

Practicing VFM Audit: Unpacking the Audit Methodologies

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Abstract

While there has been a body of work seeking to understand the front-stage work of Auditors-General's Offices, in terms of their VFM audit publications and reports, relatively limited attention has been paid in understanding the back-stage associated with the development of VFM audit methodologies and practices. Both Power (1996, 2003) and Robson et al. (2007) argue that we need to understand both the audit context and the methodologies which underpins practice, if we are to understand how 'auditability' is created. Therefore, there is a need to better understand how those audit methodologies are developed and enacted.

This paper examines how VFM audit methodologies were framed over time as reflected by VFM audit practice and how did the role of audit methodologies change in the auditability network. These are explored in the context of the Victorian Auditor-General's Office (VAGO) between 1982 and 2007. Development of the VFM audit methodologies is theorised by applying the dual notion of framing and overflowing (Goffman, 1974; Callon, 1998) and ANT concepts of inscriptions, intermediaries, mediators, actors, obligatory passage point and performativity (Callon, 1986; Latour, 1987, 2005; Robson, 1992).

We recognise four different roles that audit methodologies can play (accounting devise, change enabler, mediator and actor) which influence audit practice differently. Our conclusion is that the role of audit methodologies in creating auditability can change dramatically over time. This study found that the VAGO developed audit methodologies to produce four categories of focus frames as VFM audit reports and the VFM audit methodologies were transformed from intermediaries to mediators or actors with the introduction of computer assisted audit methodologies.

Practicing VFM Audit: Unpacking the Audit Methodologies

1. Introduction

Recent literature has highlighted the importance of focusing on practices of accounting. This call to engage with practice can be seen as an important extension of the call by Hopwood (1983) to understand accounting in its social and institutional context. However, while there has been a body of work seeking to understand accounting practice in general (Ahrens and Chapman, 2007), there has also been a wider call to understand how practices of audit and auditability are constructed and enacted (Power, 1996; Robson et al, 2007; O'Dwyer et al., 2011). While there has been extensive work to understand Auditors-General, in terms of their VFM audit publications and reports, relatively limited attention has been paid to understand the back-stage elements associated with the enactment and practices linked with audit methodologies.

Power (1996) argues that auditors develop audit methodologies and create the audit environment receptive to those methodologies and identified this concept as 'making things auditable'¹. He suggests that the development of audit methodologies are associated with the claims to professional jurisdictions as auditors create the demand for the audit practices through development of audit methodologies and create the audit environment receptive to those methodologies. Power (1996) extended the position he adopted in 1996, critiquing the excessive focus on experimental work and calling for additional work which focus on the practical side of auditing, particularly the development of audit knowledge and methodologies by the practitioners. Therefore Power (2003, p. 390) further emphasises the need to study audit methodologies and practices and the socially constructed nature of professional auditing practice.

Robson et al (2007, p.430) highlight the importance of understanding the nature and transformation of audit methodologies in the context of Risk Based Audit (RBA) methodologies in the private sector field. They emphasize the need to further explore how new audit methodologies emerged and disseminated because audit methodologies underpins audit practice. We argue that practices of VFM audit, the audit knowledge and methodologies do not just appear but evolve and are shaped by practices of key actors and by institutional contexts. This paper examines how VFM audit methodologies are constructed and how those methodologies influence the VFM audit practice of the Victorian Auditor-General's Office (VAGO) from 1982 to 2007.

VFM audit practice has been explained as part of the broader political process initiated by the Auditors-General to expand their territory of public sector audit (Hamburger, 1988; Funnell, 1998; Jacobs, 1998; Guthrie and Parker, 1999; Radcliffe, 1998). Hamburger (1989) documented the development of the VFM auditing in the Australian National Audit Office (ANAO) from 1974 to 1987 and argues that the politics, personalities and the institutional structures drove the development of the VFM audit at a federal level, with the personalities of the respective Auditors-General being paramount. In contrast with Hamburger's analysis, Funnell (1998) extended the work of Hamburger (1989), focusing in particular on the struggle between the executive government and the Auditors-General of Australia during the period from 1978 to 1984 presented three arguments on the growth of the VFM audit. The first is that the VFM audit and the status of the Auditor-General are enhanced through the

¹ Robson et al. (2007) and O'Dwyer et al. (2011) explain the concept of 'making things auditable' as 'construction of auditability'.

confrontations between the Executive² and Auditor-General's Office, originating from the VFM audit recommendations; secondly, the VFM audit was a more political sensitive form of audit than the annual financial audits; and thirdly, the independence of Auditors-General was contested by the Executive and auditee organizations who worked as a team to undermine VFM audit recommendations. Guthrie and Parker (1999) also reviewed the ANAO's VFM work for a 25-year period from 1973 to 1998 and argue that the growth of the VFM audit function of the ANAO reflected the broader process of NPM and managerialism, yet they also argue, in a phrase reminiscent of Goffman's (1959) work, that the VFM audit function was a malleable masque changing the actors, the play and the story according to the individual attributes, attitudes and political needs of the era.

A number of authors have drawn a link between the audit practices, underpinned by methodologies, and broader political processes associated with government policy reforms. Jacobs (1998) argues that VFM audit practices in New Zealand were shaped by the political and reform context. Radcliffe (1998) combined individual influences with social and political environmental influences in studying the development of the VFM audit at the Auditor-General's Office in Alberta, Canada. He suggested that VFM audit practices and methodologies are a joint product of the political environment and powerful communities of professional accountants and lawyers. Gendron et al. (2001) made a similar argument around the link between the development of VFM audit practice in Alberta Canada and the New Public Management (NPM) reform program. They problematise notions of independence, suggesting that state auditors violate the social norms of auditor independence when they work as VFM auditors and provide best practice guidelines to state government organizations. In effect there is the case for relationships between the practice of VFM audit (such as the enactment of independence), reform trends and political interests. Just in case this relationship is understood as a one-way process, authors such as English (2003) and Funnell (1998, 2003) draw strong links between VFM audit and public sector reform but argue that the relationship between Auditor-General and the government was antagonistic rather than mutually supportive. English (2003) explored the reforms carried out by the Kennett government to the VAGO from 1992 to 1999 and argues that the reform program of the VAGO and public sector audit was based on political motivations without any substantial underpinnings of economic motivations. These studies of VFM audit struggles highlight a link between processes of reform and practice issues associated with balance between the role of the auditor as a modernizer and consultant to the State and issues of independence.

In order to more fully explore this apparent contradiction we would argue that there is a need to pay more attention to the back of house (Goffman, 1959) practices and processes embodied in the audit methodologies, which underpin making things auditable. We would argue that prior work on the broader reform trends and political struggles associated with VFM audit can usefully be extended by a focus on methodologies and internal process within an Auditor-General's Office which also have considerable potential to shape the nature and practice of VFM audit. Radcliffe (1999), Gendron et al (2007) and Skaerbaek (2009) do highlight some elements of the back stage³ practices associated with performance audit. However, the most obvious and significant element highlighted by Power (1996) is the development and enactment of audit methodologies.

² Executive has been explained as the parliamentary members of the executive government who are in power (Funnell, 1998).

³ The 'back of house' and 'back stage' are synonymous. Similarly, the 'front of house' and 'front stage' are synonymous. These terms are taken from Goffman's (1959) theory of social dramaturgy.

It can be argued that audit methodologies, that can influence the growth of the audit function, are intrinsically associated with the practice of audit (Abbott, 1988; Power, 1996, 2003; Robson et al., 2007). O'Dwyer et al (2011) provided support for this argument as they shows how the development of audit methodologies, such as environmental audit practices, was associated with enhancing the legitimacy of new audit practices. Therefore there is the potential to extend prior research on VFM audit to more fully understand the interaction between practices of audit, the audit environment and audit methodologies and therefore to our broader understanding of the creation of auditability. As Power (1996, 2003), Robson et al (2007) and O'Dwyer et al. (2011) have emphasised, the current audit literature has paid relatively little attention to the link between the output of the audit, audit reports and back-stage of audit practices.

The power of VFM audit methodologies is that they provide a guide for audit practices. Accordingly, the examination of VFM report production process and methodologies can provide valuable knowledge into the reliability and credibility of those reports and to their providers' (O'Dwyer et al (2011, p. 33). The questions that need to be explored relate to whether audit methodologies drive the audit environment or the audit environment drive the methodologies. There is also a possibility that the audit methodologies and environment both interact simultaneously together on shaping the audit methodologies and environment as a continuous process of development of VFM audit practice.

This study explores the more general issue of auditability and the specific issue of the interaction between practices and methodologies of VFM audit in the context of the evolution of VFM audit methodologies at the VAGO. We also consider the interactions between the environment, the methodologies and in-house practices such as corporate planning and annual planning process. This paper examines how VFM audit practices were framed over time as reflected by VFM audit methodologies and the role of audit methodologies in the VFM audit practice network. These processes and practices are theorised by reference to the dual notion of framing and overflowing (Goffman, 1974, Callon, 1998) and concepts of intermediaries, inscriptions, actors, mediators, obligatory passage point and performativity taken from the Actor-Network-Theory (ANT) (Latour, 1987, 2005; Robson, 1992). This study used qualitative research methods of document analysis, interviews, observations, examination of audit files and personal communications with the VAGO's staff to analyse the research context for a twenty five year period from 1982 to 2007.

This is the first longitudinal study to examine the development of VFM audit methodologies and strategic planning process of an Auditor-General's Office for a twenty five year period from its infancy to the maturity.

This paper is organised in the following order. Section two provides the overview of literature relevant to construction of auditability. Section three describes suitability of the dual notion of framing and overflowing (Goffman, 1974; Callon, 1998) and ANT (Latour, 1987, 2005) concepts to explain the research case study and questions. Research design and case organization are explained in the sections four and five respectively. Section six provides the findings and analysis of overflowing and framing of the VFM audit methodologies at the VAGO for a twenty five year period from 1982 to 2007. Section seven provides the summary and conclusions of the paper.

2. Research overview on construction of auditability

Within the accounting literature there has been an argument that practices of audit are expanding in their influence and impact. The principle advocate for this notion has been the work of Power (1997) who has coined the term 'audit explosion'. Power's (1997) thesis is that practices of audit and rituals of verification are becoming ubiquitous human activities. The processes of making things auditable (Power, 1996) involve the two steps of the creation of audit methodologies which act as an abstract knowledge and then the establishment of an audit environment receptive to that knowledge (and therefore open to jurisdictional colonization by auditors). This idea of audit methodologies constituting a form of abstract knowledge and the importance of that knowledge to the accounting profession has also been recognized by a number of other authors (such as Power, 2003, Knechel, 2007, Robson et al, 2007; Khalifa et al, 2007; O'Dwyer et al, 2011). One good example of the development of now audit methodologies as a tool to enhance the status and influence of auditors has been the development of Risk Based Audit (RBA) methodologies (Power, 2007). Once the Risk Based Audit (RBA) methodologies were established, those methodologies have been enacted in the in the audit environment adopting some institutional strategies (Robson et al., 2007; Khalifa et al., 2007).

The audit practice was substantially changed their methodologies with a view to enhance the economy and efficiency in audit and provide value added services to the auditee organizations in the early 1990s with the introduction of the Risk Based Audit (RBA) Methodology (Power, 2007). This new methodology sparked a wave of interest among the academic community to explore its credibility and value. The recent movement of research interest on practice of auditing was identified as 'construction of auditability' or 'making things auditable'. The phrase 'construction of auditability' was coined by Robson et al. (2007) and O'Dwyer et al. (2011) in order to examine the development of Risk Based Audit (RBA) methodologies and environmental audit practices respectively. Power (1996, 2003), Robson et al (2007) and O'Dwyer et al (2011) extended the Abbott's (1988) argument that development of abstract knowledge is vital to establish jurisdictional rights over professions.

Knechel (2007) argued that the Risk Based Audit (RBA) Methodology is a re-invention of the audit process to capitalize the non-audit service revenues as business advisers (Knechel, 2007). However, Khalifa et al. (2007, p.829) highlight that this interest in new audit methodologies was fuelled by the accounting firms in order to claim their jurisdictional contests over the new audit methodologies and to attract the interest from academic community and business about these Risk Based Audit (RBA) methodologies. Similarly, Robson et al. (2007, p.421) argued that Risk Based Audit (RBA) methodology provided a symbolic value to the accounting firms to sustain their jurisdictional claims over financial audit, building on Abbott's (1988, pp.53-54) theory of abstract knowledge and jurisdictional claims. The movement of research in development of audit methodologies and practice drove focus on back- of-house elements of VFM audit methodologies because researchers commenced examination of compiling of VFM audit reports, making of VFM audit judgments and development of VFM audit strategies by the Auditor-General's Offices. Radcliffe (1999), Gendron et al. (2007) and Skaerbaek (2009) made some attempt to understand the some parts of the 'construction of auditability' and jurisdictional claims of VFM audit. Power (2003) argued that research on auditing in practical is limited as opposed to the experimental settings. He further argued that VFM audit methodology manuals and official guidance were vague at the beginning of the VFM audit and appreciated the work of Radcliffe's (1999) attempt to understand how VFM auditors make VFM auditable in

government context in Canada in which he adopted ethnographic research methodology following Pentland's study (1993).

Pentland (1993) examined the micro-sociological behaviour of audit field work by adopting an Ethnographic and Interpretive Research Studies (EARS) methodology and highlighted that the financial audit process is a social constructed activity. He argues that the financial audit is a ritual enacted by auditors in order to provide required comfort and assurance to the users of financial statements. He observed two financial audit teams while they were conducting their audit field work. He demonstrates that financial audit is a process in which auditors are engaged in a series of ritual processes of purifying the data given in the financial statements. At the end of this ritual process, the partner-in-charge of audit would sign the audit certificate placing the reliance on junior auditors who carry out the audit field work. He argues that auditors' joint field work spirit provides the sociological trust on junior auditors' work to senior auditors and partners. He further concludes, even though that the financial audit is driven by strict auditing standards that the audit judgments are a gut-feeling of the field auditors.

Extending the Pentland (1993) approach in examining field auditors' work and their behaviour in auditor decision making, Radcliffe (1999) introduced a novel way of examination of VFM audit practice by adopting ethnographic observation of auditors' field activities. Radcliffe (1999) examined how auditors determine Value for Money (VFM) while they were in the audit field and argues that the VFM audit decision making process is a qualitative socially constructed activity. He examined how auditors determine economy, efficiency and effectiveness of auditee organization, in the usage of resources and achieving the organizational objectives, by observing VFM auditors while they were working on three VFM audit assignments. He concludes that the VFM audit outcomes which determine efficient and inefficient practices have been constructed based on their environment and other surrounding sociological factors, treating the audit as a ritual process of cleaning a mass of data in order to create comfort for the stakeholders in the auditee organizations and state government. Radcliffe (1999) made a valuable attempt to move away from examination of the 'front of house' activities of the Auditor-General's Office to focus on the 'back of house' activities of the VFM audit. He examined only one aspect of the auditability such as auditor decision making and usage of the audit methodologies.

The movement of research on claims of audit expertise moved their focus from private sector accounting firms to the Auditor-General's Offices to examine the jurisdictional rights for the VFM audit. Gendron et al. (2007) extended the theoretical notion of 'making things auditable' and arguments about the manoeuvring of the audit environment receptive to the audit knowledge base (Power, 1996). They argue that the Auditor-General's office commenced their VFM audit practice by observing and adopting the performance measurement practices of other government departments. They have identified this process as the importing and exporting the professional expertise on Value for Money (VFM) evaluations. They also conclude that the Auditor-General's Office has violated the social norms of auditor independence by working as a dual role of financial auditor and management consultant to the same government entities. Skaerbaek (2009) further extended the notion of construction of the auditability through manoeuvring the audit environment to focus more on the Auditor-General's influence on auditee organizations.

Skaerbaek (2009) examined how the Auditor-General's Office in Denmark manoeuvred the audit environment to make it conducive to VFM auditing, extending Power's (1996) notion

of 'making things auditable' concept. He points out that the Defence Department of Denmark was made to align with the interests of the Denmark Auditor-General's Office by persuading it to develop a management accounting system that could be auditable by the Denmark Auditor-General's Office. He argues the Auditor-General's Office worked in the capacity of a modernizer and external auditor for the same government department and that this dual role could compromise the socially accepted norms of auditor independence; in this he confirms the conclusions of Gendron et al. (2001). Skaerbaek made a good attempt to understand how auditors persuade the auditee organisations to be in-line with their audit programs even though his study focused more on the auditee than on the performance of the VFM audit practice.

While there is a growing interest in studying auditors' actions, limited attention has been paid to the development and influence of the VFM audit methodologies, particularly from a long term perspective. The above mentioned three research studies made some effort to examine the construction of auditability by the Auditor-General's Offices. They highlight that the VFM audit practice is strongly linked to and mediated by audit methodologies. There are some deficiencies in those studies and they need to be addressed by examining both aspects of the development of VFM audit methodologies and their influence on the VFM audit practice. This paper argues that the auditability in the VFM audit is constructed though the development of methodologies and operationalization of those methodologies in the audit environment.

3. Overflowing and framing of VFM audit methodologies

This study used the dual notion of framing and overflowing (Goffman, 1974; Callon, 1998) and concepts of inscriptions, intermediaries, actors, mediators, performativity and obligatory passage point informed by Actor-Network-Theory (ANT) (Callon, 1986, Law, 1986, Latour, 1987, 2005; Robson, 1992) as the theoretical framework for analysing the research case study and to address the research questions. The study is focused on the development of VFM audit methodologies and its influence on the VFM audit practice. Accordingly, when selecting the theoretical framework, researchers' attention was paid to the ability of the theory to explain the back stage practices of the Auditor-General's Office with special relevance to the framing of audit methodologies.

Callon (1998, 1999) adopted the Goffman's notion of framing (1974) to study the economic markets and combined it with the economic concept of externalities. As such, Callon developed the dual notion of framing and overflowing. Framing provides a secure space to actors to carry out their interactions or to do their transactions. The framing interactions have human actors, non-human actors and structures or devices. Framing allows the actors to define and separate their objectives, tasks and good and services that they are associated with. The frames fabricated by actors are not perfect and can not contain the overflows arising from power struggles between actors and influences coming from economic, social and political environment. Therefore, the frames can overflow due to inherent limitations in the frames or developments in the surrounding environment. Economists identify these overflows as externalities. Overflows represent disorder in human interactions and framing provides order for such circumstances (Skaerbaek, 2009). The overflows and framing were supplemented with ANT concepts to explore the establishment of government accounting frames and VFM audit frames because the concept of performativity had the power to explain how accounting devices transform intermediaries to become mediators or actors and

influence other actors to perform in establishing accounting technologies (Christensen and Skaerbaek, 2007; Skaerbaek, 2009).

This study argues that auditability is about framing things as audit methodologies and implementing them within the audit environment. This study examines how VFM audit methodologies are framed in different perspectives by different actors and how the roles of audit methodologies would change over a period of time. The VFM audit methodologies can be framed in two different ways. First, human actors frame methodologies in different ways. The actors can have many entanglements within the actor-networks and other framings continue to exist and can change the official framing. Pollitt et al. (1999) argue that VFM audit reports were framed in four different perspectives such as a judge, public accountant, researcher, management consultant. These arguments draw some similarities to the development of VFM audit methodological frames. The financial audit methodology frames can overlap with the VFM audit methodology frames because some aspects of the financial audit procedures are covered by both financial and VFM audit methodologies.

Second, the nature and role of audit methodologies are not static but can change and evolve. As such, VFM audit methodologies can become actors in their own right such as non-human actors over a period of time. This is when they start to function as mediators rather than simply intermediaries. Notions of performativity, 'spokesperson' and 'obligatory passage point' explain how methodologies can acquire this kind of power in networks. That allows them to make the shift from intermediaries to mediators. This study argues that audit methodological frames translate from intermediaries to mediators or actors because of the performativity of the methodology. Performativity of an actor is the ability of the actor to become an active member of the actor-network and influence other actors to perform and actor's power to 'circulate' within the actor-network changing, transforming and translation of things that the actors are supposed to carry (Mouritsen et al., 2010). Therefore this study argues that audit methodologies can initiate as an accounting device but in the long run they add value to the VFM audit actor-network and become an 'obligatory passage point' for the entire VFM audit actor-network. Accordingly, this study examines how and why audit methodology frames transform their status from intermediary to mediator and become an actor in the VFM audit practice. This study suggests that the above given two scenarios of framing and overflowing lead to two major categories of framing of VFM audit methodologies such as focus framing and power-laden framing.

4. Research design

This study adopted qualitative research methodology. In particular, Critical Accounting Theory Study (CATS) methods were used (Jonsson and Macintosh, 1997). These research methods have been selected to be compatible with the research objectives and the theoretical frameworks of framing (Goffman, 1974; Callon, 1998) and ANT (Callon, 1986; Latour, 1986, 2005). The VFM audit is also similar to a ritual process by which masses of data and information are purified in order to compile the VFM audit reports (Pentland, 1993; Radcliffe, 1999). Accordingly, qualitative research methods allow the researcher to analyse and interpret this ritual of the public sector audit dramatized by the Auditor-General before the Parliament. Document analysis, interviews, personal communications and examination of closed VFM audit files were used as research methods in data collection. Prior audit experience or 'hanging around in audit offices knowledge' was also used as a research method (Robson et al., 2007) to examine the audit programs, methodology manuals and files.

These multiple data collection methods were used as a form of data triangulation, which can enrich the veracity of the research findings (Radcliffe, 1999). Six VFM computer audit files were examined in order to understand the structure of the VFM audit methodology of Audit method Performance (AmP)⁴ that provided the information on three stages of the VFM audit such as planning, field work and reporting.

The study reviewed a sample of 20 out of 129 VFM audit reports that were submitted to the Victorian Parliament by the VAGO from 1982 to 2007. As Gendron et al. (2007) advised, these VFM audit reports were selected as they functioned as mirrors of the VFM audit function and provided evidence of the gradual development of the VFM audit scope, objectives, methodology and reporting style over a longitudinal period. In addition to these audit files, corporate plans, annual plans, annual reports and other unpublished documents maintained by the VAGO from 1982 to 2007 were examined including the five VFM audit policy and methodology manuals. Those documents provided the information on backstage preparations carried by the auditors before the VFM audit reports were submitted to the Parliament. The principal author also conducted semi-structured interviews lasting between one and a half hours to two hours, as a research method. The investigator interviewed five Audit Managers who worked in the VFM (Performance Audit) and Audit Methodology Divisions of the VAGO between 2008 and 2011.

Three sub-processes of data analysis are used, namely data reduction, data display, and conclusion drawing and verification (Miles & Huberman, 1994). The principle researcher uses 'gut-feeling' as a reader (Pentland, 1993) in the data reduction, data display and conclusion drawing processes when analysing the documents, interview records and audit methodology manuals. The following procedure were applied in order to condense a vast amount of data into a manageable size and to facilitate data triangulation (Gendron and Bedard, 2006, p. 217). The data codes or themes were developed to answer the research questions. The principal author read all the documents and methodology manuals relevant to the development of VFM audit at the VAGO and important paragraphs were highlighted using these data codes or themes. These paragraphs were copied into a separate data reduction report for each category of data (e.g. annual reports) identifying the source document. From these data reduction reports, a data summary report was prepared for each research theme on chronological order. Thereafter, a thick description report (Gendron and Bedard, 2006) was prepared for each research theme in order to answer the research questions. For example one thick description report was prepared for the research theme of development of VFM audit methodologies.

5. Case organization: research context

This study examines the VFM audit function of the VAGO for a 25-year period from 1982 to 2007 as the research case study. The case study research method is adopted to examine the research context, VAGO, because case studies, especially descriptive and explanatory case studies⁵, are suitable to explain the social construction of accounting technologies (Scapens,

⁴ Audit method Performance (AmP) is the VFM audit methodology implemented by the VAGO in 2007.

⁵ There are various categories of case studies. "Descriptive case study describes the accounting systems, techniques and procedures used in practice. Explanatory case studies attempt to explain the reasons for adopting the observed accounting practice. The focus of the research is on the specific case." (Scapens, 2004, pp. 261-

2004, p. 261). Case studies are also suitable for in-depth analysis of accounting phenomena as longitudinal studies. The VAGO submitted its first VFM audit report to the Victorian Parliament in 1982 as a special audit report under Section 48 of the Audit Act 1958 and obtained the VFM audit mandate in 1990. The Public Accounts and Estimates Committee (PAEC) of the Victorian Parliament accepted the VAGO as the expert in the VFM audit in Victoria in 2010. Therefore this study examines how VFM audit methodologies were framed over time as reflected by VFM audit practice and how did the role of audit methodologies change in the auditability network at the VAGO from 1982 to 2007. These actions are similar to a framing and overflowing of the public sector audit model adopted by an Auditor-General's Office. To capture the framing of audit methodologies in the VFM audit practice it is necessary to study the construction of auditability of the VFM audit over a relatively long period.

The VAGO provides a unique example of a VFM audit practice which developed in parallel to the Canadian 'Comprehensive Audit' model. This study moves beyond the focus on mandate or legislative frameworks to examine the development of audit methodologies in the VFM auditing from its implementation in 1982 until 2007. The VAGO was established in 1851 and had a history 131 years of public sector auditing when it commenced the VFM audit practice in 1982. Politically and structurally there were also major changes in public sector auditing in Victoria. The VAGO was restructured by the Kennett government in a manner similar to the Auditor-General's Office reforms that occurred in New Zealand in 1997 (English, 2003). The development of audit methodologies and maneuvering the audit environment through corporate planning makes the VAGO a fitting Auditor-General's Office for this study. The VFM audit methodologies of the VAGO were developed from 1984, and the VAGO introduced a series of VFM audit methodology manuals from 1991 including a computerized VFM audit methodology in 2007. Thus, the VAGO is a fruitful case study in that it has undergone various internal re-engineering processes in audit methodologies, corporate and annual planning to satisfy needs of the Parliament, PAEC and audited organizations.

6. Framing of VFM audit methodology to become a power-full actor

This study argues that the VFM audit methodologies were developed as accounting devices and intermediaries in the VFM audit actor-network but later they re-emerged as power-laden actors on their own and they also became mediators that had the power to shape and mould the VFM audit outputs. This study noted that the VFM audit methodologies were developed during various time intervals and audit methodologies were transformed by VFM audit actor-network from intermediaries to actors or mediators because of the influencing power within the actor-network during this transitional period. The transformation of VFM audit methodologies from an accounting device (intermediary) or inscription to actors and mediators are explained in chronological order and given in the following paragraphs.

6.1.1 Framing of Special Audit Reports from 1982 to 1991

Power (1996, 2003) and O'Dwyer et al. (2011) argued that the development of audit methodologies furnishes the marketability of the practices, such that the audit environment recognizes that the audit provider has expert knowledge of the practice, and that leads to obtaining legitimacy and jurisdiction of the audit practice. This argument is applicable to the

262). This study is a descriptive and explanatory case study because it describes the VFM audit practice and methodologies and explains the reasons for establishment of the VFM audit.

development of VFM audit methodologies at the VAGO from 1982 to 2007. No formal VFM audit methodology manual existed during the early period of the VFM audit from 1982 to 1991 and VFM audit reports were framed as ‘Special Audit Reports’. The VAGO adopted its VFM audit practice and approach from the Canadian Auditor-General’s Offices. One of the auditors of the VAGO went on a training mission to the Ontario Auditor-General’s Office to study the VFM audit practice (VAGO, Lant, 1984), and the Auditor-General himself went on a training mission to Canada in 1981 to study the concept of comprehensive auditing. With these overseas exposures, the Auditor-General introduced the concept of comprehensive auditing to the VAGO in 1982 (Yule, 2002). The first VFM audit report submitted to the Victorian Parliament in June 1982 reported the establishment of a special audit review group to conduct VFM audits within the VAGO. The second VFM audit report (VAGO, 1983) indicated that comprehensive auditing methodology was an extension of auditing into VFM issues. The VAGO published the first VFM audit methodology policy document with the third VFM audit report in 1984, and subsequently the VAGO developed five versions of the VFM audit methodology manuals until 2007. The chronological events of these VFM audit methodology developments are given in Table 6.1.

Table 6.1-Summary of the development of VFM Audit methodology manuals

	Description	Year Implemented	Auditor-General
1.	The first VFM audit policy unveiled with the third VFM audit report	1984	B. J. Waldron
2.	1st VFM audit methodology manual – Victorian Performance Audit Methodology (VPAM)	1991	C. A. Baragwanath
3.	2 nd VFM audit methodology manual – VPAM 2 nd version	1996	C. A. Baragwanath
4.	4 th VFM audit methodology manual – Manual for Auditing Performance (MAP)	2004	J. W. Cameron
5.	5 th VFM audit methodology manual, known as the Audit Method Performance (AmP)	2007	D. D. R Pearson

The early VFM audit reports created a demand for the VFM audit by highlighting the deficiencies in the financial audit and introducing the concept of comprehensive audit methodology. The earliest reports were titled ‘Special Audit Reports’ rather than ‘Performance Audit Reports’ or ‘VFM Audit Reports’, as there was no formal VFM audit mandate at that time. Each of the audit reports reviewed contained a covering letter addressed to the Speaker of the Parliament of Victoria, in which the Auditor-General justified the work by reference to Section 48 of the Audit Act 1958. To establish this work, a gentle approach was necessary in terms of both the political systems and the sensitivities of the audited agencies. Considerable effort was made to emphasize the Auditor-General’s existing powers to conduct this kind of work and to reassure the agencies that it would be in their interest to

co-operate. These special audit reports included the elements of economy, efficiency and effectiveness as audit objectives. Under the comprehensive audit methodology, the scope of these reports also covered compliance, financial audit aspects and community issues. The first VFM report was the Works Contract Overview (VAGO, 1982), in which the major VFM focus was on the ability of government organizations to control major works projects. There was a strong compliance element to this project, focusing on whether the work contract arrangements were administered in compliance with all relevant legislation, directives and guidelines, with secondary objectives relating to the quality of internal controls and managerial controls, to ensure financial management and compliance aspects. Because this was a general report it was seen as relatively uncontroversial (Yule, 2002).

The second VFM audit report, issued in 1983 (VAGO, 1983), was an extension of the earlier one and focused on studies of four major work projects in which poor management had been a feature. The first was the construction of Footscray Technical School between 1976 and 1981. The report suggested complete mismanagement of this project, with inadequate administrative, technical and oversight skills. This report generated considerable political embarrassment and public press comment. The third VFM audit by the VAGO focused on the operation of government stores and departmental cash management (VAGO, 1984). It emphasized questions of economy and efficiency. The VFM audit report identified significant levels of over-stocking and explained that excessive stock levels constituted an issue of value for money. The report showed that 'excessive funds are invested in stores which are either obsolete, slow moving or surplus to foreseeable demand' (VAGO, 1984, p.32). These reports seemed more comprehensible than traditional audit reports but also more political.

In October 1984 the VAGO released the first formal VFM audit policy as part of its third VFM audit report (VAGO, 1984). That document identified the Canadian model of comprehensive auditing as audit approach, and the Auditor-General suggested that it suited the local audit environment. Under this model, the VFM audit elements were an extension of the financial audit responsibilities, which 'embraces the additional component of provision of an independent and objective assessment of the monitoring processes used within organizations to ensure that resources are economically and efficiently utilized and objectives of programs are achieved' (VAGO, 1984, p.1). The VAGO (1984) described the components of the comprehensive audit as (a) financial and regulatory audits and (b) VFM audits, which included as their scope the efficiency, effectiveness and economy of operations. The policy of comprehensive auditing provided the guidelines to the auditors within the VAGO and defined the role of the VFM audit, relationship with auditee organizations, timing of audits and staffing requirements. The VAGO submitted 15 VFM audit reports to the Victorian Parliament under this policy from 1982 to 1991. It became an 'enabler' in changing the audit practice. It changed the role of the VAGO from a financial auditor to comprehensive auditor.

In the early years of the emergence of the VFM audit in Victoria, the VAGO attempted to create the need for this audit by addressing areas that could not be covered under the annual financial audit. This matter was confirmed by the VAGO (Victorian Performance Audit Methodology, 1996, p.5) as stated below:

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

The emergence of the VFM audit as special audit reports and change of traditional role of the public sector auditor role can be considered as an overflow of public sector audit model that happened in late 1970 and early 1980. However, this overflow can be considered as a ‘cold’ situation (Callon, 1998, p.261) and the VAGO internalised the overflows with special reports. Various stake holders including the Parliamentary members highlighted the deficiencies of the financial audit to measure the Value for Money for public sector projects and this situation provided some kind of audit expectation gap and resulted in the emergence of VFM audit methodologies.

These early reports outlined the context and nature of the establishment of VFM practice within the VAGO. It would appear at this point that the vision and attitude of Waldron, Victorian Auditor-General at the time, had a significant influence on the particular approach adopted in Victoria (VAGO, 1984). It is also important to repeat the point that this approach differed from the VFM audit approach and method adopted by the Australian National Audit Office (ANAO).⁶ It is also clear, however, that these new VFM audit reports were much more politically sensitive than the traditional audit reports, and indeed openly challenged the executive at some points. Waldron submitted three VFM audit reports before his retirement in 1986.

Humphry (Auditor-General 1986–1988) tabled six VFM audit reports. He took office just after the Victorian Labor government had narrowly won the election for its second term. He had no previous experience in public sector auditing and therefore tended to continue the directions in VFM auditing established by Waldron. Waldron had overseen initiation of the VFM audit of Foreign Exchange Borrowings (VAGO, 1987) and Humphry submitted it to the Victorian Parliament. This VFM audit reflected a concern that government departments were borrowing in foreign currencies to take advantage of lower overseas interest rates. However, the floating of the Australian dollar in 1983 and its collapse in 1986 made these loans expensive and revealed a lack of strategy and expertise in the management of foreign currency risk (Yule, 202). The stated objective was to examine the efficiency and effectiveness of foreign exchange management systems and procedures for foreign exchange management in government entities.

These early VFM audit or special audit reports indicated that the VAGO did not have a definite methodology similar to the financial audit at that time. They were experimental audits or reflected program evaluation characteristics to cover the scope of compliance with legislation and best practice guidelines and economy and efficiency in government projects. The comprehensive audit methodology became a change enabler and auditors role changed to a comprehensive auditor. The VFM audit reports worked as early VFM audit policy documents because there no formal methodology manuals at that time until 1991. These VFM audit reports also worked as accounting devices/inscriptions and intermediaries that travelled between the actors in the VFM audit actor-network.

6.1.2 Framing of Victorian Performance Audit Methodology- 1991-1997

The VAGO developed the first Victorian Performance Audit Methodology manual in 1991 under the guidance of Baragwanath as the Auditor-General. This framing exercise is considered as a creation of the formal knowledge base for accumulated VFM audit expertise and incorporating the VFM audit mandate received through the section 48 A of Audit (Amendment) Act, 1990. It was an unpublished internal document of the VAGO, a

⁶ The ANAO followed the performance audit practice adopted by the General Accounting Office of the USA (Wanna et al. 2001, p.206).

comprehensive documentation of VFM audit guidelines and procedures. The structure of this Victorian Performance Audit Methodology manual consisted of five major sections on concepts and terminology, planning, implementation phase, reporting and communicating with auditees and Parliament. This VFM audit methodology manual provided the conceptual framework of the VFM audit and how the VFM audit was operationalized in practice. The major theme of this audit manual was the framing of the comprehensive audit methodology and it highlighted that the VAGO carried out financial audits, compliance audits and VFM audits within the comprehensive audit approach. This Victorian Performance Audit Methodology also highlighted the differences between the financial audit process and the VFM audit process. When the Victorian Performance Audit Methodology manual came into operation, the Australian Accounting Research Foundation (ARRF) had not issued any performance auditing standards and this VFM audit methodology filled that gap in the knowledge of auditing, providing the required theoretical and operational guidelines for VFM audit staff at the VAGO. The Victorian Performance Audit Methodology provided the dramaturgical discipline and training for the field auditors (Goffman, 1959) and it provided the easy guidance on how to complete the VFM audit tasks to generate a VFM audit report. The Victorian Performance Audit Methodology also provided the necessary abstract knowledge in a structured format. The VAGO indicated this Victorian Performance Audit Methodology was a result of the working committee to enhance the audit methodology and its features are highlighted below (VAGO, Annual Report, 1991)

This methodology, which is unique to the operations of the Victorian Auditor-General's Office (VAGO) provides a conceptual and policy framework for performance auditing, in addition to defining procedures to be followed during the planning, implementation and reporting phases of the audit. The methodology is aimed at providing a structured approach to conducting performance audits while allowing for the flexibility necessitated by the diverse objectives and scope of individual audit assignments (p.26).

Accordingly, it provided the stability to the VAGO to mobilise the VFM audit practice. The VAGO issued 24 VFM audit reports under the guidance of this audit manual from 1991 to 1996. This indicates that the output of the VFM audit was influenced by audit methodology.

The VAGO was given the legislative mandate to conduct VFM audits through the Audit (Amendment) Act 1990, and the Audit Act 1994 expanded the VFM audit scope to examine the effectiveness of auditee organizations in achieving their predetermined objectives. Accordingly, the Victorian Performance Audit Methodology manual was revised in 1996, incorporating the revised audit mandate given through the Audit Act 1994 which clearly defined that mandate in Section 15. The VAGO also added a few extra sections to the revised manual, emphasizing the need for communications with the Parliament and auditee organizations, quality assurance and engagement of specialists. In the revised manual, the VAGO described the differences and similarities between program evaluation and the VFM audit function, indicating that although the VFM audit and program evaluation were mostly similar, the difference was that an independent authority carried out the VFM audit and reported to the Victorian Parliament whereas program evaluations were conducted within the organization, like management consultancy projects. The VAGO submitted 54 VFM audit reports to the Victorian Parliament under the guidance of this revised manual from 1996 to 2004 and it provided further stability to the VFM audit practice.

The Baragwanath period was one of the most controversial episodes in public sector auditing in Australia, as that Auditor-General (1986-1999) effectively used the VFM audit function to criticize and expose threats to the traditional public sector accountability process. Baragwanath submitted 51 VFM audit reports to the Victorian Parliament from 1986 to 1999.

His reports gave the impression that he was not in favour of the NPM reform agendas implemented by the Victorian Parliament. The VAGO carried out a VFM audit on privatization of government-owned business undertakings by the Victorian Parliament (VAGO, 1995). At the commencement of this VFM audit a dispute developed between the Department of Finance of Victoria and the VAGO over the issue that the Victorian Auditor-General lacked the power to audit the implementation of government policy. The VAGO argued in its report that the Auditor-General had the power to audit the instrument of policy or the processes to implement government policy. Baragwanath (VAGO, 1995, ix) argued that the VAGO had a duty to provide independent comment to the Parliament and the Executive Government about broad high-level procedures that the public would expect to be applied in managing the privatization of Government business enterprises. As result of these disputes with the Executive, the VAGO's audit mandate was restricted through the Audit (Amendment) Act 1997 and Audit Victoria was created under the Department of Finance to carry out the public sector audits for the VAGO with other contract auditors, under this Act.

6.1.3 Overflowing of the VFM audit practice 1997 to 2000

The VFM audit practice was overflowed in 1997 when Baragwanath was the Auditor-General and it could not be contained due to one of the leading actors, Executive, betraying the actor-network for two years until 1999. This overflow became a 'hot' overflow and it generated a public debate as highlighted by Callon (1998, p.263). The VAGO's expertise in conducting VFM audit was questioned by the Executive and as a result of that Victorian Parliament implemented the Audit (Amendment) Act 1997 from 1 July, 1998 and the VFM audit methodology frame could not be implemented and relations of the actors were uncertain as explained by Yule (2002) below.

Inevitably the review overshadowed the work of the Auditor-General's Office throughout 1997. As Ches Baragwanath observed in the 1996-97 annual report, 'the day-to-day functioning of the Office proceeded against a background of significant uncertainty on the Office's future direction'. He admitted that responding to the review diverted 'an enormous amount of organisational time and effort... away from the Office's core financial and performance audit streams' (p. 262).

Under the above scenario, the claims to expertise on the VFM audit were rejected by the Executive government and VFM audit methodology of the VAGO lost its status as an accounting device (intermediary) or inscription of the VFM audit actor-network.

The Kennett Government prevented the VAGO from carrying out certain financial and VFM audits; those audits of public sector organizations were given to Audit Victoria and to private sector auditors under an audit competition policy. This restriction of audit mandate removed the Auditor-General from conducting the financial and VFM audits. Baragwanath's turbulent period of office ended just before the State elections in 1999 and J. W. Cameron assumed duties as the Auditor-General on the eve of the elections. The general public of Victoria removed the coalition government from power, and re-structuring of the VAGO was one of the apparent issues of the defeat.

6.1.4 Re-framing the VFM audit methodology and practice from 2000- 2007

The new Labor government repealed the Audit (Amendment) Act 1997 through the Audit (Amendment) Act 1999 and combined Audit Victoria with the VAGO and Cameron absorbed the Audit Victoria's staff and assets into VAGO and re-integrated the public sector audit model as it was under the Audit Act 1994. He highlighted this re-framing of Audit Victoria into the VAGO as stated below (VAGO, Annual Report, 2000).

Audit Victoria (the statutory body providing some operating capability to the Auditor-General) was abolished on 1 January, 2000, and the staff, assets (excluding cash reserves) and liabilities of

that body were transferred into my Office from that date. Thus began the restructuring and merging of 2 quite different organisations and 2 quite different staff cultures (p. 3).

Cameron can be identified as an Auditor-General who attempted to develop VFM audit practice through state-of-the-art technologies. He submitted 60 VFM audit reports to the Victorian Parliament from 1999 to 2006.

The VAGO replaced its Victorian Performance Audit Methodology manual with the Manual for Auditing Performance (MAP) in 2004. Its major highlight was that the VFM audit procedures were removed from the manual and kept them as in-house audit procedures. The VFM audit methodology manual contained only the major audit policies relevant to the audit mandate, planning, field work and reporting stage. A statement in the foreword to the Manual for Auditing Performance (MAP) confirmed that there were many VFM audit procedures supporting the manual (VAGO, Manual for Auditing Performance, p.1). The VAGO issued 27 VFM audit reports from 2004 to 2006 and it indicates that the audit methodologies have influenced a significant growth of the VFM audit output. The Manual for Auditing Performance and development of Risk Based Audit methodology such as the Integrated Public Sector Audit Methodology (IPSAM) in 2005 jointly with the Queensland Audit Office influenced the development of computerised VFM audit methodology in 2007.

Cameron was a catalyst of innovations and embarked on a new project to develop a computerized VFM audit methodology known as Audit method Performance (AmP), which was implemented by D. D. R. Pearson as Auditor-General in 2007. Pearson succeeded Cameron as Auditor-General in 2006 and initiated a review of the Audit Act 1994 through the PAEC to cover loopholes in the audit mandate of the VAGO in order to focus on the audits for public funds given to the private sector organizations. For example the Auditor-General did not have the power to audit certain ventures financed by the government but operated by the private sector. The Audit Method Performance (AmP) methodology revolutionised the role of the audit methodology because all previous methodologies were simply acted as an intermediary but they could not transform the VFM reports or practice actively. They did not work as power laden actors.

6.1.5 Framing of Audit Method Performance (AmP) from 2007

The Audit Method Performance (AmP) replaced the Manual for Auditing Performance in 2007, enhancing the output of the VFM audit reports and it actively participated with human auditors (actors) to generate the VFM audit reports thus becoming a mediator and actor in the VFM audit actor-network. The VAGO submitted 16 VFM audit reports to the Victorian Parliament in 2007. It was a fully computerized VFM audit methodology, running on the Lotus Notes database on parallel with the Risk Based Audit methodology adopted by the VAGO. The following discussion and analysis were based upon the VFM audit file of Urban Planning – Victoria's Planning Framework for Land Use and Development (VAGO, 2008). The Audit Method Performance (AmP) categorised the VFM audits carried out by the VAGO into three categories, namely broad scope reviews, limited scope reviews and review of compliance and probity. The reviewed audit file was classified as a broad scope review VFM audit.

The Audit Method Performance (AmP) was programmed into each VFM audit carried out by the VAGO. The VFM audit files were operated using computer files which could be stored on laptop computers as well as head office computer servers. The Audit Method Performance (AmP) methodology was further expanded into three audit stages. These stages were audit planning, audit field work and audit reporting stages. These stages are depicted in Table 6.2

and 6.3. The audit programs relevant to each stage of the audit were further extended in the audit files; these sub-sections of the audit program are also depicted in Table 6.3. Accordingly, the auditors who carried out the VFM audits completed their audit tasks and recorded the audit evidence and conclusions under each audit program. The VFM audit was almost similar to a qualitative program evaluation carried out by an independent officer of the Parliament. As Lindeberg (2007, p.338) noted, ‘performance auditing or VFM auditing is not a prototypical form of auditing that we would expect to fit neatly into the category “audit”’; he concluded that ‘performance auditing appears to be the oddball in the auditing family and it is therefore likely that we will be able to observe problems of classification’.

Table 6.2 -The VFM audit stages and processes

	Stage	Description
1.	Initiation	The VAGO sends the agency (auditee) head an engagement letter and the agency names its audit contact person.
2.	Planning	The VAGO develops an ‘Audit Specification’ that describes the audit’s objectives and scope.
3.	Conduct	The VAGO gathers evidence guided by the AmP methodology.
4.	Assessment	The VAGO issues a preliminary draft of the conclusions, findings and proposed recommendations.
5.	Briefing to agency	The VAGO issues the Audit Act, 1994, section 16 (3) proposed audit report to the agency for response.
6.	Report to Parliament	The final VFM audit report is tabled in the Parliament.

(Source: VFM audit practice statement issued by the VAGO, 2011).

A VFM audit computerized file was similar to a large document cupboard where the auditor could store audit programs, audit work papers, audit evidences and audit reports in separate divided compartments. Even though the task was qualitative, audit programs, audit evidences and audit reports were electronically managed using computer files. The VAGO maintained only very limited hard copy documentation in permanent audit files.⁷ The AmP audit methodology provided inbuilt audit programs and guidelines to the auditors. The auditors can feed the audit evidence to the audit program and obtain VFM audit reports using the preformatted audit reports. The VFM audit process was structured and can be easily understood by the auditors.

⁷ The audit files were divided into two categories, permanent files and working paper files. In the VFM audit some hard copy documentation was kept in the hard copy permanent file.

Table 6.3 -Structure of a VFM audit file

VFM Audit Planning		VFM Audit Conduct		VFM Audit Reporting
Audit initiation		Meet with audited agency		Producing a Parliamentary report
Audit administration	→	Project management	→	Pre-tabling activities
Background research		Gather evidence		Tabling activities
Audit specification		Analyse evidence		Post-tabling activities
Audit plan		Discussions with agency		
Audit program				
Other communications				

The Audit Method Performance (AmP) methodology became indispensable to the auditors and VAGO. Therefore the VAGO impressed the PAEC of the Parliament of Victoria and convinced the members that it had the expert knowledge and capability for VFM practice (PAEC, 2010, p.23). The expertise of developing and adopting audit methodology allowed the VAGO to distance itself from professional accounting firms in relation to the jurisdictional rights for the VFM audit as stated by PAEC of Parliament of Victoria.

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

The above statement was, as stated by Yule (2002, p.256), in direct contrast to the comments made by the Executive about the VFM audit expertise when the Audit Amendment Act was introduced 1997 in order to restrict the VFM audit mandate. A review committee appointed by the Victorian Parliament to reform the public sector audit in Victoria in 1997 suggested that the VAGO did not maintain required experience and expertise to carry out VFM audits in comparison to the private accounting firms. The above statement by the PAEC of Victorian Parliament (2010, p. 23) provides clear evidence that the VAGO obtained the legitimacy and jurisdictional rights for the VFM audit as accepted by the PAEC in 2010. The facts and information shows that abstract knowledge, the audit methodologies and other backstage practices and procedures were more important than building up outside networks in establishing jurisdictional rights to the VFM audit practice. This argument counters the claim made by Gendron et al. (2007) that the Auditor-General’s Office engaged in a network building activity with the audit environment in order to claim VFM jurisdiction.

Abbott (1988, p.86) stated that professional jurisdiction consists of social and cultural control. He highlighted that cultural control arose in work with the task and was legitimized by formal knowledge that was rooted in fundamental values. Social control arose in active claims put forth in public, legal and workplace arenas. This assertion was confirmed by Robson et al. (2007, p. 421) in relation to the development of Risk Based Audit Methodologies. If this framework is applied to the VAGO, the cultural framework was the development of the formal knowledge base. That process was the backstage practices of the

development of VFM methodologies and related audit processes and procedures. Outside social control was developed through corporate plans, marketing campaigns and other awareness programs conducted by the VAGO. One such example, that the VAGO engaged in an active marketing campaign of its audit programs. One such example was highlighted by the VAGO in its annual report (VAGO, 1998-99, p.8) as ‘implement an expanded marketing strategy to enhance confidence of the Parliament and the community in the role and activities of the office’.

Abbott (1988, p.97) also argued that internal changes prepare professions to consolidate old jurisdictions or to invade new ones. Similarly, the VAGO developed its VFM audit practice as an extension of the financial audit and as part of the comprehensive audit methodology. The VAGO developed the Risk Based Audit methodology known as Integrated Public Sector Audit Methodology (IPSAM) in collaboration with the Queensland Audit Office in 2005 and the VFM audit methodology, Audit Method Performance (AmP) in 2007. The development of its own audit methodologies enabled the VAGO to display its professional expertise and knowledge to the audit environment. Abbott (1988, p.92) argued that the creation of new technologies creates potential jurisdictions. He also mentioned that new technological jurisdictions are thus absorbed by existing professions with strong organizations. Based on this argument, this study found that the VAGO created a distinctive jurisdiction for the VFM audit within the state public sector by creating and propagating new VFM audit methodologies.

6.1.6 Transforming of the power of VFM audit methodology

The role of the audit methodology and auditor has changed overtime and it had impacted the growth of VFM audit practice. The role of the Auditor-General has changed from financial auditor to special investigator from 1982 because the VFM audits were commenced at that time as special audit reports under section 48 of the Audit Act 1958. Thereafter the Auditor-General’s role changed to the comprehensive auditor with the introduction of the comprehensive audit methodology in 1984. From 1982, the Auditor-General’s role has also become a financial auditor and modernizer as coined by Skaerbaek (2009) because VFM audit reports identified deviations from the best practice guidelines (Good Practice Guides) and recommendations were given to rectify those deviations as long form audit reports.

However, there was a brief period from 1998 to 1999, the Executive rejected the VFM audit practice and methodologies of the VAGO, resulting in disarray of VFM audit actor-network. This is considered as a ‘hot’ overflow of the VFM audit practice for two year period, making it difficult to bring the actor-network together due to their differing objectives and opinion about VFM audit practice. This situation was re-framed by Cameron with the assistance of the newly elected state government in 1999. This study found that the VFM audit methodology of the VAGO became a mediator and actor status since 2007 with the implementation of Audit Method Performance (AmP) methodology. The Audit Method Performance (AmP) was a strategy implemented by the VAGO, in order to align the human actors with non-human actors. Therefore, the Audit Method Performance (AmP) methodology became indispensable to all the actors and it became the obligatory passage point for the VFM audit practice. In the accounting literature there are similar examples that the accounting methodologies become obligatory passage points and indispensable allies and actors in the decision making process of economic entities. In this regard, Whittle and Mueller (2010, p.640) argued that Management Accounting System (MAS) became a power-full actor and worked with the human actors to add value to the strategic decision making process. They highlight that accounting systems are not passive devices and when the MAS

became power-full actor, it began functioning as the obligatory passage point for the actor-network. Similarly, this study found that the VFM audit methodologies were transformed to become an actor, mediator and obligatory passage point for other actors within the VFM audit actor-network. The table 6.4 shows the progression of the VFM audit methodologies of the VAGO from intermediaries to mediators or actors from 1982 to 2007.

Table 6.4-Evolution of role of VFM audit methodologies

Evolution	Period	Role of methodology	Role of the Auditor
Special Audit Report 1982	1982-1984	Change Enabler and intermediary	Financial Auditor and Special investigator
Comprehensive Audit Policy	1984-1991	Change Enabler and intermediary	Comprehensive Auditor
Victorian Performance Audit Methodology (VPAM) manual	1991-1997	Intermediary and accounting device	Financial Auditor and modernizer
Victorian Performance Audit Methodology (VPAM) manual and Audit (Amendment) Act 1997	1997-1999	Intermediary and accounting device	An agent or messenger between the Parliament and contract auditors
Victorian Performance Audit Methodology (VPAM) manual and Manual for Auditing Performance (MAP)	2000-2007	Intermediary and accounting device	Financial Auditor and modernizer
Audit Method Performance (AmP) manual and computerized system	2007	Mediator and Actor	Financial Auditor and modernizer

The audit methodologies created and enhanced the interactions between the audit methodologies and audit environment because audit methodologies were re-framed after obtaining the views from the audit context through strategic planning process of the VAGO. The audit methodologies also increased the interaction of audit methodology to planning and other systems within the Auditor-General’s Office because online real time audit methodology applications were connected with other resource management systems of the VAGO. For example, the Audit Method Performance (AmP) methodology has the capacity to obtain the audit evidence from Risk Based Audit methodology used by the VAGO. Therefore, this study concludes that the audit methodologies drove the VFM audit practice because it was the central core function of the VFM audit practice similar to an engine of a vehicle.

6.2 Focus framing of VFM audit methodologies

This study argues that the VAGO developed VFM audit methodologies as focus framing to produce VFM audit reports and other good practice guides to meet four categories of frames as stated below.

1. Legal frameworks to provide judgments (e.g. compliance audit methodology frames)
2. Auditing frames (e.g. comprehensive audit methodology frame)
3. Management consultancy frameworks (e.g. Good Practice guides)

4. Research frames (e.g. fact finding audits)

The framing of VFM audit methodologies were done to produce VFM audit reports and other good practice guides with wide scope of audit that can cover four focus in one report. Accordingly, there is some overlapping of these focused frames as management consultancy frames can overlap with comprehensive audit methodology frames. The prior literature on VFM audit also highlights that there are various focus frames developed by Auditor-General's Offices. Gendron et al. (2001) argued that Auditors-General engaged in framing two types of focus frames such as financial and performance audits simultaneously and this has led to violation of social norms of auditor independence. Similarly, Skaerbaek (2009) argued that Auditor-General's Offices engaged in two categories of auditing frames such as financial auditor and modernizer frames violating the social norms of auditor independence as highlighted by Gendron et al. (2001).

6.2.1 Framing of legal frameworks or compliance audit frames

This study found that the VFM audit methodologies were framed to examine the compliance with legal requirements as part of the scope the audit. Pollitt (2003, p.164) argued that Auditor-General's Offices work as a judge or magistrate role. The VAGO recognized this category of focus framing as compliance audit and audit programs were developed to cover this aspect from 1982. In its first VFM audit report, the VAGO (1982, p.7) highlighted that compliance with legal requirements as one of the core objectives of the VFM audit and this aspect was further confirmed in framing VFM methodologies. The VAGO made it clear that legislative compliance was core function of the VFM audit scope as highlighted in the VPAM (VAGO, Victorian Performance Audit Methodology, 1991, S1-9).

The audit legislative requirement to examine the performance of an organization in terms of compliance with all relevant Acts covers both the enabling legislation of the particular organization subject to examination and any public sector-wide legislation such as the Public Service Act 1974 and the Treasury Regulations pertaining to the Audit Act 1958. In this context, the key aspects of the legislation impacting on the economy, efficiency and effectiveness of the organization should be examined (S1-9).

This aspect of checking compliance with relevant legislations and regulations remained one objective of the VFM audit methodology frames until 2007 (VAGO, Audit method Performance (AmP), 2007, p.1.2).

Cameron expanded the VFM audit practice purely to check the compliance with the state and commonwealth government legal requirements. One such example is the VFM audit report on 'Payroll management and administration of the goods and services tax (VAGO, 2003). This VFM audit has named as 'Control and compliance audits'. In this VFM audit report, Cameron noted it is an expansion of the VFM audit framework as 'reviewing the performance of agencies in discharging these responsibilities through the conduct of targeted control and compliance audits. These audits will be aimed at providing assurance to Parliament on the effectiveness of key management activities and at enhancing the quality of management processes within agencies' (p.vii). This study also noted that audit methodology frames overlap with other focus framing categories as well. For example, the compliance audit report on 'Payroll management and Administration of the goods and services tax (VAGO, 2003) worked as a management consultancy frame as well. This VFM audit report provided a 'Good Practice Guide' for auditee organizations on Goods and Services Tax (GST) administration as per the Commonwealth GST Administration Act 1999.

6.2.2 Framing of comprehensive auditor role

Based on its financial audit expertise, the VAGO developed VFM audit expertise as part of the comprehensive audit methodology from 1982. The VAGO exported its image to the audit environment through various activities. These activities included development of Good Practice Guides, marketing of audit reports by formal communication plans and strategic planning processes. However, the most important feature for image construction was the development of an abstract audit knowledge base. This notion could be applied to the development of the VFM audit function of the VAGO. The VAGO started conducting research and development of the VFM audit function from 1976 (Yule, 2002, p.189). The first formal VFM audit policy was released by the VAGO in October 1984 with the third VFM audit report and it was identified as the Approach to Comprehensive Auditing. In the early period of development of the VFM audit function, VFM audits were conducted as part of that approach. The audit mandate for this policy was pursuant to section 48 of the Audit Act, 1958. The VAGO described this comprehensive audit function as follows:

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)

As mentioned previously, the components of the comprehensive audit were identified as the financial and regularity audits and the VFM audits. The VAGO also highlighted in their Victorian Performance Audit Methodology manual (VAGO, 1991, S1-5) that the comprehensive auditing implemented in 1984 was in force in that VFM methodology and VFM audit work as one of three categories of audits (financial, compliance and VFM) under this policy.

As mentioned by Guthrie and Parker (1999), Funnel (1998), Jacobs (1998) and Hamburger (1989), the VFM audit function and policy always developed in accordance with the attitude and vision of the Auditor General. The document, Approach to Comprehensive Auditing, by the VAGO was the vision and attitude of Waldron, Auditor-General from 1977 to 1986. Subsequent to the first VFM audit policy document, the VAGO developed its first comprehensive VFM audit methodology known as the Victorian Performance Audit Methodology manual in 1991 and revised it in 1996. This study found that the VAGO maintained their framing of VFM audit methodologies as comprehensive auditor throughout this study period because the VFM audit complemented the deficiencies of annual financial audits in government organizations.

6.2.3 Framing of modernizer or management consultant role

This study found that the VFM audit methodologies were developed as program evaluation frames since 1982. During this establishment stage, the VAGO indicated that they saw the VAGO's role as a consulting role for the Victorian public sector rather than a classical fault-finding audit role (VAGO, Special Audit Report, 1983, p.2), and also indicated that 'the study was intended as a constructive exercise, to ascertain the adequacy of existing procedures and to highlight any changes which may be needed'. The VFM audit reports worked as management consultancy reports on its own and subsequently, the VAGO developed 'Good Practice Guides' based on prior VFM audit findings and recommendations.

The VAGO developed its own audit criteria or Good Practice Guides because there were no international auditing standards on the VFM audit available in the early 1980s. For example, for the VFM audit of foreign exchange operations (VAGO, 1987), the VAGO developed a benchmark framework of desirable management practices and procedures of such operations as a criterion for comparison with actual operations of the audited entity. That framework allowed the auditors to gain an overall understanding of the foreign exchange operations of selected State Government entities, based on a preliminary survey of organizations involved in off-shore borrowings. From the beginning, a multidisciplinary team carried out the VFM audits, and it became normal practice for the VAGO to obtain the services of outside experts to work on the VFM audit teams.

The VAGO developed and propagated 'Good Practice Guides' to be applied by the State government departments and State agencies. This process of providing guidance to government agencies through the VFM audit practice was recognized by Gendron et al. (2007, p.125) as exporting and importing audit knowledge. Gendron et al. (2007, p.125) stated that the Audit Office imported legitimacy from developing a corpus of knowledge about performance measurement, and it exported legitimacy through the support that it provided to the government's performance measurement project, which could then be taken up in other jurisdictions. This study found that the VFM audit methodologies were developed to frame the recommendations to modernize of government agencies. Some of these 'Good Practice Guides' were based on the previous across-the-board VFM audits as stated below (VAGO, Public Sector Procurement, 2007).

The guide draws on the Victorian Auditor-General's Offices environmental scanning, audit planning and performance audit work, and emphasises areas for particular improvement that have been identified in previous audits (p. 1)

The researcher noted that there were several 'Good Practice Guides' developed by the VAGO based on previous VFM audits and some of these guides were developed in consultation with the Department of Treasury and Finance (DTF) of Victoria. One such example is the 'Good Practice Guide' on 'Chief Finance Officer: Role and responsibilities' (VAGO, 2004). These evidences confirm Power's (1996) argument that audit methodologies are operationalized within the audit environment through development and implementation of proper accounting control procedures in auditee organizations and those control procedures make audit possible. This matter has been highlighted by Power (1996, p.296) as recommending accounting and systems controls in order to enhance 'control environment in order to maintain auditability'. Therefore the VFM audit methodologies are a framing exercise that frames the audit environment suitable for the VFM and financial audit both. This finding also confirms the fact VFM audit methodology frames provide auditee organizations guidelines on how to make their financial statement frames as well. Finally it would lead to enhance the effectiveness of the public sector accountability frame of the broader social and political environment. The VAGO does not indicate that they work as a management consultant or modernizer because it could tantamount to violation of social norms of auditor independence highlighted by Gendron et al. (2001) and Skaerbaek (2009). Therefore, in order to guard their auditor independence, the VAGO (Victorian Performance Audit Methodology, 1996) framed VFM methodologies in such a way to show the difference between the VFM audit and management consultancy assignments as stated below.

The independence and objectivity of the performance audit process would be compromised if the auditor became involved in such activities as this process could subsequently result in an auditor evaluating a system he/she designed. However, this should not preclude the auditor from providing advice to client agencies (S1-7).

This study confirms Pollitt's (2003, p.164) argument that Auditor-General's Offices prepare VFM audit methodologies to produce VFM audit reports 'to help and advice to public bodies to help them improve themselves'.

6.2.4 Framing of research reports

This study noted each and every VFM audit report is a piece of research paper and audit methodologies are invariably developed to produce reports as research frameworks by an Auditor-General's Offices as highlighted by Pollitt (2003) below.

As a scientific or research-based organization, unearthing, creating and disseminating new scientifically tested knowledge about how public programmes and projects are working (p.164).

The Victorian Performance Audit Methodology (AmP) methodology (VAGO, 2007) has a separate section to do the required research about the agency or activity audited. This ability of the VFM auditors to work as researchers was highlighted by one of the Senior Audit Managers of the VAGO (Interview 3, 2008) as given below.

I think you need broader skills. I mean we have fewer accountants today in the area. We have more management staff I guess, we have more operational and program staff from agencies coming into do performance audits, I mean you need I suppose common sense, evaluation skills, research skills, you need to have accountants skills, I used to think it was important but it is probably not (p. 17).

The research of the agency or activity forms part of the planning and evidence gathering process of the audit and these sections cover wider area such as 'the agency's functions, objectives and internal operating environment related to the particular audit topic including how the program/functions/activities under review operate, as well as the intended outputs and outcomes' (VAGO, Victorian Performance Audit Methodology-AmP, 2007, section G2.2).

7. Summary and conclusions

This paper examined how VFM audit methodologies were framed over time as reflected by VFM audit practice and how did the role of audit methodologies change in the auditability network. The development of VFM audit methodologies of the VAGO was examined as the research context for a 25-year period from 1982 to 2007, was informed by the sociological theory concepts of framing and overflows (Goffman1974; Callon, 1998, 1999) and ANT concepts of actors, mediators, inscriptions and performativity as a theoretical framework (Latour, 1987, 2005; Robson, 1992).

The VAGO developed its VFM audit methodologies by adopting various strategies between 1982 and 2007. These strategies included four actions. First, the VAGO brought and adopted the VFM audit methodologies from Canadian Auditor-General's Offices since 1984. The VAGO sent out its auditors to study the VFM audit methodology adopted by the Ontario Auditor-General's Office. Second, the VAGO introduced the corporate planning system since 1987 to develop the audit methodologies that could produce better audit reports and 'good practice guides' to meet the expectations of the Parliament and auditee organizations. The VAGO conducted stake holder surveys to identify the needs of the Parliament and auditee organizations and those stakeholder views were incorporated in developing audit methodologies. Third, the VAGO observed development of contemporary auditing practices in other countries and private sector accounting firms and modernized VAGO's audit methodologies to be in line and competitive with those contemporary development of broader audit profession. Forth, the VAGO developed a Risk Based Audit (RBA) audit

methodology in collaboration with the Queensland Audit Office in 2005 and used the same technological hardware platform to develop its computerized VFM audit methodology of Audit Method Performance (AmP) in 2007. This combination of Risk Based Audit and Audit Method Performance (AmP) methodologies enabled the VAGO to enhance economy and efficiency in gathering audit evidence and processing them as VFM audit reports. These actions taken by the VAGO confirms that the development of audit methodologies and creation of an audit environment receptive to those methodologies are co-evolving and interrelated.

This study found that the VFM audit frame was overflowed in 1997 due to the betrayal of Executive from the actor-network and it became a 'hot' overflow. The VFM audit actor-network was disintegrated for two years and the VAGO was able to re-instate the power of VFM audit methodology frame with the support of the general public in 2000.

This study concludes that the VFM audit methodologies were framed as focus framing to produce four categories of VFM audit reports. These categories are legal frameworks, auditing frameworks, management consultancy frameworks and research frames. This confirms Pollitt's (2003) argument that VFM audit practice represents four different roles carried out by the Auditor-General's Offices. This study also noted that VFM audit methodologies have been developed to produce all four of these focus frames in one VFM audit report. Further, this study found that the VFM audit methodologies were developed initially as inscriptions or accounting devices and later those methodologies became as power-full actors that influence and add value to the other actors in the VFM audit actor-network. This study concludes that the Audit Method Performance (AmP) methodology developed by the VAGO worked as an actor and mediator since 2007 because it had the power to collect, store and process audit evidence and guide the auditors to produce VFM audit reports as such Audit Method Performance (AmP) became an indispensable obligatory passage point for the VFM audit actor-network.

We recognise four different roles that audit methodologies can play (accounting device, change enabler, mediator and actor) which influence audit practice differently. This study concludes that the role of audit methodologies in creating auditability can change dramatically over time.

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