would better receive the VFM audit, methods and reports. This finding challenges Gendron et al.’s (2007) argument that the Auditor-General’s Office claimed its expertise in measuring government performance without any substantial planning process or detailed strategy. For example, the results of this thesis show that the VAGO prepared five corporate plans from 1986 to 2007 and seven

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41 A comprehensive audit methodology refers to the combination of financial audits, VFM audits and compliance audits. The VAGO VFM audit practice covers compliance audits as a component of the VFM audit (VAGO 1984a).
annual plans subsequent to 2000. The VAGO has taken a thorough approach to understanding its clients, the audit environment and especially the Victorian Parliament and PAEC.

In order to complete this task, the VAGO undertook SWOT analyses, environmental scans and client surveys. By adopting these internal processes and procedures, the VAGO used planning processes to enhance the quality of VFM audit reports, audit methodology, information technology; use of human and other resources; and selection of VFM audit cases. I found that the VAGO established its legitimacy and jurisdiction for VFM audit within the state public sector in Victoria, Australia, using strategic plans to effectively manoeuvre the audit environment. This is consistent with the argument made by Dowling and Pfeffer (1975, p. 122) that organisations realign their internal processes with the norms of acceptable behaviour in the larger social system in which organisations operate in order to obtain legitimacy for their activities.

The VAGO submitting an annual plan to the PAEC of the Victorian Parliament is interpreted as performing a ritual or drama that is necessary to avoid any surprises for the Parliament and PAEC that would result from such VFM audits. The VAGO provides unapparent facts through annual plans to Parliament before the VFM audit reports and annual reports are submitted to the Parliament. The Victorian Parliament emphasises the importance of negotiations and communications between the VAGO and PAEC through the planning process. S. 7A of the Audit Act 1994 requires that the VAGO prepare the annual plan and receive the PAEC’s consent on the plan. S. 15 (2) and s. 15 (3) of Audit Act 1994 require the VAGO to prepare the audit specification for each VFM audit and seek the PAEC’s review and comments before the VFM audit is commenced.

Parliament also recommends a requirement that the Auditor-General’s Office must consult and inform the PAEC as to the time intervals for VFM audits to be undertaken for particular authorities, as well as the number of performance audits to be conducted each financial year. One could argue that these requirements are tantamount to compromising the expected social norms of auditor independence. Similarly, Gendron et al. (2001) and
Skaerbaek (2009) argue that state auditors carry out a dual role of financial auditor and management consultant, and violate the social norms of auditor independence. However, this study finds no evidence that the PAEC has tampered with the intending VFM audit plan or audit specifications of the VAGO. The two-way communication between the VAGO and Parliament arguably enhances the harmonious relationship between the audience and VFM audit actors and team.

I conclude that one of the most important elements of the ‘construction of auditability’ process is strategic planning. The development and modifications of VFM audit methodologies and audit recommendations or reports coming out of these audit methodologies must be communicated to the audit environment. The VAGO has completed these tasks of communication and representation of the transformation of VFM audit methodologies and their outcome of varying focus of audit reports and recommendations to the audit environment through the strategic planning process.

**8.6 Research Implications and Conclusions**

I examine the theoretical process of ‘construction of auditability’ by focusing on the actual processes associated with VFM audit practice at the VAGO in the State of Victoria in Australia. The construction of auditability reflects two interrelated processes: the development of audit methodologies and enacting them in the audit environment. The academic work on the construction of auditability has highlighted a number of key theoretical issues, including

- The symbolical value of audit methodologies (Radcliffe 1999; Gendron et al. 2007)
- The possibility that audit methodologies can become active agents (Justesen & Moritsen 2011)
- The value of the discursive scripts such as strategic planning documents as a representational mechanism (Khalifa et al. 2007)
The different roles played by the Auditor-General’s Office (Pollitt et al. 1999; Pollitt 2003; Gendron et al. 2001; Skaerbaek 2009).

In this study, I extend these theoretical notions by examining the VFM audit practice of the VAGO from 1982 to 2007.

To understand how audit explosion (Power 1994) and audit society (Power 1997) are created, it is necessary to understand the backstage processes of the development and enactment of audit methodologies. Power (1996, 1999) argues that necessary accounting control mechanisms need to be built to implement the audit methodologies, and that performance evaluation criteria needs to be developed for VFM audit practice. However, Power does not extensively explore the operationalisation of audit practices through audit methodologies and through enacting those methodologies via a strategic planning process. Audit methodologies are a form of inscriptions developed at the backstage of the audit organisations, and those audit methodologies provide the structures and guidelines on audit criteria, performance evaluation criteria, various stages of audit, relationship between the agents and actors in the audit process. This study illustrates that an Auditor-General’s Office develops and constantly modifies the VFM audit methodologies as audit and performance evaluation criteria. Subsequently, these audit methodologies help produce the audit reports with VFM audit recommendations that further improve the accounting and financial management systems of auditee organisations as a continual cycle or process. This development of audit methodologies constantly modifies the auditability process and, as such, the audit methodology is a central function that drives the VFM audit as a backstage (back-of-house) process within the audit organisations.

I argue that the audit explosion (Power 1994) and expansion of audit society (Power 1999) reflect the overflowing of audit practices. The public sector audit and VFM audit are part of the public sector management and accountability process. Public sector management and accountability is a socially constructed activity that supports the operation and sustainability of the economic, social and political environment. Hence, the influences and changes of economic, social and political environment need to be incorporated into the public sector audit framing. Therefore, the public sector audit and VFM audit are fragile
and face constant overflows. This fragile nature requires recurrent modifying and developing of VFM audit methodologies. Hence, the audit methodologies are reframed by the Auditor-General’s Office after evaluating the social, political and economic environment through the strategic planning process. Therefore, the VFM audit practice is a socially constructed activity and VFM audit practice is framed as per the needs of the social, political and economic environment.

The role of accounting methodologies in the creation and enactment of regimes of auditability is underemphasised in the areas of the backstage processes of developing audit methodologies and strategic planning in the Auditor-General’s Office. Strategic planning enhances the mechanisms of creating the audit methodologies because planning maps the needs and demands of the audit environment. Those needs and demands are built into the modification of VFM audit methodologies at the Auditor-General’s Office. As such, I challenge Gendron’s et al. (2007, p. 124) argument that the VFM audit practice is operationalised without any strategic planning mechanisms. I found evidence that the Auditor-General’s Office uses strategic planning (corporate plans, annual plans and annual reports) to situate the VFM audit practice by managing four strategically important areas: audit methodology, human resources (auditors), information technology, financial resources and audit environment. Without a detailed long-term strategy and strategic planning process, the VAGO could not have sustained and manoeuvred the VFM audit practice from 1982 to 2007 because the VFM audit practice requires constant modifications of audit methodologies and aligning them with the expectations of the audit environment.

The role of strategic planning is unique to the Auditor-General’s Office to represent and communicate with the audit environment because the Auditor-General’s Office is required by its mandate to submit ex-ante (such as an annual plan) and ex-post (such as an annual report) reports to its primary client—the Parliament. I identified that the Auditor-General’s Office communicated or represented the development of VFM audit methodologies and audit practice (matters on reporting practices, including audit recommendations, focus of VFM audit, audit mandate and auditor independence) to the audit environment (especially to the Parliament and PAEC) through corporate and annual plans and annual reports. This
finding extends Khalifa’s et al. (2007, p. 83) notion of discursive communications shaping the audit environment by showing how the VAGO’s strategic planning documents also work as discursive tools to shape the relationship between the VAGO and audit environment.

Therefore, I argue that the strategic planning inscriptions (corporate plans, annual plans and annual reports) work as discursive and communication messengers in the VFM audit to connect the backstage of the audit organisation with the front stage (audience) in the audit environment. The strategic planning documents also provide the relevant decision-making information to the audit environment in order to assist the stakeholders in the VFM audit to achieve their public sector accountability objectives. Therefore, the strategic planning documents take an active role in influencing the actors at the backstage and audiences at the front stage of the VFM audit to drive the growth and sustain the VFM audit practice.

I also argue that the development and enactment of audit methodologies in the audit environment through strategic planning can support the Auditor-General’s Office to reconfigure its role and the focus of VFM audit. Pollitt (2003) argues that Auditor-Generals’ Offices provide four focus roles as a VFM auditor: auditor/accountant, judge, consultant and researcher. Gendron et al. (2001) and Skaerbaek (2009) also argue that Auditor-Generals’ Offices have the dual role of auditor and moderniser (consultant). The relationship between the development of audit methodologies and using that methodological expertise (symbolical value) has been used to impress the audit environment (Robson et al. 2007; Knechel 2007). Hence, I extend Robson et al.’s (2007) argument that accounting firms develop audit methodologies to renegotiate or reconfigure the audit firms’ role and focus in order to enhance market share and claim on jurisdictional rights over other areas of expertise. I found evidence that the VAGO renegotiated and enhanced their audit role and focus from financial auditor to comprehensive auditor with the introduction of VFM audit practice since 1982. Under the comprehensive auditor role, the VAGO produced VFM audit reports with four focus areas: accountant/auditor, legal, consultant and researcher. Thus, I suggest that the VAGO claimed the jurisdictional rights
over the VFM audit and represented the auditor’s role as being predominantly a public sector independent consultant, among other less visible roles.

I argue that the development and modification of audit methodologies can be specific to a specific audit organisation. I found that the VAGO developed the VFM audit methodologies by adopting several strategies: observing and adopting the contemporary development of VFM audit practices and methodologies, using the accumulated financial audit knowledge, considering the audit environment demands and needs, and experimenting with special audit projects since 1982. Therefore, the VAGO’s approach and strategies in developing the VFM audit methodologies are specific to that audit organisation and are not universal.

This finding modifies Gendron’s et al. (2007) arguments on claims to expertise on VFM audit in three aspects. First, the Auditor-General’s Office claimed the expertise to the VFM audit from the Parliament by developing the VFM audit methodologies. Second, the Auditor-General’s Office developed VFM audit methodologies by observing the contemporary developments of VFM practices applied by other Auditor-Generals’ Offices, instead of importing and reprocessing the performance evaluation knowledge from State Government departments, as claimed by Gendron et al. (2007, p. 125). Third, the development of VFM audit methodologies was strategically planned and managed from 1986 through strategic planning process, instead of being influenced by the performance management systems and policies of other government entities. Therefore, I conclude that the development and modification of audit abstract knowledge or methodology is vital to claim jurisdiction over VFM audit practice for the Auditor-General’s Office.

I argue that audit methodologies provide abstract and symbolical value to the VFM audit practice to claim the jurisdictional rights over it. Hence, the VFM audit methodologies are developed and modified to be receptive to or resonate with the opinions of the Parliament and PAEC, as argued by Gendron et al. (2007, p. 126). I found evidence that the co-construction of audit methodologies and audit environment through strategic planning process occurs simultaneously and as a continuing process of framing and overflowing.
This continuing process of modifying the audit methodologies and representing those methodological changes to the audit environment through the strategic planning inscriptions (corporate plan, annual plan and annual report) is central to claiming the jurisdictional rights over the VFM audit.

The development of VFM audit methodologies and enacting them in the audit environment is a two-way process for the Auditor-General’s Office. I highlight that the audit methodologies provide the basic structure, knowledge, guidelines and social frame to the VFM audit, and that VFM audit knowledge could be combined with environmental factors (social, political and economic) in auditor decision making. Therefore, I extend Radcliffe’s (1999) suggestion that the field auditors determine the VFM based on the surrounding social, political and economic environment, and do not strictly adhere to the audit methodology manuals. Hence, audit methodology can be a guiding and influencing inscription to the field auditors to analyse the auditee organisation data to make VFM decisions.

I highlight the role of the agency of the audit methodologies and the changing nature of the audit methodologies over a period of time, with continuous modifications as a result of the overflowing and framing processes. In order to support this argument, I draw from the concepts of actors and props (Goffman 1959, 1974; Callon 1986; Latour 1987, 2005). Actors and props can control or influence other human actors to respond to certain signals in a theatrical performance, such as the lighting system or curtains of the theatre (Goffman 1959, 1974). Likewise, audit methodologies commence their life as scripts and documented structures in the various stages of the VFM audit process or procedures. However, the audit methodologies are enhanced with power as a result of modifications, and become powerful inscriptions after a period of time. I also suggest that audit methodologies can work as actors in the VFM audit process in order to influence other actors to drive the VFM audit practice in future.

I highlight that VFM audit methodologies have the power to regenerate themselves based on past audit recommendations and good practice guides. VFM audit methodologies are
also reframed based on input from the audit environment. Strategic planning documents map the needs of the audit environment and send those signals to the backstage of the audit organisations to modify the audit methodologies. Additionally, audit methodologies are modified based on past VFM audit findings and recommendations. Thereafter, the role and focus of modified VFM audit methodologies is conveyed back to the audit environment through the strategic planning process. This regeneration and representation of VFM audit methodologies is a two-way process. As such, this process is identified as a co-construction of audit methodologies and environment, as argued by Robson et al. (2007).

8.6.1 Study Limitations and areas for future research

This study is limited to the VAGO in Victoria, Australia, and the findings of this study may not be applicable or attributable to other Auditor-Generals’ Offices due to differences in the audit mandate, financial management requirements and social and political environment factors. There are nine Auditor-Generals’ Offices in Australia. These Auditor-Generals’ Offices have different audit mandates, audit acts and financial management acts. The VFM audit function is also not a compulsory annual audit, similar to the financial audit. The VFM audits at the VAGO are undertaken at the discretion of the Auditor-General, with the consent of the PAEC of Victoria.

This study’s findings are limited to VFM audit practice only. The Auditor-General’s Office has two major audit functions: the annual financial audits of government entities and VFM audits. The financial audit is completed with different requirements, such as audit and financial management acts, accounting standards and auditing standards. Therefore, the findings of this study are applicable only to the VFM audit function of the VAGO. VFM audits are not compulsory for every government organisation.

Future research is needed on the role of the PAC in implementing the VFM audit recommendations because that process is a part of the public sector accountability drama.

42 These include the ANAO, QAO, Northern Territory Audit Office, New South Wales Auditor-General’s Office, Australian Capital Territory Auditor-General’s Office, VAGO, Tasmanian Auditor-General’s Office, South Australian Auditor-General’s Office and Western Australian Auditor-General’s Office.
performed by the Auditor-Generals’ Offices in front of auditee organisations, Parliaments and PACs. The VFM audit report recommendations are reviewed and remedial actions are imposed on auditee organisations by the PAC of the Parliament. This review process by the PAC is the last link of the public sector accountability and audit process. The effectiveness of VFM audit practice is dependent on the follow-up actions taken by the PACs. These aspects of implementing and monitoring the follow-up actions of the VFM audit are to be examined for the VAGO, PAEC of the Victorian Parliament, other Auditors-Generals’ Offices and PACs of State Parliaments.

Further research is needed on the relationship of state auditors’ independence and the VFM audit function in different jurisdictions. Gendron et al. (2001) and Skaerbaek (2009) argue that the Auditor-General’s Office has compromised the socially accepted norms of auditor independence while undertaking VFM audit. Gendron et al. (2001) and Skaerbaek (2009) argue that VFM audit work reflects the consultancy services provided to the State Government, while simultaneously working as the financial auditor and thereby violating the social norms of auditor independence. This study could not find any evidence to support Gendron et al.’s (2001) and Skaerbaek’s (2009) conclusions on violations of the social norms of auditor independence in the context of the VFM audit practice at the VAGO. Therefore, further research is needed to determine whether there is a breach of auditor independence when undertaking the VFM audit role by Auditors-Generals’ Offices.

A few comparative studies have evaluated VFM audit practice in Australia (Glynn 1985; Hatherly & Parker 1988). Since the publication of these studies, the VFM audit function has developed and advanced considerably. There is a need to enhance the knowledge of comparative VFM audit practices adopted by the Auditors-Generals’ Offices in Australia and other countries. These proposed comparative VFM audit studies must examine the VFM audit mandate, independence, scope of the audits, audit methodologies adopted, in-house processes and procedures, selection of the VFM audit cases, liaison with the PACs and Parliaments, and the variety in audit recommendations.
This study examined how regimes of auditability are created and enacted in an Auditor-General’s Office for the VFM audit practice. The creation and enacting of the regimes of auditability involve the development of VFM audit methodologies and enacting those methodologies in the audit environment. There is a body of literature that examined this process under the theme of the ‘construction of auditability’ in the context of private auditing firms and there is a gap in the audit literature on the ‘construction of auditability’ for VFM audit (Power, 2003b). Therefore, this study examined the ‘construction of auditability’ process in the context of the VFM audit practice adopted in Auditor-General’s Offices. The VFM audit practice differs from the private sector financial audit in several ways including the appointment of the auditor, audit mandate, audit methodologies, scope of audit, selection of audit projects and reporting practices. The nature of the VFM practice and its key stakeholders are also different from the financial audit because the VFM audit is controlled and guided by the parliamentary legislations and not by the financial accounting standards and corporations law. Hence, there is a necessity to understand the construction of auditability for the VFM audit practiced by the Auditor-General’s Offices.

This study extends the notions of construction of auditability for the VFM audit practice by examining the development of VFM audit methodologies and strategic planning processes adopted and implemented by the Auditor-General’s Offices. The most unique finding of this study is that the audit methodologies are enacted, mobilised and re-engineered through the strategic planning process of the Auditor-General’s Office and this backstage activity performs a public legitimacy role which has no clear counter-part in private sector auditing firms. The strategic planning involves the creation and submission of corporate and annual plans and annual reports to the stakeholders of VFM audit in the audit environment. These strategic planning documents work as mediating devices and inscriptions that provide nexus between the audit methodologies and the audit environment. This study concludes that the strategic planning process and inscriptions are central objects of the VFM audit that make the VFM audit methodologies operationalise or implementable to produce the VFM audit reports. The strategic planning process supports the Auditor-General’s Office to continually engage with the audit environment, to modify the VFM audit methodologies and to prevent the possible outflowing of the VFM audit and public sector audit frame.
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Appendix 1: Conceptual Framework of the VFM Audit

1.1 Introduction

Research indicates that defining the VFM audit is a difficult task, similar to the differences between the VFM audit practice and the conceptual framework. The objective of this thesis does not concentrate on defining the VFM audit. However, this appendix analyses past research to summarise the conceptual framework of the VFM audit. The Audit Practice Statement issued by the VAGO (2009, p. 3) defines the VFM audit as follows:

A performance audit43 is an audit which evaluates whether an organization or government program is achieving its objectives effectively, economically and efficiently, and in compliance with all relevant legislation. Performance audits extend beyond the examination of the financial affairs and transactions of a government agency to encompass wider management issues of significance to the community.

Defining the VFM audit is a difficult task because the nature of audit practices continuously changes in parallel with the social and political environment. This matter is highlighted by Power (1997, p. 4), who refrains from defining auditing and the VFM audit because so many similar practices have been termed auditing, such as environmental auditing. The questionable nature of the definitions provided of the VFM audit is indicated in the definition given by the VAGO (1991a, p. 1 paragraph 6) in its first VPAM: ‘In broad terms, a “performance audit” may be defined as an audit relating to any matters concerning the performance of an organisation other than those connected with the fair presentation of financial statements’. This definition could be interpreted to refer to any non-financial audit conducted by the VAGO as a VFM or performance audit.

The remainder of this appendix is set out as follows. Section 1.2 of this appendix discusses the evolution of the VFM audit concept, and Section 1.3 provides the summary and conclusions.

43 The VFM audit is identified by various names, including ‘performance audit’ and ‘efficiency audit’. The VAGO identifies the VFM audit as a performance audit.
1.2 Evolution of the VFM Audit Conceptual Framework

Lindeberg (2007) analyses texts in auditing and evaluation practices to determine whether auditing is distinct from other evaluation practices. He compares the VFM or performance audit with financial audit and program evaluation in order to explore his research objectives. Lindeberg (2007, p. 338) identifies the VFM audit or performance auditing as follows:

Performance auditing is not a prototypical form of auditing that we would expect to fit neatly into the category ‘audit’. Rather, performance auditing appears to be the oddball in the auditing family and it is therefore likely that we will be able to observe problems of classification.

Lindeberg (2007) argues that the financial audit and performance audit have different characteristics, but points out that performance auditing and program evaluation have similar characteristics. He also highlights that the financial audit, performance audit and program evaluation sit in three different places on a horizontal continuum. He concludes that performance auditing and program evaluation are much more similar than the financial audit. The deficiency in this research is that Lindeberg did not compare the audit mandate and the independence of the person who is completing the performance audit or financial audit. In that regard, the financial audit and performance audit are much more similar, as these two functions are completed by an officer independent of the Parliament or legislative assembly.\(^{44}\)

A particularly confusing aspect of VFM auditing is that so many different terms have been used, and it is unclear whether these terms represent something different or all describe essentially the same thing. In his review of VFM audit practices in the UK, Canada, Australia, New Zealand, the US and Sweden, Glynn (1985) uses the general term ‘VFM auditing’ to encompass the range of practices and terminologies that he describes. Glenn states that, from 1979, the federal Australian Auditor-General had a mandate for efficiency audits, but not effectiveness reviews. However, there were significant variations among the

\(^{44}\) The financial audit in this appendix refers only to the public sector financial audit conducted by the Auditor-General’s Offices.
states, with the State of Victoria initiating pilot effectiveness audits modelled on the Canadian comprehensive auditing approach (Glynn 1985, p. 119). According to Glynn, the other Australian state jurisdictions were less developed in this area. The New Zealand Auditor-General had the authority to conduct VFM audits from 1977, and had been experimenting with efficiency and effectiveness reviews based on a comprehensive auditing model since 1975. In that case, comprehensive auditing indicates that—in addition to the financial audits—the Auditor-General also evaluates the adequacy of systems and controls in establishing efficiency and effectiveness, and whether funds had been used in an effective and efficient manner.

Within the US, the GAO stressed the importance of independent reviews of efficiency and effectiveness or ‘program results reviews’ (Glynn 1985, p. 123). These reviews focused on questions of the economy and efficiency of management practices, and the effectiveness of programs in achieving desired results. Together with the term ‘program results reviews’, the terms ‘performance audit’ and ‘comprehensive audits’ were also used. In contrast, Sweden used the term ‘effectiveness auditing’. The effectiveness audit functioned as an extension of existing practices of financial auditing into evaluating the adequacy of the internal controls. The effectiveness audit was intended to check that activities were conducted in a functional, systematic and economically satisfactory way. Glynn (1985, p. 126) observes that the term ‘value for money’ was now part of the vocabulary of many countries. While there was no standard approach to the practice of VFM auditing, there was general agreement regarding the centrality of the themes of efficiency, economy and effectiveness.

Parker (1986) reviews the literature and practice of VFM auditing for the Australian Accounting Research Foundation. He highlights that, while terms such as VFM, operations and operational audit, performance audit and management audit have been variously employed in theory and practice, the evidence in his study clearly points to their sharing a common basic definition founded on the concepts of economy, efficiency and effectiveness. Drawing from this, Parker (1986, p. 61) argues that a VFM audit is any audit
that attempts to evaluate organisational performance based on the three criteria of economy, efficiency and effectiveness. Parker (1986, p. 61) defines these criteria as follows:

- Economy is the acquisition of human and material resources of appropriate quality and quantity at the lowest reasonable cost
- Efficiency is using a given set of resources to maximise associated outputs at minimum total cost, or using minimum input resources for a predetermined level of output
- Effectiveness is the degree to which predetermined entity objectives for a particular activity or program are achieved.

1.3 Summary and Conclusions

From the work of Glynn (1985) and Parker (1986), it seems clear that, while different terms are used across different countries (and sometimes within the same country), VFM auditing is an acceptable general term. All these different practices are centrally concerned with evaluating the economy, efficiency and effectiveness of State Government practices and the use of taxpayers’ funds. However, while the concepts and core focus have similarities, it is also clear that a range of different practices have been used to assess and evaluate the questions of economy, efficiency and effectiveness. It is already evident that there could be clear distinctions between the practice of VFM auditing within the Australian federal jurisdiction and the State of Victoria (Glynn 1985). The VAGO examines the economy, efficiency, effectiveness and compliance with all relevant legislation within the scope of the VFM audit in State Government organisations and programs.
## Appendix 2: VFM Audit Literature Review Summary

### Growth of the VFM audit as a consequence of the NPM reforms

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### Growth of the VFM audit as a personal choice of Auditors-General

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### Audit technologies and other backstage practices as drivers of the VFM audit

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Appendix 3: Summary of the Victorian Auditors-General

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<td>1851 to 1852</td>
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<td>1852 to 1853</td>
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Source: Yule (2002)
Appendix 4: VFM Audit Reports Submitted to Victorian Parliament by the VAGO from 1982 to 2007

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<td>Follow up of selected performance audits tabled in 2003 and 2004</td>
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<td>Public hospital financial performance and sustainability</td>
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<td>126.</td>
<td>Administration of non-judicial functions of the magistrates’ court of Victoria</td>
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<td>127.</td>
<td>Promoting better health through healthy eating and physical activity</td>
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<td>Program for students with disabilities: Program accountability</td>
<td>September 2007</td>
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<td>130.</td>
<td>Improving our schools: Monitoring and support</td>
<td>October 2007</td>
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<td>131.</td>
<td>Management of specific purpose funds by public health services</td>
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<td>New Ticketing system tender</td>
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<td>133.</td>
<td>Public sector procurement: Turning principles into practice</td>
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<td>134.</td>
<td>Discovering Bendigo project</td>
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<td>Audits of two major Partnerships Victoria projects</td>
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<td>136.</td>
<td>Funding and delivery of two freeway upgrade projects</td>
<td>December 2007</td>
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## Appendix 5: A Sample of VFM audit reports

<table>
<thead>
<tr>
<th>Description</th>
<th>Date Presented to the Parliament</th>
<th>Reason for Selection</th>
<th>Auditor-General</th>
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<td><strong>Frist three VFM audit reports- BJ Waldron</strong></td>
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<td>1. Works Contracts Overview</td>
<td>30 June 1982</td>
<td>First report and AG</td>
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<td>2. Works Contracts Overview</td>
<td>15 June 1983</td>
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<td>BJ Waldron</td>
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<td><strong>Random Sample of 17 VFM audit reports from 1985 to 2007</strong></td>
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<td>4. Internal Audit in the Victorian Public Sector</td>
<td>November 1986</td>
<td>Audit Policy 1984 and AG</td>
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<td>5. Foreign Exchange</td>
<td>November 1987</td>
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<td>8. International Student Programs in Universities</td>
<td>November 1993</td>
<td>VPAM 1991 and AG</td>
<td>CA Baragwanath</td>
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<td>18. Follow up of selected performance audits tabled in 2002 and 2003</td>
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<td>MAP and AG</td>
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