

Manoeuvring the VFM Auditor Identity within the State Public Sector in Australia Through Business Planning : The Case of the Victorian Auditor-General's Office (VAGO)

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Manoeuvring the VFM Auditor Identity within the State Public Sector in Australia Through Business Planning : The Case of the Victorian Auditor-General's Office (VAGO)

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Abstract

This paper examines how a State Audit Office (SAO) in Australia has developed and moulded, the auditor identity, through the corporate planning and annual planning process, from financial auditor to the Value for Money (VFM) auditor. The research context is the public sector audit transformation process of the Victorian Auditor-General's Office (VAGO) in Australia. This research paper is framed within the four stages of 'Sociology of Translation' (Latour, 1987, and Callon, 1988). The research project extends and tests the conclusions and arguments made by recent research studies on the VFM audit's development of the audit mandate, jurisdiction and audit environment in the Province of Alberta, Canada (Radcliffe, 1998, 1999, Gendron et al. 2001, 2007) and National Audit Office of Denmark (Skaerbaek, 2009). This research paper also examines how state auditors manoeuvre the audit environment to be suitable to their own abstract knowledge base (Power, 1996). Contrary to Gendron et al (2008) arguments, we found that the VAGO uses corporate plans, annual plans and annual reports in order to align the long term strategic objectives of the State Audit Office with Parliament and Public Accounts and Estimate Committee (PAEC), their primary client. We also found evidence that the VAGO has transformed the VFM auditor identity by manoeuvring the audit field through planning processes, at the same time guarding professional independence as the State Auditor. The VAGO functions with the dual role of 'advisor' and independent auditor for the state audit entities. Audit fees and 'advisory' role fees are paid by budget allocations from state treasury not by the client.

1.0 Introduction

This paper examines how a State Audit Office (SAO) in Australia has developed and moulded the auditor identity, though the processes of corporate and annual planning, from financial auditor to the Value for Money (VFM) auditor. Our research context is the VFM audit function of the Victorian Auditor-General's Office (VAGO) from 1982 to 2007. Audit is a process of 'making things auditable' (Power, 1996). The auditor makes things auditable by negotiation of a legitimate and institutionally acceptable expert knowledge base and creation of environments which are receptive to this knowledge base (Power, 1996, p.289). It is noted that the VAGO has crafted a market niche as an expert VFM auditor by developing the VFM abstract knowledge and technologies (Dahanayake and Jacobs, 2009). This research paper contributes to the second component of the 'Making things auditable' by examining how a State Audit Office has transformed a state public audit environment receptive or suitable for the VFM audit in the state of Victoria, in Australia.

Previous research studies on auditing in action have attempted to explain the 'back stage drama' of the audit purification process. Pentland (1993) conducted an

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ethnographic study treating the audit as a ritual, with its function to purify the mass of data into acceptable financial statements. Pentland (1993) treats audit procedures and tests as steps in the ritual process. Radcliffe (1999) examined how state auditors determine economy, efficiency and effectiveness in government programs in the Province of Alberta, Canada. Radcliffe (1999) also applied an ethnographic research approach to study how the auditors make audit judgements in the field. Research studies concentrating on the auditing in action are rare. However, they provide the academic accounting community and practitioners new insights on how accounting technologies change, function in the field and their impact on society. These studies have motivated us to carry out this research study on VFM audit at the VAGO in Victoria, Australia.

We attempt to contribute to the area of accounting literature that explains the ‘ever-changing accounting and auditing craft’ by examining development of the Value for Money (VFM) audit function in the State of Victoria, Australia. We attempt to explain the ‘back stage drama’ of VFM audit (Goffman, 1969, Power, 2003) with the specific research question of how planning tools help to establish and transform the VFM auditor identity and mandate. The research question is designed to explore the three stages, early development, struggle to reach maturity and maturity of the VFM audit function.

The research context for this study is the Victorian Auditor-General’s Office (VAGO). We acknowledge that there are differences in the VFM audit function in the State Audit Offices in Australia. However, we have selected the VAGO as our research context, because it gives us as the academics and practitioners, of some unique auditing practices applied by a SAO to enhance the public sector accountability process. One example of a unique practice is the development of VFM audit methodology which effectively utilises the information technology and Computer Assisted Audit Techniques (CAATs) to enhance abstract knowledge of the VFM audit practice (Dahanayake and Jacobs, 2008). Audit Method-Performance (AmP) developed by the VAGO operates on the Lotus Notes data base system and effectively collect the audit evidence and triangulate them with the Integrated Public Sector Audit Methodology (IPSAM)³. This is comprehensive auditing methodology operating on the same audit platform. Financial audit information could be extended for use by the VFM audit function under the comprehensive audit methodology.

The VAGO is one of eight State Audit Offices (SAOs) in Australia.⁴ The Australian National Audit Office (ANAO) focuses on the VFM audit activities of the commonwealth government departments and programs. Hamburger (1989) documented the development of the VFM auditing in the federal ANAO from 1974 to

³ IPSAM is the Risk Based Audit (RBA) methodology applied by the VAGO to conduct the annual financial audits.

⁴ Australian Public Administration system has three layers or structures. The first level is the commonwealth parliament and federal government departments and entities. The next level is the State Parliaments, state government departments and entities. Third layer is the local government councils. In order to conduct the public sector audit of these entities, Australia has eight Auditor-General Departments or State Audit Offices. They are Australian National Audit Office (Federal Audit Office), Queensland Audit Office (QAO), Victorian Auditor-General’s Office (VAGO), New South Wales Audit Office, Tasmanian Audit Office, Northern Territory Audit Office, South Australian Audit Office, Western Australian Audit Office.

1987, focusing on how the three Auditors-General who worked during this time-span shaped the VFM audit function of the ANAO. Hamburger (1989) argued that an Auditor-General's personal attributes and thinking shapes the VFM audit function. Hamburger (1989) suggested that the Auditor-General D. R. S. Craike modelled the VFM audit function in ANAO on the General Accounting Office (GAO) of USA and created a separate Efficiency Audit Division with a Manager whose specialisation area was Engineering and Operations Research. Hamburger's (1989) point is that it would seem that politics, personalities and institutional structures drove the development of VFM audit at a federal level with the personalities of the respective Auditors-General being paramount. The VFM audit practices of the ANAO have been extensively examined by academic researchers (Guthrie and Parker, 1999, Funnell, 1998). We note that the VFM audit practices of the SAOs have not been examined and it is worthwhile to examine the development of VFM audit jurisdiction and technologies of SAOs.

States Audit Offices (SAO) (e.g., VAGO) concentrate on the VFM audit activities of State Government entities. There are similarities and differences in the VFM audit function of these SAOs. These similarities and differences are attributable to the audit mandate, audit scope, audit report formats, selection of the VFM audit cases and liaison with the state parliament and public accounts committee. For example Northern Territory State Audit Office does not have fulltime permanent staff to conduct the state audit by them. They contract out the state audits to private accounting firms. Glynn (1985, p.119) have done a comparison of the VFM audit practices in the ANAO, VAGO and NSW SAO. He concluded that the SAOs in Australia carry out only the efficiency reviews of the government programs. However, his conclusions and arguments are out of date with contemporary VFM audit practices in use by the SAOs in Australia.

We examined a research period from 1982 to 2007. The VAGO was established in 1851. The VAGO's main audit function was carrying out annual financial audits for State Government entities until 1982. The VAGO expanded its role and audit portfolio as part of the comprehensive audit approach in 1982. The VAGO submitted its first VFM audit report to the Victorian Parliament in June, 1982 under section 48 of the Audit Act 1958. Therefore the research period covers a twenty five year period of VFM auditing in the State of Victoria. This period is arbitrary but it represents the early beginning of the VFM audit, then struggling to establish itself within the State Public Sector. This period depicts very important stages in the VFM audit in Victoria such as the division of the VAGO into two institutions and trimming the Victorian Auditor-General's powers and audit mandate under the guise of the NPM reforms (English, 2003). Thereafter VAGO audit mandate and powers were strengthened to its original position granted by the Audit Act, 1994. The VAGO recently requested the PAEC of the Victorian Parliament to revise the audit mandate of the Victorian Auditor-General (VAGO, News Letter1, 2009). Accordingly, PAEC of the Victorian Parliament completed an inquiry into Victoria's Audit Act 1994 (Victorian Parliament, 2010). Therefore this research period frames a key period through which we examine the transformation of VFM audit from beginning to maturity stage.

Callon (1986, p. 224) explains a translation process as the mechanism by which the social and natural worlds progressively take form. The result is a situation in which certain entities control others. Since 1982, the VAGO has transformed from State

financial auditor role to the comprehensive auditor role. During this time, the VAGO also established its jurisdiction on the VFM audit. The audit mandate changes from Audit Act 1958 to Audit (Amendment) 1999 partly reveals the story of the development of the VFM audit translation. In analysing the fifteen year history of the VFM audit, development and transformation of the VFM audit function, of ANAO, Hamburger (1989, p. 19) suggests the idiosyncratic influence of the Auditor-General can be traced to significant parts of the each of the changes. Similarly, English (2007) also emphasises that the personality of the Auditor-General is important to the development of the VFM audit. We also note that the Auditor-General's personal influence can have an impact of the transformation of the VFM audit function. Accordingly, we have mapped these audit act changes and historical developments under the jurisdiction and influence of each Auditor-General. Table 1 given below depicts these relevant audit act changes.

Table 1- Development of the Audit Acts Relevant to the VFM Audit – VAGO

Date/Year	Event	Auditor-General
June, 1982	Publication of the first VFM audit report as a Special Report number 1 under Section 48 of the Audit Act 1958.	B. J. Waldron
1990	Audit (Amendment) Act 1990 passed enhancing the audit mandate to conduct VFM Audits by the VAGO.	C. A. Baragwanath
1994	Granting a clear VFM audit mandate to the VAGO by the Victorian Parliament through the Audit Act 1994.	C. A. Baragwanath
1997	Audit (Amendment) Act 1997 passed by the Parliament of Victoria curtailing the audit mandate of the Auditor-General. A new public sector audit entity of Audit Victoria formed under the Department of Finance of Victoria.	C. A. Baragwanath
1999	Audit (Amendment) 1999 passed abolishing Audit (Amendment) Act 1997- and the Audit Victoria, reverting the Auditor-General's audit mandate to Audit Act (1994).	J.W. Cameron
2010	Inquiry into Victoria's Audit Act 1994 published by PAEC	DDR Pearson

This paper uses the 'sociology of translation' (Callon, 1986, Latour, 1987) as a theoretical framework to explain the VFM audit transformation process from 1982 to 2007. This paper also applies the research method of analysis of documents published by the VAGO during the research period to narrate the story of VFM audit transformation process. The research method applied has a direct link with the theoretical framework of 'sociology of translation'. This paper attempts to explain the transformation of the VFM audit function of the VAGO using the 'four moments' of translation (Callon, 1986, Latour, 1987). These four moments are problematisation, interessement, enrolment, and mobilisation. The VAGO becomes indispensable to other actors by creating the necessary VFM audit environment and abstract knowledge (Power, 1996) at the 'problematisation' stage. The VAGO, as the leading actor, defines the roles and responsibilities of other actors (Parliament, PAEC, auditees, general public) through the development of the Victorian Performance Audit Methodology (VPAM) manuals, relevant technological instruments, and audit

procedures during the ‘interessement’ stage. The VAGO defines the long term objectives of the Office, targets and strategies to achieve these objectives at the ‘enrolment’ stage. Corporate plans are the main documents prepared at this ‘enrolment’ stage. The VAGO prepares annual plans to achieve corporate objectives. This involves delivering audit and accountability reports to the parliament and other stakeholders in the public sector accountability process. The annual plans set the annual audit objectives and determine the processes for achieving these annual audit objectives while managing staff resources and financial resources. These annual plans are compared with the actual results. The actual results of the VAGO are reported in the annual reports. Therefore, the annual plans, annual reports and VFM audit reports can be considered as the outputs of the mobilization stage. These four stages of the translation process are depicted in the Table 2 given under section 4 (page 13).

The historical developments and events of the VFM audit transformation process are analysed into these ‘four moments’ of translation process and are in appendix 1-table 3. We have mapped and traced these significant events to the incumbent Auditor-General for the period. This allows us to track the idiosyncratic influence of each Auditor-General (Hamburger, 1989, English, 2007) to the significant developments. We acknowledge that the division of these stages and relevant work processes of VAGO are arbitrary and subjective. The justification for this research method and theoretical framework is further explained in section 4 of the paper.

This research paper is organised as follows. Section two highlights the need for research studies on how accounting technologies emerge out of social, political and economic needs. In section three, we summarise the research studies on VFM audit. Section four explains and justifies our research method and theoretical framework. In section five, we justify the application of the ‘sociology of translation’ framework comparing the VAGO’s planning activities with the four movements of translation process, problematisation, interessement, enrolment and mobilization. Thus we illustrate how the VAGO had managed to align its interests with the Victorian Parliament and Public Accounts and Estimate Committee (PAEC), the main actors of the public sector accountability process. In section six, we compare the research evidence of VAGO’s with recent research studies on VFM audit (Gendron et al, 2001, 2007, Radcliffe, 1998, 1999, Skaerbaek, 2009) under the headings of ‘gut feelings’ in the audit judgment process, audit reports and planning documents as inscriptions and the independence and identities of the Auditor-General. Finally, our research findings and conclusions are also presented in section six.

2.0 Need for Research Studies in Accounting and Auditing Craft

It has been noted that the accounting craft is not purely a neutral process (Tinker et al, 1982). The accounting craft and technologies developed and emerged in order to satisfy social and organisational needs. The need to study how the accounting craft has been developed and emerged within the broader framework of society is highlighted by Burchell et al (1980, p. 23) as follows:

“There is, we think, a real need for more historical studies of the development of accounting. Just how has accounting come to function as we know it? What social issues and agents have been involved with its emergence and development? How has it become intertwined with other aspects of social life? And what consequences might it be seen as having had?”

It has been documented over the past three decades that there is a need for accounting research which addresses 'accounting in action' within the broader framework of the organisational, economic and social context level (Hopwood, 1983, 1987, Robson, 1994). The need for accounting research in accounting and auditing in organizational context has also been established (Roberts and Scapens, 1985; Humprey et al, 2009). Roberts and Scapens (1985, p.443) argue that research studies need to explain how accounting systems are embodied through use in organizational systems of accountability.

Hopwood (1987, P. 207) argues the need for accounting research within the social context as follows:

Unfortunately, however, very little is known of the process of accounting change. As of now we have only a limited understanding of the conditions which provide the possibility for particular conceptions of the accounting craft, the forces that put accounting into motion, the processes accompanying accounting elaboration and diffusion, and the varied human, organisational and social consequences that can stem from changing accounting regimes.

There have been noteworthy contributions to the accounting and auditing literature in this area over the past three decades (Loft, 1986, Pentland, 1993, Radcliffe, 1998 and 1999 Gendron et al 2001, 2008, Skaerbaek, 2009). However, Hopwood (2007, p.1365) suggests that there is a view that accounting research has become insufficiently innovative and increasingly detached from accounting craft. Hopwood (2007, p.1370) further mentions that most academic researchers tend to carry out research in area which are highlighted by previous researchers as research gaps or leads. Hopwood (2007) emphasises the need for research in accounting with dynamic change and transformation.

Miller (1998, p.618) emphasises that most accounting technologies came to accounting from other professional areas and these accounting technologies were sitting at the margins of accounting a few decades ago. Miller (1998) argues those accounting technologies are now 'centre stage' of accounting in organisations. The VFM audit function appeared at the margins of accounting in late 1970s and early 1980s. The VFM audit function now plays a central role in public sector accounting and auditing. There are arguments that the VFM audit function commenced with the NPM public administrative reform programs (Power, 1997, Lapsley, 2009). Therefore it is important to the academic community and practitioners, to conduct research studies on transformation of the VFM audit from margins of accounting to the centre stage of accounting. Miller (1998, p. 618) proposes that looking at the margins of accounting would enable us to understand how accounting technologies have been transformed. Miller (1998, p.618) highlights the need for margins in accounting as follows:

"The transformation of accounting as a body of expertise takes place within and through an historically specific ensemble of relations formed between a complex of actors and agencies, arguments and ideals, calculative devices and mechanisms. It is such ensembles or assemblages that need to be addressed."

This category of research has been identified by Miller and Napier (1993, p.631) as genealogies of calculation. Miller and Napier (1993, p.631) argued that research studies on genealogies of calculation involve an emphasis on the historical contingency of contemporary practices, concerned with emergence of practices of economic calculations. Therefore this research study examines the genealogies, margins and the current status of VFM audit.

We live in an era where the audit professions' legitimacy and competency has been questioned by the wider society. Therefore Humprey et al (2009, p.811) highlight the importance of studying auditing within its context in order to understand the wide range of institutions. Our research provides different interpretations and conclusions to current auditing research literature. Previous research studies on VFM auditing in context by Radcliffe (1998, 1999) and Gendron et al (2001, 2008) are noteworthy contributions. These four research papers have opened up new avenues for public sector auditing research. However, there are some unanswered questions in this quest for public sector auditing research. These unanswered questions are how the public sector auditors establish their legitimacy and claims to expertise; why the VFM auditing function has become a core auditing function in three decades; how the state auditors have changed their auditor identity from financial auditor to the VFM auditor; how state auditors have manoeuvred the audit environment or audit field through strategic business planning. The answers to these questions will contribute to the academic and practitioner community's better understanding of the development of the public sector auditing function as an accounting technology and craft.

3.0 Value for Money audit (VFM) Literature.

The VFM audit research literature can be categorised or classified into three major research areas. The first category is technological developments of the VFM audit; the second is institutional and political developments of the VFM audit; the third is public sector reforms and consequent rise of the public sector audit and VFM audit. Much of the technological developments of the VFM audit research are based on the State Audit Office, Province of Alberta, Canada (Radcliffe, 1998 and 1999, Gendron et al, 2001 and 2007). Radcliffe' (1999) examined how state auditors determine the audit criteria of economy, efficiency and effectiveness while engaged in audit fieldwork. Radcliffe (1999) also examined how state auditors utilise audit technology or tools to determine the audit criteria of economy, efficiency and effectiveness. Radcliffe's study can be considered as the first attempt to explain the 'back stage drama' of the VFM audit. Radcliffe's (1999) study is somewhat similar to Pentland's (1993, p.605) attempt to understand the question of what auditors do when they are on-site with a client. The basic difference is that Radcliff (1999) studied the team of state auditors on VFM audit while Pentland (1993) studied the team of financial auditors. Radcliffe (1999) provides some innovative conclusions about the VFM audit such as the point that VFM audit criteria of economy, efficiency and effectiveness did not have universal interpretations and state auditors who do VFM audits generally do not rely on pre-fabricated audit programs contrary to the general outsider's belief. Radcliffe (1998) also explored how wider discourses in social, economic and political could help to develop the accounting technologies and practices such as the efficiency auditing using the same jurisdiction in Canada as the context. He argued that broad dialogue coming from the social, economic and political forces has problematized the need for the VFM audit. Radcliffe also concluded that the contemporary developments in the external audit profession have also pushed the developments in the VFM audit function at the State Audit Office in Alberta, Canada.

Gendron et al (2001) studied the changing role of the Auditor-General of the Province of Alberta from traditional financial auditor role to the audit of efficiency and effectiveness of government programs. They have also studied how this changing role had impacted on the perception of the independence of the Auditor-General. Gendron

et al, (2001, p.287) argued that the annual reports of the State Audit Office as the main public document that results from the auditing process and they are the main source of information that citizens can use to assess whether or not the officer's role is consistent with society's boundaries of independence. Gendron et al have concluded that the Auditor-General had to maintain a delicate balance between the independent auditor and management consultant and that the Audit office had compromised its independence by promoting the government agenda of the NPM framework.

Subsequent to the Gendron this study, Gendron et al (2007) explored how the state auditors claim to their expertise in the public sector audit jurisdiction. They examined this research issue at the State Audit office of Province of Alberta. This research study examines how the interplay between the institutional and political forces changes the audit environment conducive for the VFM audit. Gendron et al (2001) concluded that the State Audit Office has compromised the inherent qualities of auditor independence while functioning on dual roles of independent auditor and consultant on NPM reforms. Power (1996) identified this process as 'making things auditable'. In addition to the above research studies, Parker (1986) examined historical research and professional accounting journal papers and developed a set of definitions for the VFM audit. Subsequently, these definitions have been incorporated into the VFM audit standards published by the Australian Accounting Standards Board (1995, 2002). Pollitt (2003) explored the VFM audit practices in the five Supreme Audit Institutions of Finland, France, the Netherlands, Sweden and the UK. Pollitt's (2003) objective was to document and explain the key strategic choices faced by the Supreme Audit Institutions in relation to the VFM audit function.

Hamburger (1989) documented the development of the VFM auditing in the federal ANAO from 1974 to 1987, focusing on how the three Auditors-General who worked during this time shaped the VFM audit function of the ANAO. Hamburger (1989) argued that an Auditor-General's personal attributes and thinking shaped the VFM audit function. Funnell (1998) extended the work done by Hamburger (1989) focusing in particular on the struggle between the executive government and the Auditor-General of Australia. Funnell (1998) reviewed the period from 1978 to 1984 and drew 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 the VFM audit function. Funnell (1998) argued that VFM audit was seen within the ANAO as a more powerful form of audit yet it was also seen as intrusive and a potential threat by politicians. Guthrie and Parker (1999) reviewed the ANAO's VFM audit work over a twenty five year period. Dividing this into five periods. Guthrie and Parker (1999) concluded that the VFM audit function can be seen as a malleable drama. Jacobs (1998) attempted to document the evolution and development of the VFM audit process in New Zealand from early 1970s to late 1990s. Jacobs concluded that the State Audit Office has become facilitator and advisor to the parliamentary committees and New Zealand Treasury on NPM reform programs. English (2003) examined the controversial reform program of the Victorian Audit Office carried out by the Kennett Government in Victoria, Australia from 1992 to 1997. English (2003) argued that stripping and curtailing the Victorian Auditor-General's audit mandate was an act of political vengeance under the guise of NPM reforms.

When we summarise, all of the above research studies on auditing except for Radcliffe's (1998, 1999), Gendron's (2001, 2007) and Skaerbaek's (2009) research studies, we see that the other research studies are historical studies based on published audit reports and annual reports of the State Audit Offices. We could say that adequate research had been carried out on the output side of the VFM audit function. No previous research studies have been carried out in order to examine the 'back stage' practices (Power, 2003, p.379) of the State Audit Offices. We also observed that audit technologies such as Risk Based Audit (RBA) methods have been studied in large accounting firms. Furthermore, there were a few studies examining financial audit methodologies and VFM audit methodologies and their relevance to the development of audit jurisdiction and expertise in the State Audit Offices especially with reference to Australia. It is also important to us to understand the transformation of the state auditors' role. This is gap in the academic literature that we aim to fill.

We will explain how the VFM audit function has emerged as an accounting craft within the social and political process. None of the previous research studies on VFM audit practices have examined how abstract knowledge and audit planning process have helped to bring the VFM audit function from margins of accounting and establish as core public sector audit activity (Miller, 2007). Therefore this research study will explore the VFM auditing as an accounting and auditing craft in action.

This research paper examines institutional strategies adopted by the State Auditors in order to enhance the audit mandate and legitimacy of the public sector audit. The paper contributes to the literature and theory by explaining how the VFM audit function as an accounting system can arise out of interplay of political processes both within the organisation and at its interface with dominant external agents (Burchell et al., 1980, p.22). This research paper specifically examines the struggle and the establishment of the VFM audit function within the State Public Sector in Australia. We will examine, as the case study, the VFM audit function and institutional strategies adopted by the Victorian Auditor-General's Office in Victoria, Australia.

Furthermore, recent public sector audit research has focused on different core activities or areas of the VFM audit. Most of these research papers have been based on information published by the State Audit Offices with a few exceptions. Previous research studies on the institutional and political developments on the VFM audit did not highlight the fact that the State Audit Office, carefully manoeuvring through its own strategies, has reached the maturity stage of the VFM audit function. These strategies would have been implemented through the corporate plans, annual plans, VFM audit reports and development of the VFM audit technology. The Victorian Auditor-General is considered as an independent VFM auditor by the Victorian Parliament. We have noted in a few instances, the Auditor-General was requested by the Victorian State Parliament to provide VFM audit reports on contentious current issues. The Legislative council (Victorian Parliament) has made the following request to the VAGO to review on the financial affairs of the State Bank Group. (VAGO, 1990, p.2)

“That this house requests the Auditor-General to inquire into the financial affairs of the State Bank Group insofar as they relate to or impact upon the administration and financial position of the State of Victoria and report his findings to Parliament.”

The Victorian Auditor-General was asked to evaluate the data reporting system of the State Hospitals in Victoria in 2009. The PAEC of the Victorian Parliament (PAEC, 2010, p.23) praised the VAGO in its review of Audit Act 1994. These comments by the PAEC are given below:

“The provisions of the Victorian Audit Act relating to performance audits have been widened by Parliament over the years in recognition of the increasing attention given to such audits in the Victorian Auditor-General’s Office (VAGO) and its demonstrated competence and record in their conduct. It is now a feature of VAGO’s audit work for which it has received external commendation and recognition from its peers in Australian and overseas jurisdictions.”

These matters highlight the fact that the Victorian Auditor-General is considered as an independent expert on the VFM audit function by the State Parliament. This research paper examines this manoeuvring process through the various devices adopted by the VAGO. These devices and instruments include the strategic plans, annual plans, technological platforms and VFM audit reports. We use the four stages of ‘Sociology of Translation’ approach (Latour, 1987, Callon, 1986) in order to explain and theorise these manoeuvring strategies of the VAGO. For this longitudinal study, we examine the period from 1982 to 2007.

4.0 Research Method and Theoretical Framework

4.1 Theoretical Framework

The research question of how the VAGO has manoeuvred the auditor identity from the financial auditor to the VFM audit role has been examined using the theoretical framework of ‘Sociology of Translation’ (Latour, 1987, Callon, 1986). We have also used the theoretical concepts of ‘Centres of Calculation’ or ‘Action at a Distance’ (Latour, 1987, Law, 1986, Robson, 1992, 1994). In order to justify applying the ‘Sociology of Translation’, we treat the VFM audit functions at the State Audit offices as a process of continual change to meet the needs of the society. We are also interested in Guthrie and Parker’s point (1999) that VFM audit can be seen as a malleable drama where actors and play change as per the political and economic environment.

The ‘Sociology of Translation’ explains how the “facts” have come to be ‘settled’ as they are (Latour, 1987). In this research question, we attempt to explain how a State Audit Office has manoeuvred auditor identity from the financial auditor role to the VFM auditor role through business planning process. We have applied the four elements of translation process: problematization, interessement, enrolment and mobilisation to explain this VFM auditor identity transformation process. Lowe (1999, p.327) has explained this ability to explain ‘accounting in action’ as follows:

“The framework of theories provided by Latour encourages the researcher to give emphasis to both humans and objects in order to understand how “facts’ have come to be settled as they are. In taking such views into this research it is hoped to provide insight into both the detail of accounting as it is performed within organisations and the manner in which human actors and objects of technology may combine to provide much stronger forces, networks within organisations.”

The VFM audit function emerged from the margins of accounting (Miller, 2007) in late 1970 and going through transformations to be firmly established in the State public sector within three decades. Therefore, we have considered that the VFM audit role has been going through a translation process. This translation process can be best explained by the concepts of displacements and transformations. Displacements and transformations as process of translation have been explained by Callon (1986, p. 222) as follows:

“This methodological choice through which society is rendered as uncertain and disputable as nature, reveals an unusual reality which is accounted for quite faithfully by the vocabulary of translation. First, the notion of translation emphasizes the continuity of the displacements and transformations which occur in this story: displacements of goals and interests, and also, displacements of devices, human beings, larvae and inscriptions. Displacements occurred at every stage.”

Therefore, we consider that the ‘Sociology of translation’ to be the most suitable theoretical framework to adopt to explain how the planning process helped to manoeuvre the state auditor identity as the VFM auditor.

The translation process explained and adopted into accounting research by Miller (1991, p.738) is as follows:

“Translation means offering new interpretations of particular problems or questions and channelling people’s thoughts in specific directions. When such a process is more or less successful, it has the effect that particular issues (such as the use of DCF techniques for investment decision within firms) come to be solidly tied to much larger ones (such as improved economic growth for the economy as a whole). Carefully and consistently proposed in diverse forums including academic journals and texts, publications of government agencies and professional magazines, this way of moving from individual investment decisions, to macroeconomic growth, to technologies such as DCF calculations comes to be transformed from a claim into a matter of fact.”

The theoretical approach of the sociology of translation has four major stages. The first begins with the problematization of the issue or process. Callon (1986, p.196) has explained the four stages as follows:

“Problematization has been identified as one of the leading actors sought to become indispensable to other actors in the drama. Interessement has been defined as the series of processes by which one of the actors sought to lock the other actors into the roles that had been proposed for them in that program. Enrolment is a set of strategies in which one of the leading actors sought to define and interrelate the various roles that the actor had allocated to others. Mobilisation has been explained as the process by which a set of methods used by the leading actor to ensure that supposed spokesmen for various relevant collectivities were properly able to represent those collectivities and not betrayed by the latter.”

The above four stages of translation can be seen in the public sector accountability process. The general public appoints the parliament members. The parliament appoints the Public Accounts and Expenditure Committee (PAEC), the parliament and PAEC appoints the Auditor-General. The Auditor-General reports to the parliament using the VFM audit reports. The parliament takes the action on the VFM audit reports on behalf of the general public. This is a cyclical process. All these parties are

actors in this process. This is similar to the operation of agency theory and corporate governance in the public sector. These actors use inscriptions to control the other actors in the process to achieve their objectives. We will identify the VAGO as the leading actor in this research study. The VAGO use various inscriptions in order to get established as the VFM auditor for the State of Victoria. These inscriptions include corporate plans, annual plans, annual reports, audit methodology manuals, best practice guidelines, client surveys and VFM audit reports. We use the theoretical framework of ‘Centres of Calculation’ or ‘Action at a Distance’ in order to explain the power of the inscriptions which travel from centre to the actors and backwards to the centre. Thereby the centre controls the activities and collects vital data which have an interest to the ‘Centre of Calculation’. Latour (1987, p.215) has explained how Louis XVI, used this concept to bring the fishermen’s local knowledge of ‘Sakhalin’ into universal knowledge. This making of local knowledge into universal knowledge enabled the map makers to make better maps in 1787, benefitting many subsequent navel voyages. Law (1986) explained how the King of Portugal effectively and efficiently controlled the spice trade of the South and Far East Asia by using the ‘action at a distance’ concept. Accordingly, the concepts of ‘Sociology of Translation’ and ‘Centres of Calculation’ are most suitable to explain the development of the VFM audit function within the broader framework of social, economic and political environment. We consider the VAGO as the main actor and ‘centre of calculation’ in this translation process of VFM audit mandate. The four stages of translation attributable to the VAGO are given in the Table 2 below. The major historical events and documents are analysed into these four stages in the Table 3 given in the appendix 1.

Table 2- The Stages in the ‘Sociology of Translation’ Process and VAGO

(Source: adopted from ‘Some elements of a sociology of translation’ by M. Callon, 1986)

Translation Stage	Translation Process by the VAGO
Problematisation	Become indispensable to the other actors by the VAGO. This stage includes initial ground preparation for the need for VFM audit. E.g. NPM reform programs, modernization of the SAO and audit processes. Revision of the VFM audit mandate through Audit Acts.
Interessement	Lock the other actors into the roles that had been proposed for them by the VAGO. This stage includes the preparation of the audit policies and audit methodology manuals. E.g. development of the comprehensive audit methodology.
Enrolment	Formulation of strategies by the VAGO to define and interrelate the various roles that had been allocated to actors. This process is carried out through preparation and implementation of corporate plans.
Mobilization	A set of methods used by the VAGO (main actor) to establish the translation process. This stage is carried out through various devices such as annual plans, implementation of the VFM audit annual plan and submitting the VFM audit reports and VAGO’s annual reports to the Victorian Parliament.

4.2 Research Method

We have applied methods of content analysis of documents, interviews, informal conversations with designated officials of the VAGO, examination of closed VFM audit files, email communications with former and present senior VAGO officials and “hanging-around” practical audit knowledge (Robson et al., 2007, p.406) to gather the research evidence and build up the narrative of this research paper.

The data for this research study comes from published and unpublished documents maintained by the VAGO and Victorian Parliament. These documents included, planning documents (corporate plans, annual plans and business plans), published VFM audit reports, annual reports, Audit Acts, audit methodology manuals. Gendron et al (2001) described the audit reports and annual reports as the mirrors that reflect the activities of the State Audit Office. Skaerbeck (2009, p.5) identified the audit reports as devices of problematization, interestment, enrolment and mobilization. We consider all the VFM audit reports, annual reports and planning documents as ‘inscriptions’ (Latour, 1987, Robson, 1992, 1994). These inscriptions transmit from one actor to the other actor in the four stages of the translation process. They have the characteristics of mobility, stability and combinability (Latour, 1987, Robson, 1992, 1994).

Most of the information and data for this research project came from these documents. The process of analysis was the principal author reviewed the documents. Subsequently, important paragraphs and information were recorded in a MS word file giving the report name, date and name of the Auditor-General. An audit requires a professional judgment process. This professional judgement process cannot be captured by using content analysis software packages. This reminds us Pentland (1993, p.619) comments using manual judgement and are given below

“Audit judgment research conceptualize auditing as a primarily cognitive process within this paradigm, there is no way to account for the influence of “gut feel” in the formation of audit opinion.”

Therefore, we applied the manual method and “gut feelings” of the reader (Pentland, 1993, p. 619) to identify the important information in these reports. The important information from the documents of the State Audit Office was recorded.

We also conducted four semi-structured interviews each lasting approximately two hours. The principle author interviewed the Director of Performance Audit and three Audit Managers of the Performance Audit Division of the VAGO in 2008. These interviews were transcribed and analysed to capture the important elements. We also communicated through emails with a former Victorian Auditors-General, Mr. Wayne Cameron. The principal author prepared a series of questions and Mr. Cameron has answered by emails. The VAGO designated an Assistant Auditor-General as a contact person for this research project with whom the principal researcher had several email communications and discussions. These communications have been recorded and analysed as explained below.

The principal author visited the VAGO and examined four closed VFM audit files including audit programs, hardy copy audit files and electronic audit files. These audit files contained considerable unpublished ‘backstage’ field work notes. The audit

field work notes were reviewed and main details recorded by the principal author. These were then compared with the relevant published VFM audit reports. This research project uses 'hanging around in audit offices' knowledge (Robson et al, 2007, p. 416). The principal author has worked as an auditor with the Auditor-General's Department of Papua New Guinea and Queensland Audit Office. This prior audit knowledge has been applied in order to synthesise the technological audit programs, audit methodology manuals and audit reports. These multiple empirical sources have been used as a triangulation (Liamputtong and Ezzey, 2005, page 40.) and to verify the major events and flow of the process during the research period, 1982 to 2007. All these research methods enrich the veracity of the research paper and story.

5.0 Four Moments of VFM Audit translation

5.1 Problematization of the VFM audit function

The problematization is the process whereby one of the actors becomes indispensable to the other actors (Callon, 1986). Robson (1994, p. 48) argues that problematization is a process through which accounting practice emerges as a significant problem. Robson's comments are reproduced below;

"In general terms, problematization corresponds to the process through which a practice emerges as a significant problem. Although it is a conventional assumption among accounting academics and practitioners to regard certain accounting issues as enduring problems, to treat accounting problems as simply given, problematization is a way of inquiring as to how certain accounting methods or techniques come to be seen as problems at particular point in time, and in relation to what institutions and questions."

This problematization process can be seen in the process of establishment of the VFM audit function of the VAGO. The VAGO submitted their first VFM audit report to the Victorian Parliament in June, 1982. However, the problematization of the VFM audit was commenced in the late 1970s. Mr. Peter R. Edwards, a member of the Victorian Parliament, requested the Treasurer of the Victorian Parliament to enhance the audit mandate of the Auditor-General to audit and report the economy, efficiency and effectiveness of the usage of the state resources on 14 September, 1977. (Victorian Parliament Hansard, Vol.333, p.9517). Mr. Mackinnon, the Liberal Member for Box Hill also requested that the Auditor-General's audit mandate to be extended to investigate whether government services are conducted efficiently. (Victorian Parliament Hansard, Vol. 334, p. 10248) on 12 October, 1977. In March, 1981, the Public Bodies Review Committee, recommended that the Audit Act of 1958 should be amended to give explicit VFM audit mandate to the Auditor-General to audit the efficiency and effectiveness of the state public sector entities (Public Bodies Review Committee, Report on a study of the audit and reporting responsibilities of public bodies in Victoria, March 1981, pp. 1, 3-4).

An architect of the VFM audit transformation is Mr. Brian Waldran. Waldran was appointed as the Victorian Auditor-General in 1977. He introduced a series of internal modernisation programs of the VAGO for example: introduction of the VFM audit function in 1982, recruitment of graduate auditors, developing a staff promotion scheme based on merit, introduction of the system based audits and Computer Assisted Audit Techniques (CAAT) and Computers to the VAGO. Waldren has

introduced a comprehensive auditing methodology, similar to the Canadian State Audit Offices, to the VAGO (Yule, 2002).

These processes of problematization were carried out by the Auditor-General's in different approaches. Their actions are explained separately in the following paragraphs. We have noted that the problematization of the VFM audit happened due to the actions of various actors and sources. The empirical evidence to support this claim has been taken from original sources such as planning documents and annual reports of the VAGO. The VFM audit emerged from the broader political, economic and social environment due to demand full factors from the New Public Management (NPM) reforms (Power, 2003, p. 191). The public audit profession itself underwent a radical change during this period, for example, introduction of sampling methods, micro computers, Computer Assisted Audit Techniques (CAATs), and of the Risk Based Audit (RBA) methodologies. Therefore most of the State Audit Offices around the world have modernised audit knowledge and audit field. The other influence is the introduction of Comprehensive Audit Methodologies in other State Audit Offices around the world.

In the early period of the VFM audit development, the VAGO did not publish or present planning documents to the Victorian Parliament. In order to be indispensable to the auditee, Victorian Parliament and Victorian community, the VAGO used planning documents as instruments. The most important plans adopted by the VAGO are corporate plans and annual plans. The first five year corporate plan was submitted to the Victorian Parliament in 1987. Thereafter the VAGO submitted seven corporate plans up to 2007. The VAGO also submitted seven annual plans from 2001 to 2007. The VAGO submitted its first VFM audit report in June, 1982. The VAGO used the first three VFM audit reports to problematize the VFM audit function.

The following examples taken from these reports show the problematization of the VFM audit craft and technology by VAGO. Between 1982 and 1986, the Victorian Audit Office tabled three VFM audit reports in the Victorian Parliament (VAGO, 1989). We selected the first three VFM audit reports, 1982 to 1984, as they reflect the earliest development in the VFM thinking and practice and they discuss the policy and framework of the VFM audit function within the Victorian Audit Office. These reports titles are given below:

1. Special Report of the Auditor-General of Victoria: Works Contract Overview, June, 1982.
2. Report of the Auditor-General of Victoria, Works Contract Overview, Second Report, June, 1983.
3. Report of the Auditor-General of Victoria, Comprehensive Audits, Government Stores Operations, October, 1984.

Given the absence of a formal VFM mandate for the earliest reports these tended to be called 'Special Audit Reports' instead of 'Performance Audit Report or VFM Audit Report'. Each of the audit reports reviewed contained a covering letter addressed to the Speaker of the Legislative Assembly (Parliament of Victoria). In this covering letter, Auditor-General justified this work through a reference to the section 48 of the Audit Act 1958. Clearly there was a need to justify this work. During this establishment stage Victorian Auditor-General indicated that he saw this role as a

consulting role for the Victorian public sector rather than a classical fault-finding audit role (VAGO, 1983, p.2).

The essence of the exercise was not in fault finding. The study was intended as a constructive exercise, to ascertain the adequacy of existing procedures and to highlight any changes which may be needed.

In order to establish this work a gentle approach was required in terms of both the political systems and the sensitivities of the agencies audited. Considerable effort was taken to emphasise the Auditor-general's existing powers to conduct this kind of work and to reassure the agencies audited that it would be in their interest to co-operate.

There was no formal VFM audit methodology manuals developed during this period although Brian Waldron, (then Victorian Auditor-General) sent one of his staff members to Canada in order to study their system-based auditing. The Auditor-General himself went on a training mission to Canada in 1981 in order to study the concept of comprehensive auditing. Based on these overseas exposures, the Victorian Auditor-General introduced the concept of comprehensive auditing to the Victorian Auditor-General's office (Yule, 2002, p. 193). In October, 1984 the first formal VFM audit policy was released by the Victorian Auditor-General's Office as part of the third VFM audit report (VAGO, 1984). This document identified the approach as the Canadian model of Comprehensive Auditing which the Victorian Auditor-General suggested suited the local audit environment. Under this model the VFM audit elements were an extension of the financial audit responsibilities.

Comprehensive auditing is a concept developed 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, 1984, p.1.)

The components of Comprehensive Audit were described by VAGO (1984) as the financial and regularity audits and VFM audits. The components of VFM audit has been identified as the efficiency, effectiveness and economy of operations. The objective of the VFM audit function was:

... to evaluate the processes by which management translates objectives established by legislative or ministerial directive into operational objectives; and the adequacy of mechanisms set in place by management to monitor the efficiency with which resources are used and the effectiveness with which operational objectives are achieved (VAGO, 1984, p.2.).

The first VFM audit report submitted to Victorian Parliament in June, 1982 indicated that a special audit review group had been established to conduct the VFM audits within the Victorian Auditor-General's Office. This review group consisted of a senior professional engineer on secondment to Victorian Auditor-General's Office and that a steering committee of audit officers was established to monitor the progress of the VFM audit projects and report to the Auditor-General. The second VFM report (VAGO, 1983) indicated that comprehensive auditing methodology was an extension

of auditing into value for money (VFM) issues. The audit report (VAGO, 1983, p. 1) defined comprehensive auditing as follows:

It may be defined as an approach to auditing designed to review and report on the management of financial, and other resources so as to provide the greatest possible degree of accountability in the expenditure of public funds.

5.2 Interessement of the Actors

Interessement process is the group of actions by which one actor attempts to impose and stabilize the identity of other actors it defines through its problematization process. During the problematization process, these actors get together to achieve a certain goal (Callon, 1986, p. 208). Latour (1987, p. 108) explain interessement as follows:

“We need others to help us transform a claim into a matter of fact. The first and easiest way to find people who will immediately believe the statement, invest in the project, or buy the prototype is to tailor the object in such a way that it caters to these people’s explicit interests. As the name ‘inter-esse’ indicates, ‘interests’ are what lie in between actors and their goals, thus increasing a tension that will make actors select only what, in their own eyes, helps them reach these goals among many possibilities.”

Latour’s idea of interessement is an application of the marketing concept. Aligning the consumer interest with the economic entity’s strategic objectives.

The VAGO has applied interessement in the following manner. The VAGO as the leading actor has a common goal. These goals are defined as the vision and mission of the VAGO. The first corporate plan of the VAGO (VAGO, 1986) mentioned the following mission statements. However, in order to achieve this objective the VAGO needs to establish and a necessity to have the audit mandate as the VFM auditor for public sector entities in Victoria, Australia.

“The Auditor-General has the statutory responsibility for the external audit of the financial affairs and activities of the government of Victoria. Within this framework the mission of the office is to support the Auditor-General in the provision of independent and objective analysis, evaluation and opinions to Parliament and the Executive which will assist in their assessment of the financial performance of public entities in terms of Fair presentation of financial statements; Adherence to legal and other requirements; maintenance of management procedures and systems to achieve economy and efficiency in the management of public resources and effectiveness in implementing Government programs and to promote and encourage the development of sound financial and resource management in the public sector by the provision of professional external audit services to its auditees.”.

Therefore in order to achieve the above mission statement, The VAGO had to define the activities of other actors in relation to the above objectives. These actors include Victorian Parliament, PAEC, auditees or public sector entities, other State Audit Offices and community at large. In order to achieve the VAGO’s primary objective its main actor is the parliament and the VAGO recognises the Victorian Parliament as the primary client. In order to keep the Victorian Parliament and the Public Accounts and Estimate Committee (PAEC) aligned with the VAGO objectives, the VAGO creates inscriptions such as the corporate plans, annual plans and annual reports. In order to do these tasks, the VAGO carry out stakeholder surveys, environment scans and auditee surveys. The VAGO prepare an annual report each year. The annual plan is compared with the actual achieved results of the VAGO in preparing the annual

report. Therefore these planning documents or inscriptions align the interest of the VAGO with its main actors such as the Victorian Parliament and PAEC. This process also helps the VAGO to maintain its audit mandate over the VFM audit function within the state public sector in Victoria, Australia.

5.3 Enrolment of Allies

Enrolment of Allies is the further extension of the interessement process. During the interessement process, the main actor's interests become aligned with the other actors. In order to do this task, the main actor has to identify the other actors and define their roles. Subsequently, the main actor has to create some strategies and implement them in order to achieve the long term objective of the main actor. Callon (1986, p.211) has described this enrolment process as a transformation of a question into a series of statements which are more certain. Accordingly, Callon (1986, p.211) has summarised that the enrolment process is the group of multilateral negotiations, trials of strength and tricks that accompany the interessements and enable them to succeed. Callon (1986, p. 214) also explains the different possible ways in which the actors are enrolled. They are physical violence (against the predators), seduction, transaction and consent without discussion. Skaerbaek (2009, p.9) has applied this theoretical framework to the Denmark State Audit Office. He concludes that the Denmark State Audit Office easily enrolled the Parliament, Public Accounts Committee (PAC) and the Ministry of Finance to their performance measurement agendas. Skaerbaek (2009) pointed out that the Denmark State Audit Office had difficulties in enrolling the auditee staff into receptive to the State Audit Office's programs. His comments are given below:

“In order to ease the enrolment of officers, their accounting expertise became part of the career planning and advancement system in the military hierarchy. Participating in accounting training and education now became recorded in the HR-module of the SAP system. Officers were sent to universities, Business Schools and Academies to be trained in accounting. The negotiations here taking place implied that the DDF should bear all the cost of attending such training and education. The rationale could be that if the officers better understood accounting, perhaps they could be seduced into accepting the new identity.”

Drawing from the above given theoretical framework examples, we can relate the planning process of the VAGO as the devices and strategies of the enrolment process. As VAGO manoeuvres to establish the VFM auditor identity, they have to enrol or keep the Victorian Parliament, PAEC, auditees, and Victorian community in line with the VAGO's objectives. Therefore, these stake holders will become the actors in this process. In order to enrol the actors, the VAGO has used the planning process as a device. It is a carefully defined seduction or marketing approach based on the VAGO's annual customer (client) surveys and environmental scans. From these environmental scans and customer surveys, the VAGO prepares corporate plans and annual plans.

With the introduction of corporate plans, the VAGO has systematically addressed the auditee (Victorian Parliament and auditee organisations) needs. The VAGO's first corporate plan was introduced in 1987. This corporate plan was introduced five years after submitting the first VFM audit report in June, 1982. The period of the corporate plan was five years from 1986-87 to 1990-91. This corporate plan identified the key

issues faced by the office and the best strategies to deal with those issues. This five year corporate plan indicates that the plan was introduced as part of the NPM reform program introduced by the Victorian State Government (VAGO, 1987.p3). This paragraph suggests that the VFM audit function would have a prominent position under the NPM reforms.

“The direction taken by the Office during the plan period is likely to be influenced by the outcome of a major legislative reform project commissioned by the State Government and now underway. This project is expected to culminate in new legislation on resource management and accountability in the Victorian public sector, including changes to the nature and role of external audit. As a result, the nature of the Auditor-General’s future audit mandate cannot be clearly defined but it is expected that the office will continue to be a key catalyst for the enhancement of financial and resource management in the state.”

The central focus of this corporate plan is to clearly define the VAGO’s mission. Within this mission statement, the VAGO’s identifies the VFM audit as a central function along with the financial audit function (VAGO, 1987, page 3).

The strategic directions adopted by the VAGO under this corporate plan to ‘Make things auditable’ (VAGO, 1987, page 5) include three major expected outcomes. These include first enhance the quality of format and content of reports of the Auditor-General to Parliament, second foster within Parliament and the Executive (and through parliament, the community) an understanding of the role and functions of the Auditor-General, third provide quality input to the deliberations of Parliamentary Committees on financial management and accountability issues. This corporate plan has been developed in order to ‘Make things auditable’ by developing the necessary audit knowledge base and the environment to implement that knowledge base. The corporate plan was developed after doing a SWOT analysis. The corporate plan was developed by identifying four major key issue areas such as the Services to Parliament, Executive and auditee, audit methodology, information technology and resource management. The first issue of services to the Parliament, Executive and auditees directly relate to the creation of the suitable audit environment. The other two issues of audit methodology and information technology development can be directly linked to the development of the audit knowledge. The resource management issue helps both the development of the audit knowledge and creation of the audit environment.

The preparation of the corporate plans is one of most important actions done by the VAGO. The basic steps in preparing the corporate plans are determining: the mission of the VAGO, the strategic directions and goals of the VAGO, the tasks to achieve these strategic directions and the goals. The research evidence indicates the broad outcomes of these corporate plans are to enhance quality of the audit outputs and satisfy the parliamentary and PAC needs. This exercise allows, the VAGO to keep its allies such as the Victorian Parliament, PAEC and Victorian communities in line with the State Audit Office objectives. This process is explained by highlighting the most important sections of the first VAGO corporate plan (VAGO, 1986) as given below. The following strategies have been adopted under this plan to ‘Make things auditable’ (VAGO, 1986, page 5):

“

1. Enhance the quality of format and content of reports of the Auditor-General to Parliament, identifying the information parliament needs- undertake a survey to

- determine the audit information Members of Parliament need from the Auditor-General (e.g. format and frequency of reports of reports, desired qualities of information).
2. Foster within Parliament and the Executive (and through parliament, the community) an understanding of the role and functions of the Auditor-General- Provide periodic briefings to Ministers, other Members of Parliament and senior Executive officers on the role and responsibilities of the Auditor-General, Prepare an information document “Auditing for Parliament” for public use.
 3. Provide quality input to the deliberations of Parliamentary Committees on financial management and accountability issues. Make appropriate submissions to all relevant inquiries or hearings of Parliamentary Committees and foster ongoing liaison with Secretaries of these Committees. In consultation with the Chairman of the Economic and Budget Review Committee, second an Audit Manager on a full time and rotational basis to assist the work of and provide advice to the Committee.”

The above three paragraphs highlight how the VAGO keeps its allies in line with its objectives. In order to achieve the above outcomes, The VAGO has established strategic goals. One of the strategic goals set by the VAGO in its first corporate plan was to achieve full implementation of the Office’s comprehensive audit methodology. Under this strategy, the VAGO planned to increase the allocated VFM audit time to 50% of the available audit time of the VAGO.

The VAGO Prepares annual plans to achieve the long term corporate objectives set by the corporate plans. The VAGO prepares the annual report at the end of the financial year by linking the annual plans and submits this to the stakeholders or relevant actors in the public sector accountability process. The importance of the preparation of the annual plans to the development of the VFM audit has been highlighted by the following interview conducted with the Director of Performance Audit Division (VAGO, Interview document 1, 2008) comment.

“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.”

This interview comment clearly informs us that the VFM audit cases subjectively selected based on the annual plans of the VAGO. Thus the VAGO planning process is a function of aligning its long term interest with the Victorian Parliament and the Public Accounts and Estimate Committee (PAEC). The Victorian Community interest is to have a good public sector accountability process. The community appoints the Victorian Parliament. The Victorian Parliament appoints the PAEC and Auditor-General. Finally, the Auditor-General align its interest with the Parliament and PAEC interests through the planning documents. Therefore this cyclical process helps the VAGO to establish its VFM audit mandate within the Victorian Public Sector. This process is the implementation of the ‘Action at a Distance’. The planning documents work as the inscriptions.

5.4 Mobilization

In the ‘Sociology of Translation’ some actors speak in the name of other actors. Therefore, we need to explain the questions of who speaks in the name of whom and who represents whom (Callon, 1986, p. 197). In order to answer these questions, we analysed the major historical events in the development of the VAGO from late 1970s to 2007. These historical events have constructed a story of how the VFM auditor identity has been transformed during this period. This audit identity transformation process has been identified by Power (1996, p. 289) as ‘making things auditable’. In order to make the VFM components auditable, the VAGO has developed and negotiated an institutionally acceptable knowledge base (Dahanayake and Jacobs, 2009). The VAGO has also created an environment which is receptive to this knowledge base over a twenty five year period from 1982. In this scenario, we treat the VAGO as the main actor, and the Victorian Parliament, PAEC, Auditees, general public and other stakeholders are treated as the subordinate or other actors. All these actors have one common goal of achieving public accountability for the state government entities of Victoria. Therefore the VAGO aligns this main interest with all the enrolled actors in this public accountability process. These historical events of this alignment process are explained in the following paragraphs.

As mentioned previously, Mr. Peter R. Edwards, a member of the Victorian Parliament, requested the Treasurer of the Victorian Parliament to enhance the audit mandate of the Auditor-General to audit and report the economy, efficiency and effectiveness of the usage of the state resources on 14 September, 1977. (Victorian Parliament Hansard, Vol.333, p.9517). It took five years from this initial request, to submit the first VFM audit report. The first VFM audit report was submitted to the Victorian Parliament as a Special Audit Report on 30 June, 1982 under the Audit Act of 1958 by Brian Waldron as the Victorian Auditor-General. The major objective of this VFM audit is given below (VAGO, 1982):

“The principal objective of the review was to determine whether the contracting arrangements by government departments and statutory authorities were entered into with appropriate authority and due regard for economy in the spending of public funds and consistently administered in compliance with all relevant statutes, regulations, policies, directives and guidelines”.

The above major objective of the audit was divided into seven sub-objectives. These sub-objectives ensured the adequacy of internal controls, sound tendering procedures, final approval of the contract, adequate safeguards to ensure the contract completion, contract payment approvals, proper maintenance and post-contract arrangements. The major recommendations of the VFM audit were to establish a technical advisory body on works contracts and development of a code of practice by the technical advisory body. This summary of the VFM audit report is a major step in the public sector audit process. It surpassed the routine auditor’s work of an expression of an opinion about the true and fair view of the financial statements. This was beginning of the VFM audit function of the VAGO.

The first annual report of the VAGO was issued for the year ended on 30 June, 1985 by Waldron as the Auditor-General of Victoria. This report (VAGO, annual report, 1985) gives much prominence to the VFM audit and outlines the VAGO’s policy of the VFM audit as follows:

“A more detailed discussion of the Offices approach to Value for Money auditing was set out in the Auditor-General’s October 1984 Report to Parliament on Comprehensive

Audits. Such Value for Money audits are undertaken on a cyclical basis within individual organisations, supplemented by selective across-the-board reviews covering more than one organisation. It is expected that the Value for Money audit projects will account for approximately 50 per cent of total audit time of the Office by 1986-87.”

In this annual report, there was an indication audit resources allocated to Value for Money audit had been increased (VAGO, Annual Report, p.13). Brian Waldron resigned as the Victorian Auditor General in June, 1986.

Mr. Richard Humphry was appointed as the Victorian Auditor-General in 1986. He functioned in that capacity until 1988. Humphry completed and submitted the three major VFM audits projects commenced by Waldron to the Victorian Parliament. Humphry subsequently submitted four major VFM audit reports to the Victorian Parliament as the Auditor-General. The first report was on the effectiveness of the internal audit function of the Victorian public sector. The second VFM audit project concentrated on the management of vehicle fleets by the state government departments. The third concentrated on the efficiency and effectiveness of foreign exchange management systems by the state public sector authorities. The fourth was on the efficiency and effectiveness of management of the lands by the state government authorities in Victoria. The VFM audit function is a very powerful audit tool and there are no boundaries similar to that of the financial audit. Humphry ventured into a very demanding issue of evaluation of the foreign exchange management policies of the state government authorities at that period of time. Auditors normally do not have the skills in understanding complex international financing issues. In order to overcome these difficulties, the VAGO hired a Reader in Economics from the University of Melbourne and Treasury Management expert from the Price Waterhouse. The VAGO developed a framework of desirable management procedures for foreign exchange operations for state government entities. (VAGO, 1987). This reporting is a clear indication of the Auditor-General acting as a consultant and moderniser.

Humphry also introduced one of the most important management tools to the VAGO compiling the first five year corporate plan covering a period of five years from 1986 to 1991. In this plan, the VAGO managed to scan Victorian government and community requirements on public sector audit and set strategic directions to achieve those expectations of the main actors or stakeholders in the public sector audit process. We have taken the following paragraph from the corporate plan as evidence for this claim (VAGO, Corporate Plan, 1986, p.2):

“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.”

The next important milestone for the VFM audit was the appointment of Mr. C. A. Baragwanath as the Auditor-General, Victoria, in 1988. Baragwanath worked as Victorian Auditor-General until 1999 and oversaw several important steps in the public sector audit. The VFM audit reports were submitted to the Victorian Parliament under a vague section of the Audit Act 1958, until 1990. The Victorian Parliament passed the Audit (Amendment) Act 1990 enhancing the Auditor-General’s mandate

for performance auditing or VFM audit. A clearly refined audit mandate for the VFM audit was given by the Victorian Parliament's passing of the Audit Act 1994. The following comments were taken from the Auditor-General's review in the annual report of 1993-1994 (VAGO, annual report, 1994, p. 3).

"An important consequences 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."

The other important step for the VAGO is the appointment of the performance auditor to evaluate the performance of the VAGO. Mr. Fergus Ryan of Arthur Anderson was appointed as the performance auditor of the VAGO by the Victorian Parliament. Ryan commended highly about the performance audit function of the VAGO. Ryan's comments (VAGO, Annual Report, 1992, p. 4) are given below:

"I have formed the opinion that the Auditor-General is meeting his objectives effectively, economically and efficiently. The direction and momentum of his Office is positive and constructive. By world standards the Office's performance audit methodology is advanced in development and in its application to specific engagements. The Office is at the leading edge by world standards in the presentation of performance audit reports. The reports are of a very high quality, well laid-out and presented, and clearly and concisely written and illustrated."

These kind of independent assessments are of high value to the VAGO. On the technological front, the VAGO introduced the first VFM audit methodology as the Victorian Performance Audit Methodology (VPAM) in 1991. This document is a comprehensive conceptual framework for the VFM audit function of the VAGO. In the chapter one of this document, the concepts and terminology are explained. These include terms such as comprehensive audit, performance audit, performance audit compared with financial audit and legislative basis for performance audits. The VPAM methodology was revised and reissued in 1996. In 1994, the VAGO issued the first computer based financial audit methodology. These developments are evidence that the VAGO was in the continual development process.

The VAGO's audit mandate to conduct VFM audits and financial audits was stripped by the Victorian Parliament by passing of the Audit (Amendment) Act of 1997. The Audit (Amendment) Act came into effect on 1 July 1998. Implementation of this Audit (Amendment) Act of 1997 resulted in the creation of a new institution called Audit Victoria. The VAGO was separated from Audit Victoria. All public sector audits were contracted out to Audit Victoria and private accounting firms. VAGO highlighted this new policy as follows (VAGO, annual report, 1999, p. 27):

"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 Estimate 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 the contracted audits and submit the audit reports to the Victorian Parliament thus virtually preventing the VAGO from actually carrying out public sector audits (Yule, 2002). In his last annual report, Baragwanath (VAGO, Annual Report, 1999, p. 2) expressed his dissatisfaction with the new Audit Act and the re-structure of the audit office as follows:

“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”.

The VAGO also submitted a new three year corporate plan which highlighted the VFM audit operations as strategic directions number 3. The VFM audit strategic direction was stated as follows (VAGO, Annual Report, 1999, p. 10):

“Build on the Office’s substantial achievements to preserve its position at the leading edge of performance auditing by world standards.”

In order to achieve these objectives, the VAGO submitted three VFM audit reports to the Victorian Parliament not the target of four VFM audit reports.

Mr. Steve Bracks, Labour Party, assumed duties as the Premier of Victoria on 19 October 1999. This ended the most controversial era of restrictions placed on the audit mandate given to the Victorian Auditor-General by Kenneth government. The new government passed a new audit act reinstating the audit mandate of the Victorian Auditor-General to the original position given in the Audit Act 1994. The new Audit Act was implemented effective from 1 January, 2000 (Yule, 2002). As a consequence of this new audit legislation, Audit Victoria was abolished and the staff and some assets and liabilities of that statutory body were absorbed by the VAGO. (VAGO, 2000, Annual Report, p. 3).

The reinstated audit mandate was implemented by Mr. J. W. Cameron as the Auditor-General of Victoria from 7 October 1999. Cameron has refocused the VFM audit function of the VAGO by clearly focusing the audit objectives and reporting outcomes. His comment about this action is follows (Cameron, 2008, Email Communication, p.3):

“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 3 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.”

Cameron’s leadership developed a risk based audit methodology known as Integrated Public Sector Audit Methodology (IPSAM) with the Queensland Audit Office in 2005. This audit methodology software became very successful for the State Government Audit Offices and is being used by VAGO, QAO and another State Audit office in Australia. The VAGO upgraded the VFM audit methodology during Cameron’s period as well.

Mr. DDR Pearson was appointed as the Auditor-General of Victoria from 1 October 2006. One notable significant event during this period was the publication of the performance audit report for the VAGO. Mr. John Philips of Acumen Alliance completed the performance audit of the VAGO and reported on 5 December 2007. Mr. Philips reported that the VAGO acted in compliance with the audit mandate given in the Audit Act and economically, efficiently and effectively in comparison with the State Audit Offices in Australian jurisdictions (VAGO, News Letter, 1, 2008, p.1).

The second notable event was the PAEC of the Victorian Parliament decided to conduct an enquiry into adequacy and deficiencies of the audit mandate given to the Auditor-General through the Audit Act 1994. The PAEC completed this inquiry and published their report in February, 2010. This discussion paper on Inquiry into Victoria's Audit Act 1994 (PAEC, Victorian Parliament, 2010, p. 23) commends the VFM audit function of the VAGO as follows:

“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 of economy, efficiency and effectiveness of management performance. The professional discipline of performance is a distinct public sector function, with Auditors-General the leading proponents of the discipline.”

The above phrase clearly indicates that the VAGO has established the jurisdiction of the VFM audit within the public sector in Victoria, Australia.

The above events briefly indicates how the VFM audit function has been developed, moulded and established within the state public sector in Australia since the late 1970s. The mobilisation process involves who speaks in the name of whom in order to get the facts settled as they are. Callon (1986) highlighted how the researchers spoke on behalf of the fisherman and other actors to sustain the program of fishing resources in France. Similarly, VAGO's manoeuvring process was aimed at establishment of the identity of the VFM auditor and VFM audit mandate. Therefore as per the above given historical explanation, the Auditor-General, VAGO, Parliament, PAEC acted as the actors. The Auditor-General and staff of the audit office have aligned these actors with one common interest of enhancing the public sector accountability. This was achieved thorough the establishment of the VFM audit mandate within the public sector entities in Victoria, Australia. Planning documents and planning processes scanned the actors' interest and aligned them together. The above historical events had explained the main events in this drama. Planning documents, annual reports and VFM audit reports acted as 'inscriptions'.

6.0 Discussion and Conclusions

The research question examined in this paper is how a State Audit Office has transformed the auditor identity from public sector financial auditor to the dual audit role of comprehensive auditor. As a comprehensive auditor, the VAGO regularly audits the annual financial statements of Victorian government entities and also carries out selected cases of VFM audits. We have examined a research period of 1982 to 2007 as the period of audit role transformation process. In addition, we make observations, arguments and contributions to the public sector audit research literature. Our four key research areas are the importance of 'gut feelings' to the auditor decision making process (Pentland, 1995, Radcliffe, 1998, 1999), the Auditor-General's independence, the change of auditor identity and the process of 'making things auditable' or changing the audit field (Power, 1996, Khalifa et al. 2007, Robson et al. 2007).

Importance of ‘Gut Feelings’ in the auditor judgement process

Auditing is a process whereby auditors examine the mass of data and information in financial statements, supporting documents and other records. Auditors make final professional judgments on financial statements or make professional judgements about the economy, efficiency and effectiveness of entities/ projects/ government programs. It is a ritual process and the ‘gut feelings’ of the auditor is important in this exercise (Pentland, 1993). This observation is exactly applicable to the VFM audit function. The VAGO has rationalised or mechanised the production of the VFM audit reports through planning processes and development of audit methodologies and abstract knowledge such as audit methodology manuals. However, the VFM audit function is still dependent upon the professional judgment process. One of the senior managers of the VAGO confirmed (VAGO, Interview No.2, 2008) that they determine what is economical, efficient and effective by comparing with best practice guidelines available in the state, country or other countries. The audit manager emphasised that, when forming audit judgements on VFM audits, if there is a statutory act, the actual practice is compared with the parliamentary act requirements as a best practice guideline. The audit manager also confirmed that best practice guidelines could be other practices adopted by comparable institutions around the nation or worldwide. This finding confirmed that the VFM audit is a qualitative program evaluation carried out by an independent officer of the parliament. This research evidence from VAGO practices confirms the observation made by Radcliffe (1999, p.357):

“The concepts of efficiency around which auditors build their reports draw on accounting and, importantly, other professional knowledge. They are grounded in conscientious fieldwork and information gathering. But their work does not present an efficiency that finds universal application. In what they understand as their efforts to improve government’s financial administration, auditors pay very significant attention to the social world in which they work. They map out the dynamics of political and administrative policy, they track the norms of government and of departments, they tailor work for persuasiveness mindful of these norms.”

In the same paper, Radcliffe (1999, p.358), mentioned, that contrary to common belief, auditors in the field do not go about their work in a trained mechanical process of referring to methodology manuals and ticking audit programs. We concur that the VFM audit is not purely a technical process which has predetermined exact processes. However, as a qualitative program evaluation, auditors should be able to identify what is important for audit reporting versus what is not important. In this decision making process, auditor training and improvements to audit methodology manuals are highly important. We have found considerable evidence that the VAGO has included these matters in corporate and annual plans.

State Audit Office reports as devices of purifications and inscriptions

The external audit process can be considered as a ritual process in which the audit reports gives comfort and assurance to the auditee and other stake holders of the economic entity (Pentland, 1993). Similarly, Skaerback (2009) points out that the VFM audit function provides comfort to the Parliament and Public Accounts Committee (PAC). We have seen parallel qualitative characteristics in the VFM audit reports, annual reports and planning documents produced by the VAGO.

The VFM audit reports of the VAGO, as independent evaluations of government programs and projects, produce the required comfort to the Victorian Parliament and PAEC. The VFM audit reports also provide warning signals to government agencies or auditee organisations to put necessary organisational controls in place. As evidence, we produce the following paragraph taken from the VAGO's special report no.16 on fire protection (VAGO, 1992, p.3 and p. 5.).

“The absolute importance of effective fire protection within Victoria is reinforced by the fact that the State is widely recognised as one of the most fire hazardous areas in the world”

“Weaknesses were found to exist in the Department's strategic management processes, particularly in relation to fire prevention. As a consequence, audit found that the Department is not in a position to determine, with any confidence, the overall risk of fire to human life and valuable State assets. In addition, shortcomings in key elements of the Department's fire prevention program raise serious concerns about the State's fire fighting in particular areas of the State.”

The above VFM audit report highlights the importance of the comfort given to the stakeholders and Victorian Parliament by the VAGO. Had the fire protection authorities implemented these recommendations, they could have minimised the tragedy that happened on 7 February 2009 in Victoria. This VFM audit report outlines the current state of fire prevention capabilities and provides valuable recommendations to the auditee. The report includes numerous photographs taken by field auditors to highlight the neglected state of fire prevention controls in the State. This supports our conclusions and the findings of Pentland (1993) and Skaerback (2009) in that the VFM audit is a ritual process in which the state auditors purify a mass of data and information and provide comfort as audit findings and recommendations to the various actors and stakeholders such as Parliament, PAEC and the community at large. Further, the VFM audit reports generated by the VAGO, act as inscriptions that travel from the 'Centres of Calculations (Latour, 1987) to the other actors, the Victorian Parliament, PAEC and community.

Independence and identities of the Auditor-General

Gendron et al (2001) argue that the Auditor-General had to compromise his independence status with the changing of state auditor identity from financial auditor to comprehensive auditor. As a comprehensive auditor, state auditors carry out annual financial audits and selected VFM audits of state government entities. Gendron et al (2001 and 2007) argue that the Auditor-General discharges a dual role of working as a consultant to the NPM reforms and state auditor for the same government organisations. They also conclude that in this dual role the state auditors provide best practice guidelines on financial management matters and also work as external auditor for the same government organisations.

Skaerbaek (2009, p.16) mentioned that the State Audit Office carries out dual conflicting roles which have some negative consequences for the Auditor-General's independence. Skaerbaek's (2009, p.16) observes:

“In this way, the present study is a confirmation of Gendron et al's (2001) argument that auditors cannot claim to behave with independence when they are involved in something which comes close to proactive consultancy activity. But in contrast to their study this

case shows that even though it became an issue in overall terms, the negotiations did not lead to the Office being formally or publicly criticised by the PAC or other parliamentary units. They succeeded in operating with the two identities even though it was not without problems.

We do not totally agree with the conclusions made by the Gendron et al (2001). From our observations and research evidence, there are indications that the VAGO has functioned with dual roles, working as a reformist consultant on financial management programs and as an independent auditor with the state government entities in Victoria. We reviewed five corporate plans from 1986 to 2007 and found ample evidence to support the claim that the VAGO has attempted to maintain their independence. The following examples are taken from the first corporate plan of 1986 to 1991 (VAGO, Corporate Plan, 1986). The necessity to maintain the independence is stated in the Office's mission statement. It is reproduced below:

“The Auditor-General has the statutory responsibility for the external audit of the financial affairs and activities of the government of Victoria. Within this framework the mission of the office is to support the Auditor-General in the provision of independent and objective analysis, evaluation and opinions to Parliament and the Executive which will assist in their assessment of the financial performance of public entities in terms of ;

- Fair presentation of financial statements;
- Adherence to legal and other requirements
- Maintenance of management procedures and systems to achieve economy and efficiency in the management of public resources and effectiveness in implementing Government programs.”

The VAGO, in its second corporate plan, stresses the concept of the Auditor-General's independence and as is reproduced below (VAGO, Corporate Plan, 1994):

“To independently assess the operations of the Victorian Public sector and report the results of this assessment to the Parliament and the public, the Government and auditees in order to improve accountability and encourage economic, efficient and effective use of public resources.”

The Auditor-General cites the importance of maintaining the independence and integrity of the State Audit Office in the VAGO's annual report for 1994. The Auditor-General's (VAGO, 1994, p.4) comments are reproduced as follows:

“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.”

The above research evidence indicates that the VAGO has clearly aimed to maintain the independence of the State Audit Office while working as the VFM auditor. The PAEC of Victorian Parliament (2010, p.26) acknowledges this independent status of the Auditor-General and mentions that the Auditor-General is a unique instrument of the Parliament with the fundamental purpose of serving the needs and interests of Parliament, and through it the people. Therefore our research findings are not in agreement with the Gendron et al (2001) findings. However, our observations about the VAGO's independence are somewhat similar to Skaerbaek's (2009) findings that the VAGO on occasions provide financial management advice and best practice guidelines to the state government entities while working as the independent auditor for the same entities. The other important matter in relation to the Auditor-General's independence is the audit fees charged to clients or audited organisations. The VAGO

do not receive any audit fees from auditee organisations or clients for their VFM audit work. The audit fees and related audit expenses for the VFM audits are financed by the annual budget appropriations from the Victorian Parliament. Therefore the Auditor-General is able to function as an independent financial auditor and VFM auditor without compromising the independent standards or status of the VAGO.

Manoeuvring the Audit environment through Corporate Planning and Annual Planning process.

This research study has examined how a State Audit Office (SAO) in Australia has developed and moulded the auditor identity from financial auditor to comprehensive auditor, through corporate and annual planning processes. Power (1996) argues that auditors make things auditable by creating an audit environment suitable to their abstract knowledge base. Skaerbaeck (2009) extends this argument in the context of the State Audit Office in Denmark. We have tested these arguments, showing how the Victorian Auditor-General's Office (VAGO) used its corporate planning process and annual planning process to claim and establish the jurisdiction of the VFM audits in the State of Victoria, Australia.

The VAGO transformed the auditor identity, after one hundred and thirty one years of annual financial auditing since 1851. The VAGO was established in 1851. The VAGO has functioned as the annual financial auditor for the State of Victoria until 1982. Mr. B. J. Waldron submitted the first VFM audit report to the Victorian Parliament in June, 1982. The VAGO completed a twenty five year history of the VFM audit, 1982 to 2007. This period was marked with restrictions to the VFM audit mandate and struggle between the Victorian Parliament and Auditor-General. Therefore the VAGO, as a State Audit Office, and this research period provided us with a rich research context to test our research questions.

The VAGO uses corporate plans, annual plans and annual reports to manoeuvre the audit environment and audit field. This research finding is contrary to the Gendron et al's (2007) conclusions and findings. Gendron et al (2007, p. 101) also examined how the State Audit Office in the Province of Alberta, Canada established to its claims to expertise in the measurement of government performance. Gendron et al (2007, p. 124) argue that the State Audit Office claimed their expertise in measurement of government performance without any substantial planning process.

“Further, the Office's actions should not be conceived as thoroughly planned- as if the Office had developed a detailed strategy to become recognised as central in performance measurement.”

We do not support this conclusion. The VAGO provides us different empirical evidence on this matter. The VAGO prepared five corporate plans from 1986 to 2007. The VAGO also prepared seven annual plans since 2000. These plans show the VAGO takes an extremely thorough approach to understand the clients, audit environment and specially the Victorian parliament and Public Accounts and Estimate Committee (PAEC). In order to do this task, the VAGO carried out SWOT analysis, environmental scans and client surveys. By studying all these, the VAGO prepares corporate plans in order to achieve major quality enhancements in their outputs and services to the Parliament and auditees. The VAGO utilises planning processes to enhance the quality of VFM audit reports, audit methodology, information technology

and utilization of human and other resources and selection of VFM audit cases. For example, the corporate plan presented to the Victorian Parliament in 2004, identified four key strategies such as improved reporting, delivering an effective product mix, shaping awareness and direction in the public sector, strengthening VAGO's business processes and organisational capability (VAGO, Corporate Plan, 2004). The former Victorian Auditor-General highlighted this process as follows (Cameron, 2008, Email Communication, p.3):

“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 3 during my term and reduced time in report development phase.

The strategic directions identified by corporate plans were divided into achievable targets and documented in annual plans. These annual plans are compared with the actual results. These annual plans with compared and actual results are recorded and presented to the Victorian Parliament through annual reports. Therefore, we conclude that the VAGO carefully crafts its own long term strategies through the planning process.

Finally, we conclude that the VAGO has firmly established its VFM audit mandate and jurisdiction within the state public sector in Victoria, Australia through these manoeuvring processes. The PAEC has highly commended the VAGO's performance and has become a spokesperson for the VAGO. The following quotation taken from the inquiry into the Audit Act 1994 (Victorian Parliament, PAEC, 2010, p.23), convincingly proves this:

“The provisions of the Victorian Audit Act relating to performance audits have been widened by Parliament over the years in recognition of the increasing attention given to such audits in the Victorian Auditor-General's Office (VAGO) and its demonstrated competence and record in their conduct. It is now a feature of VAGO's audit work for which it has received external commendation and recognition from its peers in Australian and overseas jurisdictions”

8.0 References

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Appendix 1- Table 3- Major Historical Events of the Transformation of the VFM Audit Function of VAGO

Year	Description	Auditor-General	Stages of the Translation Process
1976	B. J. Waldron was appointed as the Auditor-General of Victoria	B. J. Waldron	Problematization
1977	Raising the need to have the VFM audit at the VAGO by the Victorian Parliament.	B. J. Waldron	Problematization
1977 to 1982	Rationalization of the audit process and policies. E.g. introduction of comprehensive audit approach, sampling audit methods etc.	B. J. Waldron	Problematization
June, 1982	Publication of the first VFM audit report as a Special Report number 1 under the Section 48 of the Audit Act 1958.	B. J. Waldron	Problematization, Interesement, mobilization
1983	Issue of the second VFM audit report as Special Report number 2.	B. J. Waldron	Problematization, Interesement, Mobilization
October, 1984	Publication of the third VFM audit report as the comprehensive audits of two state government programs.	B. J. Waldron	Problematization, Interesement, Mobilization
1985	Issue of the first annual report of the VAGO	B. J. Waldron	Problematization, enrolment and Interesement, mobilization
1986	Appointment of C. Humphrey as the Auditor-General	C. Humphrey	Problematization, enrolment and Interesement
1987	Implementation of the first five year Corporate Plan by the VAGO from 1987 to 1991.	C. Humphrey	Interesement and mobilisation
1988	Appointment of C. A. Baragwaneth as the Auditor-General	C. A. Baragwaneth	Problematization, Interesement

Year	Description	Auditor-General	Stages of the Translation Process
1990	Audit (Amendment) Act 1990 passed and granting clear audit mandate to conduct the VFM Audits to the VAGO. This revision implemented the Section 48 A of the Audit Act 1958.	C. A. Baragwanath	Problematisation and Interesement
August 1991	Publication of the first Victorian Performance Audit Methodology Manual (VPAM)	C. A. Baragwanath	Enrolment, Interesement and mobilization
1994	Granting the clear VFM audit mandate to the VAGO by the Victorian Parliament thorough the Audit (Amendment) Act 1994.	C. A. Baragwanath	Enrolment, Interesement and mobilization.
March, 1996	Revision of the Victorian Performance Audit Methodology Manual (VPAM)	C. A. Baragwanath	Interesement and mobilization
1997	Audit (Amendment) Act 1997 was passed by the Victorian Parliament creating the Audit Victoria and VAGO as two separate state audit organisations.	W. A. Cameron	Problematisation, Interesement
1999	Appointment of W. A. Cameron as the Auditor-General	W. A. Cameron	Interesement and mobilization
1999	Audit (Amendment) 1999 was passed abolishing the Audit Victoria and reverting the Auditor-General's audit mandate to Audit Act 1994.	W. A. Cameron	Problematisation, Interesement
2004	Three year corporate plan from 2004-05 to 2006-07 was implemented	W. A. Cameron	Enrolment, Interesement
2004	Third upgrade and version of the VFM audit manual was released as the Manual for Auditing Performance.	W. A. Cameron	Enrolment, Interesement, Mobilization
1 October 2006	Appointment of DDR Pearson as the Auditor-General of Victoria.	DDR Pearson	Problematisation, Interesement.
2007	A new computerised Audit Method -Performance (AmP) implemented	DDR Pearson	Enrolment, Interesement, Mobilization
2010	Inquiry into Victoria's Audit Act 1994 discussion paper was published by the Public Accounts and Estimate Committee of the Victorian Parliament.	DDR Pearson	Enrolment, Interesement, Mobilization.