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A Processual Analysis of the Responses of the Australian Commonwealth Audit Office to the Dilemmas of Efficiency Auditing 1978-84

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A PROCESSUAL ANALYSIS OF THE RESPONSES OF THE AUSTRALIAN COMMONWEALTH AUDIT OFFICE TO THE DILEMMAS OF EFFICIENCY AUDITING 1978-84

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Abstract

There had been little essential change in Australia's form of governance and accompanying conventions of accountability by the 1970's from the form inherited from 19th century Britain. As a consequence, Australian Commonwealth state audit experienced few major difficulties and was largely immune from challenge. This changed when the attention of state audit turned to the management performance of public service administrators. State audit came to experience a level of stress and threat never previously encountered. Using insights from processual analysis as developed by Turner, to demonstrate the pressures on state audit, the paper focuses on the principal events constituting the short life of the new Efficiency Audit Division (EAD) (1978-84) which had been established within the AAO to develop efficiency auditing methods and to carry out efficiency audits. It documents for the first time a level of Executive intrusion in state audit which contradicts the image promoted in Westminster democracies of a robustly independent state auditor and highlights the political nature of state audit.
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INTRODUCTION

There have always been limits to the independence of Australian state audit\(^1\) since its inception in 1901 (*Audit Act 1901*). These limits which have been consistently maintained by Executive governments in their own interests have gone largely unobserved by the electorate and Parliament. Complaints by former Auditor-General Taylor (1988-95) have been a prominent, and to date largely impotent, exception (ABM, April 1995; Taylor 1995). As a result of the investigative opacity of state audit, particularly in its relations with the Executive\(^2\) at high levels and the secrecy of government, to discover how the Executive has shackled state audit heavy reliance must be placed on insights gained through windows provided by significant stages and crises in the evolution of state audit. When the state auditor encounters periods of stress it is then that these limits become most discernible; then the *reality* of the independence of state audit rather than the *image* is allowed to be visible, if only for a short period. Gallhofer and Haslam's (1991) study of accounting developments in post World War 1 Germany is a good example of this approach to the study of accounting in the context of crisis. Richardson (1987), following Giddens, agrees that

the values which accounting embraces and enacts are implicit in action and, therefore, invisible to conventional methodologies. One way around this problem may be to focus on "critical situations" ... where social routines are disrupted and the implicit become problematic. Legitimation crises in accounting may provide cases where the premises of accounting become observable (p.352).

By examining the responses of the state auditor under stress during the introduction of efficiency auditing\(^3\) by the Commonwealth Auditor-General between 1978-1984 this paper will expose some of the methods used by the Executive to limit state audit and to maintain the Executive's hegemony in state audit which has been carefully and

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\(^1\) The term state audit will refer principally to the Australian Commonwealth Auditor-General.

\(^2\) The term Executive will be used to refer to the sum total of the members of the majority party in parliament and the agencies used by the elected majority to implement its policies.

\(^3\) Efficiency auditing will be shown to be the term used by the Australian Government to describe one type of performance audit. Thus, throughout the paper performance auditing will refer to different types of audit with different legal and operational characteristics.
strategically crafted over many years. Despite calls for the study of accounting within its contexts (Covaleski and Dirsmith 1988, p.548; Dillard 1991, p.9; Laughlin 1990, pp.16,34,35; Neimark and Tinker 1986; Burchell, Clubb and Hopwood 1985; Miller and O'Leary 1987; Kirkham 1992) with the possible exception of Hamburger (1987) there has been a disappointing number of situated public sector studies in the accounting literature, with state audit a particularly outstanding example of neglect. This is in large measure a result of the state auditor's concern to project an apolitical, neutral image and the secrecy provisions in audit legislation which have allowed the inner workings of state audit within major Westminster democracies to escape the same attention and disclosure usually associated with the study of other aspects of public administration. This paper represents a rare opportunity to go behind the public face of Australian state audit and to examine the reality as opposed to the rhetoric of Executive involvement in state audit.

From its beginnings in 1901 the Australian state auditor's legislated powers and duties, which stemmed from a conception of independence borrowed from Britain, had effectively marginalised state audit in any important economic and public debates. An aversion to commenting on matters of government policy because this was seen as prejudicing the state auditor's independence meant that the state auditor was not expected to take a leading role in proposals for public sector reform or to be the initiator in any structural changes in governance. The state auditor was not to be the iconoclast but the preserver. The state auditor's limited, clearly timetabled and, therefore, controlled intervention in public sector debates through legislated reports on the appropriation and accounting pedanticism of the Executive meant that the predictability of state audit was promoted. For an incumbent Executive a state auditor who knew and accepted his place according to the precepts embodied in Westminster interpretations of state audit independence (see Funnell 1994), and accordingly was his own harsh policeman, minimised its susceptibility to embarrassment.

Efficiency auditing which was established in Commonwealth state audit in the 1970's caused the state auditor to move from the well developed protection of his\textsuperscript{4} traditional audit methodologies and standards to where he was no longer on familiar ground. The often politically contentious nature of efficiency auditing meant that there would be a great deal at stake for the auditees to ensure that the performance auditors did not get the better of them. In the face of a concerted and sustained onslaught by Executive departments determined to emasculate efficiency auditing it became increasingly obvious that the traditional bases of the state auditor's independence were not

\textsuperscript{4} All Commonwealth Auditors-General have been males.
sufficient to protect his Office or to sustain the image of a strong, impartial state audit function with substantive independence working on behalf of Parliament (See Brigden 1984 and Monaghan 1987, both as reported in ANAO (Australian National Audit Office) 1994, pp.27-42; Taylor 1995).

The aims of the present paper are pursued through the use of a microhistory approach, which has been favoured by Le Roy Ladurie, Ginzburg (Burke 1992) and Foucault, and organised around Turner's (1974) processual conceptualisation of conflict as 'social drama'. Turner identified a progression of four 'Acts' or phases which unfold in the resolution of differences between social actors: breach, crisis, redressive action and reintegration (Burke 1992, p.40). For efficiency auditing the breach occurred between the Executive and the state auditor when previous understandings about the role and place of state audit were challenged. This paper will show, as a consequence, that the Office of the Auditor-General was thrown into a state of crisis as the problems experienced by the Efficiency Audit Division (EAD) established in 1978 to implement efficiency auditing mounted. As the Auditor-General came under increased pressures from the Executive he moved to Turner's third phase in crisis resolution and attempted to redress the problems by retreating from efficiency auditing. Ultimately, this required that efficiency auditing be reintegrated into the financial auditing divisions in the AAO.

This reaction has been variously described in the limited literature on the development of efficiency auditing in Australia as evidence of the strength of the Auditor-General's independence, as indicated by his ability to change direction (Hamburger 1987), and as understandable adjustments to social and political promptings to ensure that efficiency auditing was congruent with its environment (Guthrie and Parker 1991). Contrary to these studies, this paper argues that the reactions were thought necessary because they showed the weakness of state audit in the presence of an Executive determined not to allow state audit to become too powerful and thus gave lie, and continue to do so, to the entrenched myth of a strongly independent state auditor.

The threats to the state auditor arising from the intrusions of efficiency auditing exposed the shallowness of the state auditor's independence and his vulnerability when the Executive was displeased with his inquiries. The assumption of efficiency auditing brought into sharp relief the limited boundaries of the state auditor's independence and his permissible domain of activity. It became only too clear that the facade of independence which had been constructed since 1901 was unable to withstand unscathed the challenges which arose from efficiency auditing. When faced with a

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5 For other work on processual analysis see Bartunk 1984, Smith 1982 and Hinnings and Greenwood 1988.
menacing Executive it was far easier for the state auditor to withdraw as inconspicuously and as convincingly as possible to well known, less contestable audit thoroughfares.

After a brief overview of the socio/political context which gave rise to efficiency auditing and the main features of Australian state audit prior to amendments to the Audit Act 1901 in 1978 the paper details some of the new administrative arrangements for the implementation of efficiency auditing. Executive attempts to have more control over efficiency auditing through the interventions of the central co-ordinating departments of state are shown to signify an early awareness of the political nature of efficiency auditing. The paper then introduces Turner’s work as the means to structure subsequent discussion of the difficulties accompanying the establishment of efficiency auditing. Efficiency auditing caused a breach between the Executive and the state auditor when previous understandings about the role and place of state audit were challenged. The mounting crisis experienced by the EAD as it carried out the first efficiency audits is illustrated with reference to complaints from auditees and the reviews of efficiency audits conducted by the House of Representatives Standing Committee on Expenditure (Expenditure Committee) and the Joint Committee of Public Accounts (JCPA). Drawing heavily on classified internal AAO documents, the paper undertakes a detailed analysis of the redressive actions, which ultimately led to the reintegration of efficiency auditing into mainstream audits, of successive Auditors-General in response to the predicament in which they had been placed by efficiency auditing to show that these were the actions of a state auditor who, in the face of an unhappy Executive, had found himself vulnerable and the quality of his independence weakened. The paper therefore demonstrates the less public strategies used by the Executive to maintain its hegemony in state audit. The impact of the problems faced by the AAO between 1978-84 have reverberated until the present day (Taylor 1995; ABM 1995).

THE WHITLAM LABOR GOVERNMENT, THE ROYAL COMMISSION ON AUSTRALIAN GOVERNMENT ADMINISTRATION AND MOVES TO REFORM STATE AUDIT

The Audit Act of 1901 limited the state auditor to financial audits and to ensuring that all monies spent were properly authorised and had been approved by Parliament. The Audit Act did not require the auditor to go beyond verifying the authority for expenditures and the accuracy of the records of those expenditures. The Audit Act, therefore, embodied a largely accountant's view of accountability by equating accountability with better reporting structures and making it a matter of technique. The efficiency with which government programs used resources and whether they achieved
their aims were not specified responsibilities of the state auditor (see AAO Submission 1 to the Royal Commission on Australian Government Administration (RCAGA), 1974, p.3). Sections 51 and 54 of the Audit Act did contain sufficient discretion for an adventurous auditor to test the limits of his mandate but even this was firmly tethered by the regularity and legality base of the audit. Apart from irregular incursions into recommendations for improvements in the supervision of and accounting for spending, the Auditor-General was neither encouraged nor expected to make recommendations on matters of departmental efficiency (Evans, Senate debates, 1 March 1979). This reflected the general attitude of successive governments whose main concern was pedantic administration of public funds; ensuring that "public servants kept their fingers out of the till", rather than efficient management (Expenditure Committee, 1985, Comments of Chairman, Minutes of Evidence, Review of Efficiency Review Mechanisms, 11 September, p.264). By the early seventies this had begun to change, finally being brought to a head with the election of the Whitlam Labor Government in 1972. Worsening economic conditions both at home and abroad, along with public dismay at the perceived financial profligacy, inefficiency and the inertia of a large bureaucracy which seemed determined to drag its feet in the presence of calls for changes in government, provided a fertile ground for the new Whitlam government in 1972 to embark on reforming the Commonwealth public service (RCAGA Report 1976, s.2.3.6, p.18; s.3.1.1, p.31; see the reported comments of Prime Minister Keating, The Weekend Australian, 29-30 July, 1995, pp.2,21,23).

After 23 years in the political wilderness, impatience and frustration with the pace of change by the bureaucracy (See RCAGA Report 1976, s.2.3.7, p.19) led to the Whitlam government announcing in early 1974 that a major inquiry would be established into the Commonwealth Public Service. Tom Uren, as acting Opposition Leader, later made it clear that Labor had wanted a major inquiry into the public service because of "feeling by the Labor Government that the Australian public service was not well suited to the needs of a Government committed to a policy of reform" (Press Statement, 2 August 1976).

After his second election victory in May 1974 Whitlam honoured his promise by establishing in the following month the Royal Commission on Australian Government Administration under the chairmanship of Dr. H.C. Coombs. After nearly two years of inquiry the RCAGA proposed amongst other measures "a regular program of efficiency audits" designed to "clearly establish the primacy of political responsibility for administrative efficiency" by making departmental heads accountable to their Ministers, the Cabinet and the Parliament for the efficient running of their departments.
Efficiency auditing was only one of a number of recommendations of the RCAGA designed to bring about improved public sector efficiency and accountability. It was not meant to be a stand-alone innovation but to be girded by other administrative reforms designed to improve management in the public sector by devolving responsibility to agency managers for the efficient achievement of agency objectives (RCAGA, Sir Arthur Tange, Vol.4, p.171). Efficiency auditing was to support these reforms. Unfortunately for the state auditor, efficiency auditing was to be thrust upon a sceptical, reluctant and hardened public service without having the benefit of supportive structural reforms in either the departments or the central coordinating authorities. Efficiency auditing was orphaned at birth and could expect only a bleak future.

When the RCAGA Report was finalised in June 1976 and laid before Parliament in August the RCAGA was reporting to a new government. The constitutional crisis of November 1975, whereby the Coalition controlled Senate’s refusal to pass the Government’s Supply Bills resulted in an election a month later, saw the Whitlam government replaced by a conservative Coalition government headed by Malcolm Fraser which had little enthusiasm for the reforms envisaged by Whitlam. While the agenda of the Fraser Government differed significantly from its predecessor, there was still a core of concern, which could not be escaped in a slowing economy, for efficient government. Accordingly, after some delay, in July 1977 the Government announced that the Auditor-General would be given responsibility for conducting efficiency audits on behalf of Parliament. The Government accepted that audit needed to be responsive to the pressures arising from large government bureaucracies and mushrooming expenditure and community concern about archaic provisions in the Audit Act (Connolly, HR debates, 25 October 1978, p.2299; The Age, 26 February 1975; Financial Review, 22 January 1976).

The Audit Amendment Bill which was introduced in Parliament in November 1978 gave formal, legal recognition to efficiency auditing as part of the Auditor-General’s mandate but did very little to change the status or independence of state audit. Comments during debate in Parliament’s Legislation Committee over the reporting provisions of efficiency auditing made it very clear that the Executive had no intention of allowing efficiency auditing to be the means whereby Parliament could release its previously tethered financial watch-dogs so they could roam at will, intimidating and
attacking the Executive (see later comments of the Expenditure Committee 1985, Minutes of Evidence, Review of Public Sector Efficiency Review Mechanisms, p.300). The proposed audit amendments were not designed to alter the fundamental characteristics of the constitutional position of state audit, in particular its independence. The amendments did bring about significant changes to the tasks expected of state audit but this should not be mistaken as constituting fundamental reform to state audit. Requiring the state auditor to do different things did not in any way change the underlying characteristics of Commonwealth state audit. Instead, the new role of state audit by satiating the more insistent reform demands caused the indefinite postponement of reforms to conditions affecting the independence of state audit similar to those introduced in Canada in 1977 and later in Britain in 1983.

As an additional measure to laager the state auditor in his new duties of efficiency auditing, the Executive took the extraordinary step of insinuating the central coordinating departments into the efficiency auditing process. The next section illustrates the operation of this new procedure in the early days of efficiency auditing and the mounting disquiet which it created in the AAO as the full impact of the administrative and reporting arrangements of efficiency auditing on the state auditor's independence emerged.

FURTHER EXECUTIVE ENCROACHMENTS ON EFFICIENCY AUDITING: THE PUBLIC SERVICE BOARD MARKS OUT ITS SPHERE OF INFLUENCE

Using as an excuse the newness and complexity of the efficiency auditing function, the Government took the opportunity to strengthen its involvement in state audit by committing the state auditor, as a precondition for the AAO to be given responsibility for efficiency audits, to detailed consultations with the central coordinating authorities; the Treasury, the Public Service Board (PSB) and the Department of Prime Minister and Cabinet (PM&C). These consultation requirements were an innovation in public sector audit which contradicted the AAO's stance of independence by giving the Executive the opportunity to influence the day-to-day operation of efficiency auditing. Consultation at this level was something new to the AAO. One commentator at the time expressed concern for the Auditor-General operating in close and constant proximity with the central departments which "could not be called neutral parties for the purpose of determining efficiency or inefficiency in administration" (Reid, 1976, p.326). The AAO did not need these outside reminders of its constitutional position. It was well aware that there should be no "appearance of collusion between the two Offices" and that the "Office's (ie. the AAO) independence must in no way be
compromised" (AAO Memorandum, 1979, k79/1, p.1). The efficiency auditors would have to be

sensitive to the relationship between the auditor and the audited body and to suggestions of collusion with the executive or coordinating authorities concerned (AAO Minute, 9 February 1979, ref.78/61).

Auditor-General Brigden, when later reflecting on his dissatisfaction with the arrangements which he had inherited, made it very clear that he was aware at the time that

any proposal for institutionalisation of formal arrangements for co-ordination of efficiency audits (or, indeed, any of the Auditor-General's functions) with other processes for review of APS (Australian Public Service) efficiency would have far reaching implications for the Auditor-General's role especially in relation to the service he provides to the Parliament. ...

Independent, objective investigating, followed by reporting to the Parliament and thereby to the public, are the essence of that role. Any derogation from the principle of that independent status would inhibit the effectiveness of the service the Auditor-General can provide to the Parliament and to the Executive (Submission of the Auditor-General to the Expenditure Committee, Inquiry into Efficiency Review Mechanisms, 1985, pp.23-24).

The worries expressed by the auditors demonstrated that they had major reservations about the arrangements; concerns which they felt unable to push at an early, uncertain stage in the establishment of efficiency auditing. In an interview with the author, former Auditor-General Steele Craik insisted that he had no choice but to agree to the Executive's demands that the co-ordinating authorities be actively involved in the preliminary stages of efficiency audits and in the early perusal of reports. Clearly, the co-ordination arrangements with the central departments had the ability to intrude into the Auditor-General's decision making and thereby impinge on his independence.

The nature of the PSB's involvement, in particular, troubled the Auditor-General (AAO Minute, 29 November 1979, ref.k79/1, p.2). Steele Craik was concerned that transmission of reports to the PSB before the auditee had time to comment formally on the efficiency audit report, as required by s.48F(3), would jeopardise the perceived independence of the Auditor-General. Comments expressed during the Expenditure Committee's review of the Department of Administrative Services (DAS) efficiency audit indicated that some members of the Committee were also not convinced of the
need to involve the PSB in efficiency audits. One member of the Committee expressed concern that access to draft efficiency audit reports would benefit the PSB "in a way in which the Royal Commission (RCAGA) attempted to ensure that it would not benefit" (Expenditure Committee 1981, Minutes of Evidence, Brown, 26 February, p.248). The PSB understandably saw such worries as completely unfounded, arguing before the same committee that the liaison arrangements did not interfere with the Auditor-General's independence (1981, p.253).

It is in the early discussions between the PSB and the Auditor-General that it becomes clear that from the inception of efficiency auditing the Auditor-General was not going to be allowed to operate without the significant involvement of the Executive. The PSB argued that because most efficiency audits would involve recommendations for improvements in management and operating efficiency there would almost invariably be staffing implications which, under its legislation, were its "bread and butter" concerns (PSB to the Auditor-General, 22 November 1979). While both the PSB and the AAO had an interest in improving the efficiency of government, the AAO sought to have it accepted that there would be no occasions for the PSB and the Office to work together to explore "joint development of possible alternatives" (AAO Minute, Jones to the EAD, 23 July 1980). The relationship between the two offices would be to inform and consult, but this does not run to acceptance of the notion that the Board in respect of efficiency auditing may adopt the sort of energetic advisory role that it does and should adopt in respect of departmental operations (AAO Minute, Jones to the EAD, 23 July 1980).

Pressures from the PSB to assert a place in efficiency auditing highlighted the potential for Executive interference. With a degree of urgency the AAO advised that in all their dealings with the PSB the efficiency auditors were to ensure that the independence and impartiality of the Office was upheld and seen to be so. The efficiency auditors were in a position where they could easily be caught between a rock and a hard place: if they satisfied the PSB they could alienate the auditee and vice versa. They were reminded, therefore, to be wary of any situation which might be taken to imply that this Office and the PSB are jointly out to dish the audited organisations, or, conversely, that we, with the audited organisation, have joined hands against a position adopted by the PSB (AAO minute, Jones to EAD staff, 23 July 1980).
The AAO was under no illusions as to the potency of the forces which could be raised-up against the efficiency auditors. Efficiency auditing had thrust the state auditor into a position which exposed him to the formidable power of Executive central agencies which had a long history of involvement in departmental management.

As part of the co-ordination process between the efficiency auditors and the central departments it was usual, at least in the early years, for PM&C, DOF and PSB to be consulted about the targets for efficiency auditing. For example, on 1 September 1981 representatives of the AAO met with officers of these departments at Canberra House to discuss program options for the 1981/82 round of efficiency audits. Recognising that each of these central co-ordinating departments may have had different interests in the efficiency audit mandate the AAO's minutes of this meeting for internal consumption cautioned that

it is important to keep in mind that the comments of PSB/Finance/PM&C are always likely to reflect their separate institutional interests as well as the subjective views of the individual representatives.

The AAO laid before the 1 September 1981 meeting a list of possible targets for efficiency audits. For each item on the list the coordinating departments indicated whether there was anything which would inhibit a successful efficiency audit and which areas they considered to be most suitable for efficiency audits. In this and other meetings the coordinating authorities attempted to dissuade the AAO from pursuing some areas as audit prospects. For example, the suggestion that the Bureau of Mineral Resources, Geology and Geophysics would be an appropriate area for an efficiency audit drew a concerted objection from PM&C. They argued that an efficiency audit on the Bureau would involve the AAO in policy questions, given that the Bureau was then politically topical. At another meeting on 22 April 1982 the PSB urged the AAO to drop its proposed efficiency audit of the Deputy Crown Solicitor so as not to "cut across Public Service Activity" (Minutes of the meeting by B. Kimball).

These meetings, which were a regular occurrence, guaranteed that the Executive would be able to take an active role in the efficiency audit process. The Executive might not be able to stop an efficiency audit but by indicating any objections the very powerful central coordinating departments were able to give the auditors advance warning of some projected difficulties. Possibly more than anything these new arrangements directed at monitoring the efficiency auditors were a clear indication that
state audit was much more than a collection of accounting technologies and instead, as the following section explores, was a constituent political element of governance.

THE POLITICS OF EFFICIENCY AUDITING
Recent studies have shown that accounting is neither a neutral nor unbiased function (Richardson 1987; Tinker 1980; Hopper and Macintosh 1990; Miller and O'Leary 1987). Instead of state audit legislation reflecting purely constitutional needs it has been the result of a vortex of social and political forces and influences which have masked their intent under the convenient banner of constitutional propriety. Accounting technologies, including state audit, are artefacts which are manufactured "as responses to social and political pressures" (Lowe and Tinker, 1977, p.266). Accordingly, accounting can be seen as a means used by political groups, in the sense of identifiable power and influence groupings, to maintain and extend their ascendant position. As a political instrument, accounting has the advantage of working largely invisibly and thereby is able to surreptitiously legitimate actions through the provision of what is seen as hard, objective evidence. It allows resources to be redirected under a cloak of rationality and good management and the groups which supervise the contents of accounting reports to remain anonymous and untainted by allegations of unfair play. Consistent with this view, audit reports are now seen to be very heavily tainted as political instruments. Unqualified audit reports have been used by management in the private sector as statements of approval of their actions and, therefore, as a means of lulling shareholders into believing all is well with what otherwise appears to be a profitable firm.

Until recently these political dimensions to accounting and its associated function of auditing were given insufficient recognition, however well known they were in practice. In particular, as a recent study (Funnell 1990) indicates, examination of the political dimensions to accounting practices in the public sector has attracted little of the researcher's attention6. This is despite the more obvious politicisation of the public sector. State audit in Westminster democracies has assisted in the structure of meaning in public sector management and accountability by supporting a particular, instrumentalist conception of accountability. It has reinforced and promoted partial meanings of accountability and thus sustained the given configuration of interests which benefit by these interpretations. As a means of exercising accountability, auditing practices

6 Work in Canada by Sutherland and in Australia by Guthrie are notable exceptions.
embody frameworks of meaning, are articulated by modes of communication and institutional routines, and both express and contribute to the re-creating of relations of power (Degeling 1988, p.12).

Restricting state audit for over a century to narrow financial and administrative codes of accountability and their accompanying legal, economic and technical rationalities precluded or impaired other values and rationalities from being promoted, in particular those derived from economic and political rationalities (Gray and Jenkins 1985, pp.180-181). Financial codes of accountability have been dominated by legal rationalities: the Executive has been required to adhere to constitutional conventions and proprieties which were originally meant to emphasise the pre-eminence of Parliament. Economic rationalities prior to the management reforms in the seventies received only symbolic consideration. This was a reflection of the interests, values and relative power standing of people at the time modern state audit developed (Funnell 1994). Once these values were transmogrified through a confined definition of independence into a limited set of state audit powers and practices they were able to be carried forward unobserved for over a century and, in the case of Australia, continue to dominate state audit.

Efficiency auditing provided the opportunity to liberate Australian state audit. Compared to financial or compliance auditing, efficiency auditing can be far more potent because it is a highly intrusive form of audit. Efficiency auditing, according to Garrett, gave "public accountability a force and meaning" it had never previously enjoyed (quoted in RCAGA, Appendix Vol.A, p.160). Consequently, efficiency auditing became the target of contest and negotiation. Financial audit mainly affects the lower levels in public sector agencies, although agency heads and ministers will be held accountable in the last resort. In practical terms, however, it will be individuals given day-to-day responsibility for the use of, and accounting for, appropriated monies who are most apprehensive in the presence of the financial auditor. Efficiency auditing shifts the point of specific accountability to higher management levels. What becomes questioned is whether the right decisions were made as to how to best use the appropriated money; not were all 't's crossed and all 'i's dotted in the accounts as required with compliance audits. Efficiency auditing questions higher level management skills, not accounting prowess, and is concerned with controls exercised by management over the use of resources in areas designated by the Executive and as approved by Parliament. This is not to deny that an unfavourable financial audit could also embarrass governments and threaten ministerial careers. With efficiency auditing,
senior management may have been prepared to accept the auditor's limited criticisms of their subordinates but were not pleased when their own performance ... (was) questioned. Now that efficiency audits aim at a level of activity where the chief executive has had a strong personal input, the process meets a deal of influential resistance (Monaghan 1989, p.4).

Concern expressed by the Working Party of Officials on Efficiency Audits (WPOEA) in April 1977 that "the development of the system ... (of efficiency auditing) is to be gradual" intimated that a heavy handed approach to the implementation of efficiency auditing quickly would run into difficulties because of its ability to probe into sensitive areas. An early note of caution had also been voiced by the well known public sector commentator and expert Professor Spann when he warned that

the worst thing that could happen would be the sudden eruption into departmental affairs of newly recruited and zealous 'efficiency experts'. Any unit charged with this task will have to begin slowly and selectively and with a due sense of its own limitations (RCAGA, 1976, Appendix Vol.1, pp.163ff).

Sir Arthur Tange's evidence before the RCAGA gave the state auditor ample warning of the opposition which he could expect from senior administrators if the emphasis in efficiency auditing was on the "registration of verdicts" instead of a more gentle investigation and illumination of problems (RCAGA, 1976, Vol.4, Appendix 4F, p.171).

The work of efficiency auditors was all the more sensitive because they would be reporting on the performance of the Executive's managers directly to Parliament as required by section 48F of the amended Audit Act 1901. As a consequence, Sir Arthur Tange warned that efficiency auditing would force Permanent Heads to speak out to defend themselves if they found themselves "impaled on criticisms by the Auditor-General ... of an activity which, in their opinion, derives more from ministerial direction and judgement than the deficiencies of themselves or their subordinates" (Financial Review, 13 May 1977). There was, therefore, far greater potential for an adverse political backlash if the management of public resources was reviewed unfavourably as opposed to an unfavourable report on the traditional accounting and supervisory pedanticism of the Executive's more junior employees.

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7 John Monaghan was Auditor-General from 1984-1988.
8 Tange was Permanent Head of the Department of Defence.
The wide exposure and intense discussion given to the new, high profile efficiency audit reports also ensured that departments would attempt to destabilise the function. Those being evaluated quickly realised that much more was able to be exposed with efficiency auditing and therefore there were more opportunities for censure. Efficiency auditing had the potential to be a significant threat: it potentially empowered the state auditor as never before. The greater this threat the more that those being threatened, politicians or departmental managers, would seek to capture the process and use it for their benefit or to debilitate it. Auditor-General Monaghan believed that, as a result of the impact of efficiency audits, in Canberra there arose

a tacit understanding among the senior bureaucracy that the AAO had to be kept in close check, both in respect of its efficiency auditing activities and its financial statement auditing (1989, p.2).

The principle of ministerial responsibility in Westminster democracies made the stakes much higher with efficiency audits, bringing state audit as never before into the political firing line (The Canberra Times, 27 February 1976). Ministers could now be placed in a situation of frequently explaining or defending government policy in the context of suggestions made by audit. It could even be said that Ministers could be accountable to the Auditor-General for a range of policy matters ... (T)he Auditor-General would then be challenging the conventions of political accountability for the actions of the government (Expenditure Committee, 1982, February, p.15)9.

When the auditors could not be directly influenced by Executive agency managers to be 'reasonable' then political pressure from departmental heads was directed through their Ministers who certainly do not want their departments publicly criticised in efficiency audit reports. Auditor-General Taylor’s (1988-95) later treatment at the hands of both the bureaucracy and ministers was a glaring example of the possibility of collusion between the two interested groups (Taylor 1995). However, in their criticisms Ministers were walking a very fine line between interfering with the independence of the AAO and the right to make legitimate comments on the technical proficiency of the AAO's efficiency auditing. Thus, criticisms had to be seen to be directed at objective criteria of performance: the overly ambitious breadth of coverage

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9 Similar concerns over the political intrusion of efficiency auditing in Canada have prompted some observers to query whether the changes in state audit have gone too far, particularly when efficiency or value-for-money audit "is not an objective review technique, but involves a great deal of judgement in each of its stages of application. It is not fitting that reports generated under its procedures should be reviewed externally by an officer without any electoral base" (Sutherland 1980, p.616).
of efficiency audits; the timeliness and hence relevance of the reports, the technical expertise of the performance auditors or the logical basis of conclusions.

The political controversies which were to surround efficiency auditing during the period 1978-84 and the state auditor's responses will occupy the remainder of this paper.

PHASES IN THE CONFLICT OVER EFFICIENCY AUDITING

*Turner's Processual Analysis of Conflict*

Based on his work as an anthropologist, Turner was struck by the similarity across numerous communities of the stages through which conflicts between individuals and groups progressed to resolution. This led him to see conflict as a "processual form" of social drama. As the metaphor would suggest, social dramas are composed of a sequence of enactments and interactions between social players "which, seen retrospectively by an observer, can be shown to have structure" (1974, p.34). Turner describes these enactments as "units of aharmonic or disharmonic process" with a common "diachronic profile" (1974, p.37).

The first phase in the process of conflict resolution arises when there is a breach in the normal relations between social actors. This will usually be signalled by a "deliberate nonfulfillment of some crucial norm regulating the intercourse of the parties" (1974, p.38). Threatening the norms of behaviour and previously accepted social roles and positions constitutes a serious crisis, the second stage, which ruling groups cannot allow to continue. Of particular concern is the possibility that the breach may break out of the confines of the present conflict and affect a wider social set. Hence Turner calls crisis "one of those turning points or moments of danger and suspense" (1974, p.39). No longer is it available to those in conflict, especially parties seeking to maintain present arrangements, to downplay the seriousness of the conflict. The burgeoning of the crisis instead "dares the representatives of order to grapple with it" (1974, p.39).

To control the spread and severity of the crisis redressive action, the third act in the drama, is brought into play. The mechanisms to achieve this can be "formal or informal, institutionalized or ad hoc ... to formal judicial and legal machinery ... to the performance of public ritual" (1974, p.39). The important thing is to resolve the crisis before a relapse or further escalation. If this cannot be avoided, in the presence of a powerful protagonist the more vulnerable party may be forced to respond by "endemic, pervasive, smoldering factionalism" (1974, p.41). In these circumstances perpetuation of a schism would constitute a fourth phase in the conflict which was to be avoided.
Alternatively, once the conflict has been resolved, through the institution of redressive action, the social group in dispute would be reintegrated.

Reintegration provides a time for healing and for taking stock of the outcome of the conflict which almost certainly would reveal that

the scope and range of the field will have altered; the number of its parts will be different; and their magnitude will be different. More importantly, the nature and intensity of the relations between parts, and the structure of the total field, will have changed (1974, p.42).

In light of previous discussion of the political nature of state audit, Turner's processual analysis with its focus on the politics of conflict is particularly appropriate for a study of the life and times of the EAD.

**Phase 1, Breach: Formation of the Efficiency Audit Division (EAD) and the Rise of the Non-Accountant Auditor**

Despite the experience gained by existing divisions within the AAO in conducting project audits the preference of the Auditor-General was for a separate Efficiency Audit Division, designated as Division E in the organisational structure, to be staffed by a multi-disciplinary team (RCAGA, Vol.4, Appendix 4.F, p.159; JCPA, *Australia Post Inquiry*, Minutes of Evidence, 1985, pp.239-241). In this decision Steele Craik was mainly influenced by the experiences of the GAO which indicated that efficiency auditing should not be the sole prerogative of accountants (Connolly, HR debates, 25 October 1978, p.2300; Pois 1981, p.73). Overseas experience had shown that, because of increasing complexity in public sector agencies and greater sophistication of accounting systems, efficiency auditing called for a wide spectrum of skills with analytical abilities the most highly valued (AAO, *Mix of Skills*, 1978, section 3.5; Great Britain, 1981, Public Accounts Committee (PAC), *Inquiry into the Role of the Comptroller and Auditor General*, Minutes of Evidence, Steele Craik, 11 June 1980, p.4). Most of these preferred qualities for efficiency auditors were very different to those usually promoted for financial auditors where the emphasis was on accounting skills, precision, technical expertise and a detailed knowledge of financial regulations and relevant legislation. The EAD, therefore, signified a marked change in the membership of the AAO away from accountants. Contributions to efficiency auditing from accountants, who dominated the AAO in the seventies to almost the exclusion of all other disciplines, were still seen as relevant, if incomplete, for efficiency auditing (Cutt 1977a, p.47; See also RCAGA, Vol.4, Submission of the Auditor-General,
Introduction of different skills also engendered a new culture which tended to be unsympathetic at lower level to the work of the traditional compliance auditors.

The task which confronted the EAD was immense, sensitive and politically perilous. The Commissioner of Taxation warned that it would be extremely difficult for an outsider, such as the typical audit inspector working for the Auditor-General to pit his judgement against the senior executives of an organisation as to whether the activities are efficient... 

In addition, the EAD was starting under the weight of extravagant hopes for efficiency auditing (see the comments of: The Canberra Times, 27 February 1976; Willis, HR debates, 25 October 1978, pp.2296-7; Connolly, HR debates, 25 October 1978, p.2299; Wriedt, Senate debates, 1 March 1979, p.431). The Australian, for example, expected that efficiency auditing would put an end to the "game" where "every year ... the Auditor-General takes the public service to task for its waste, inefficiency ... Every year ... the same promises to get things right. But nothing happens" (20 September 1979). These expectations and the new skills brought by the efficiency auditors gave them a high, privileged profile which antagonised members of the AAO carrying out the traditional functions of the Office. Very soon each side came to resent the other.

From the outset, as noted earlier, the partial implementation of the recommendations of the RCAGA by the Fraser government prejudiced the EAD’s chances of success in efficiency auditing. The RCAGA envisaged that efficiency auditing would be part of a raft of management reforms in the public sector primarily aimed at increasing the decision making freedom of managers. Instead, the Fraser government isolated efficiency auditing from any sustenance which a public sector ethos of managerialism and its associated structures, in particular clearly specified measurable objectives, could provide (RCAGA, Sir Arthur Tange, Vol.A, p.171; Senate Standing Committee on Social Welfare (Baume Committee) 1979, pp.68-9). The performance auditors were placed on a promontory of audit reform which exposed them as an easy target for dissatisfied auditees in addition to their own financial auditing colleagues in the AAO.

Of the 472 audit officers in 1974, 397 had some type of accountancy qualification with the remainder engaged in accounting studies (AAO, Submission 4 to the RCAGA, 1974, p.5). By 1976 staff with accountancy qualifications made up 430 of the 550 positions at the AAO (The Australian, 18 September 1976).
The difficulties under which the EAD was expected to work and its ostracism from the rest of the AAO, compounded the adverse reactions to its first efficiency audit reports. In the section following the criticisms of the Expenditure Committee are shown to have been particularly damaging to the EAD. This next section also illustrates the persuasiveness of auditee objections to efficiency auditing and the strains which the criticisms were placing upon perceptions of the independence of the AAO.

**Phase 2, Crisis: The EAD Under Fire**

In concert with the recommendation of the *WPOEA* (1977), the Fraser Government decided that the new House of Representatives Standing Committee on Expenditure (Expenditure Committee) and the JCPA would share the responsibility for reviewing efficiency audits (Fraser, HR debates, 8 April 1976, p.1498; Weller 1975, p.1). The JCPA's standing as a statutory financial committee of the Parliament and its strong powers of coercion and punishment has meant that it has enjoyed a pre-eminent position amongst parliamentary committees (for its powers see the *Public Accounts Committee Act*, sections 11-21). According to the *Public Accounts Committee Act* of 1951, amongst other duties the JCPA was to examine the Treasurer's accounts of receipts and expenditures which had been transmitted to the Auditor-General for audit under section 50(4) of the *Audit Act* (section 8(1)(a)). It was also to examine "all reports of the Auditor-General (including reports of the results of efficiency audits) " (*Public Accounts Committee Act*, section 8(1)(ab)). Following the British example, a close association developed between the JCPA and the state auditor born out of many years of mutual support and continuous association demanded by the *Public Accounts Committee Act*.

Whereas the JCPA was concerned with past spending, the Expenditure Committee would concentrate on the implementation of policy, although it was not to question policy11; (see Martin, HR debates, 15 November 1979, p.3124; *Operational Guidelines of the Expenditure Committee*, HR debates, 8 April 1976, p.1499). Consequently, both departments and the state auditor were apprehensive of the role and approach of this new, untried committee which seemed in a hurry to make its mark in public sector management. The Auditor-General found it particularly difficult to get on well with the Expenditure Committee (John Brown, HR debates, 17 September 1980, pp.1379-80). Assured of the Prime Minister's support as his creation (see the *Sun Herald*, 19 September 1976), the Committee set about to distinguish itself from

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11 For details of its charter see HR debates, 8 April 1976, p.1496 and the Committee's report *A Years Experience* (1977, p.iii).
the JCPA by establishing a reputation as a committee of financial restraint, although it objected to being described as a committee with cost minimisation as its central aim (Expenditure Committee 1977, *A Year’s Experience*, p.1).

Between 1979 and 1984 the EAD started 16 efficiency audits, 15 of which were eventually completed. Of the audits completed only four were reviewed and reported upon by the parliamentary committees before the EAD was finally shut down in May 1984: three were reviewed by the Expenditure Committee and one by the JCPA. Unlike the JCPA, and given its need to establish its legitimacy alongside its older partner, the Expenditure Committee was not constrained in its judgements of the work of the state auditor by past close associations with the state auditor and by the glow of mutual admiration. Accordingly, the reports of the Expenditure Committee show that it was far more critical of the AAO than the JCPA (Expenditure Committee 1981, *Report on Efficiency Audit of the Property Function*, pp.1; *The Canberra Times*, 11 June 1981; Expenditure Committee 1981, *Review of the Property Function Efficiency Audit*, Minutes of Evidence, 6 March, pp307-8; Expenditure Committee 1982, *Report of the Review of the Nursing Homes*, pp.8,9; *Sydney Morning Herald*, 26 February 1981; JCPA, *Report of the Review of the Efficiency Report of the Bilateral Overseas Aid Program*, 1982, p.46). Criticisms of the EAD’s work from the review committees and from auditees centred on a number of facets of the efficiency auditing process:

- the quality of the EAD’s audit work as evidenced in the calculations and the depth of analysis in the reports
- the naivety and incompleteness of the findings
- the presentation of the audit reports
- the length of time taken to complete and report on an efficiency audit
- at least initially, an absence of recommendations for improvement
- a tendency to encroach on policy issues
- a lack of follow-up work or procedures to monitor the implementation of recommendations.

Auditee criticism of efficiency auditing seemed to increase in intensity and sureness with each new efficiency audit and the unfavourable reviews of the audit reports. Equally determined, the Auditor-General affirmed his intention that his Office would not tolerate this "increased harassment by auditees" (Executive Staff Conference, 29
October 1982). Almost invariably the performance auditors found the reaction of the auditees was to argue

that the areas of professional decision making are beyond the accountancy trained auditors to understand, even less to detect weaknesses and daring to recommend change (AAO Minute, Deputy Auditor-General Hill, 1986, p.64).

Criticism of efficiency auditing culminated with the efficiency audit of the management of the Main Battle Tank. After over four years on the audit, which had cost $184,916, a report of only nine pages was produced. Again the Expenditure Committee took the opportunity in its review of the efficiency audit report, facetiously and rhetorically subtitled *Who Was Outgunned?*, to indicate its "disappointment" with the audit. According to Deputy Auditor-General Hill (1985, p.13), the Committee took a "perverse delight" in criticising the presentation style of the report, the lack of evidence which would have allowed the Committee to evaluate the efficiency of the management of the tank and the general standard of the report (Expenditure Committee, 1984, *Report of the Review of the Efficiency Audit of the Management of the Main Battle Tank*, pp.2, 4).

After four poorly received efficiency audit reports Auditor-General Brigden had clearly had enough of the public pillorying of himself and his Office. In exasperation at the persistent probing of the Expenditure Committee Brigden took the extraordinary step of criticising Parliament for placing the AAO in a predicament by joining "in the general enthusiasm to misunderstand what efficiency auditing was all about" (Expenditure Committee, 1984, *Review of the Efficiency Audit of the Management of the Main Battle Tank*, Minutes of Evidence, 9 March, p.91). He described the efficiency auditing legislation as wrong for making "a great song and dance about ... performance auditing" when there was little to distinguish it from existing audits (p.94).

The extent of the criticisms of the Office of the Auditor-General generated by efficiency audits was unprecedented. Certainly the Auditor-General was no stranger to criticism from unhappy auditees; attacks from crusading parliamentary committees and from departments united in a common cause to discredit efficiency auditing were another matter. With efficiency auditing the state auditor was very much on his own, however protective the JCPA may have felt.
Well before the first efficiency audit commenced Samuel (1977) could see that the evaluation role of the performance auditors would be strongly resisted by both politicians and administrators alike; neither had anything to gain from being cooperative with the auditors:

Efficiency auditing depends entirely for its potential on the auditors getting full information. Departments will be expected to provide information which puts them in a favourable light and suppress other information. Politicians in government also have an incentive to hide information not favourable to them. The governing politicians and the inefficient bureaucrats will form a mighty powerful coalition, a Goliath against whom the efficiency auditor would have to be an incredible David. (I)t might ... be possible to find an able and powerful and very zealous person to run an Efficiency Audit Agency ... but ... it would quite quickly lapse into quietude, absorbing the live and let live philosophy which naturally prevails among the top echelons of the bureaucracy (Samuel 1977, p.151).

Even before the first efficiency audit had been reviewed by the Expenditure Committee, departments had become adept at the tactics which would ultimately undermine the work of the EAD. With the introduction of efficiency auditing, noted Auditor-General John Monaghan, there came a rapid escalation within departments in the skills being brought to bear in an endeavour to dispute efficiency audit findings (1986, p.19; for similar comments see AAO, Executive Staff Conference, 29 October 1982). The AAO came to recognise that the battle lines had been drawn between it and the departments and the very survival of its new function and its good name were held in the balance. Irrespective of the well publicised good intentions of the EAD, departments could not relinquish their past suspicions of auditors and repeatedly demonstrated their willingness to apply a battery of arguments to refute audit findings - of the obfuscatory, irrelevant and, on occasion, dishonest kind (AAO Minute, Jones to the EAD, 22 May 1981, p.3).

The strong reactions of the departments, as noted above by Monaghan, were indicative of the Executive's strategy to keep the efficiency auditors in check as much as possible even if this meant completely discrediting them. As pressures mounted on the EAD and the conflict strengthened, Auditor-General Keith Brigden realised that he could not hope to win against his powerful opponents by continuing with efficiency auditing in its present guise. He therefore had little choice other than to initiate a series of redressive measures aimed at protecting the AAO and diffusing the crisis in state audit. The
conflict had reached Turner's third processual phase. The Executive's pressure was starting to achieve results; the AAO was intimidated and increasingly isolated.

The steps taken by Brigden to re-establish stability in state audit and to retrieve its standing are recounted in the following section. Brigden's reactions to the threats arising from efficiency auditing are incontrovertible evidence of the success of Executive efforts to protect its hegemony in state audit.

Phase 3, Redressive Action: Retreat of the Auditor-General from Efficiency Auditing

In response to Executive threats and pressures on his Office, Auditor-General Brigden and his senior staff embarked on a discourse which set out intentionally to obfuscate the differences between efficiency auditing and other less confrontational forms of audit. Central to this discourse were the definitions of efficiency auditing used in the Office and in its external reports. By specifying definitions of the different forms of performance auditing the Office attempted to capture the efficiency auditing discourse. This had the effect of prescribing that which would be regarded as legitimate comment and proscribing that which would not be admissible within the context of authorised AAO definitions. The interpretation by the JCPA and the Expenditure Committee of the meaning of efficiency auditing and its related form of project auditing reflected those found in the Audit Act but was very much informed by the meanings and definitions used by the AAO. The AAO thus endeavoured to ensure that its work in the future was evaluated with reference to relevant legislation and the discourse of performance audit created by the Auditor-General and his Office.

According to Brigden in 1983, since the introduction of efficiency auditing the adoption of 'systems based' auditing throughout his office had removed much of the methodological differences between audit types, the main reason for originally establishing a separate efficiency audit division. As a result there was "no real distinction... in the aims of 'value-for-money' ... (project audits) and efficiency audits" (IDC, Minutes of Evidence, 1983, p.1025). Accordingly, Brigden recommended to the IDC that the Audit Act be amended to remove the artificial distinctions created between efficiency audits and other types of audits (AAO Submission to the IDC, 1982, p.16). He argued that the efficiency auditing amendments had not been needed to allow the Auditor-General to conduct performance or value-for-money audits; this form of audit was already adequately covered in the Act under sections 51 and 54. It had all been a big mistake. As a consequence, there was no need now for a separate division for performance auditing. Brigden argued that efficiency auditing legislation
was a Trojan horse: Steele Craik's real and sole motive in seeking efficiency auditing legislation had been to enable him to gain access to the Taxation Office from where Brigden had come prior to his appointment as Auditor-General and where he had complained about the his predecessor's attentions (JCPA, 1985, *Australia Post Inquiry*, Minutes of Evidence, 7 August, p. 299).

In his comments to the IDC, established to review the efficiency audit function, Brigden attempted to blur as much as possible the distinction between project audits, which were conducted by the financial audit divisions, under section 54, and efficiency audits contained under section 48 of the *Audit Act*. By referring to project audits as 'value-for-money' audits the impression was given that there was no real difference in practice, intent or, what was perhaps more important, in law between these and efficiency audits; differences were limited to audit time horizons, the scope of the audits and access powers. Deputy Auditor-General Hill argued that efficiency audits were a subset of project audits: project audits "are exactly the same thing (as efficiency audits) ... except more timely, less costly" (Hill 1985, p. 10; see also AAO, *Reorganisation Proposal for the Auditor-General's Office (Boland Report)*, 1983a, p. 119). Hill emphasised that efficiency audits were only a special case of project audits, which according to him were after all the most valuable form of audit, and were to be resorted to only in extreme cases (Executive Staff Conference, 29 October 1982, p. 2; *Boland Report*, 1983, p. 16). Efficiency audits were referred to as large scale project audits with smaller scale project audits described as *cost-effectiveness* or *operational audits*. Major project audits were distinguished by the size of audit effort, the greater complexity of the audit and the significance of the subject. The confusion in the AAO created by these convolutions in terminology was further increased by Brigden in an internal Administrative Circular in July 1983 when he noted that whereas:

> in the past various terms (eg. cost effectiveness, value for money, broad scope, performance, operational, project auditing, etc, etc,) have been used .... (f)rom now on there should be adherence to the terminology used in the Audit Act, i.e. efficiency auditing (emphasis added). That is the activity that the Office is legally carrying out and as a term it is sufficiently broad to catch all the other quasi-synonymous references (Administrative Circular, 1983/189, footnote p.2).

The legacy which Auditor-General Monaghan inherited from Brigden's lexicographical excursions was one where 'confusion abounded' "regarding the nature and purpose of efficiency auditing and the ways in which they should be conducted" (Open Letter to the AAO from Auditor-General Monaghan, 25 October 1985; Press Release, 8 July 1985).
It is not difficult to understand Brigden's preference for project audits in light of the continued attacks on efficiency auditing and the relative calm in the financial audit divisions. Project audits conducted under s.54 of the *Audit Act 1901* by the financial audit divisions did not have the same potential to attract attention and to raise the political ire of the Executive and the curiosity of Parliament. Unlike efficiency audits there was no requirement that these audits had to be reported to Parliament. Section 54 audits, therefore, more resembled management audits in the way the results were used. By expressing a firm commitment to conducting project audits the AAO maintained the appearance that the intentions of Parliament regarding the conduct of efficiency audits were being honoured.

Two audit equations therefore arose out of the difficulties of the EAD: efficiency audits equalled more political exposure for the Auditor-General; project audits equalled less political danger. With efficiency audits the Auditor-General had to give reasons for findings, make recommendations, quantify costs and benefits and report the detail of each audit to Parliament. None of these conditions was a feature of project audits. Given that the *Audit Act* allowed the Auditor-General the discretion of when to nominate an audit as an efficiency audit (s.48 c.(1)), the line of least resistance, especially in a climate of external threat i.e. adverse reactions to efficiency audit procedures and findings, was to prefer project audits. An examination of the resources devoted to the two branches of efficiency auditing by the AAO supports this conclusion. In 1984-5 a bare 5% of audit resources were devoted to performance auditing while 28% was given to project audits (Alfredson 1987, p.26). Compared to the 50% of resources predicted by Steele Craik to be given over to efficiency auditing, it had not fared well under Brigden. Hill has observed that Brigden designated an audit as an efficiency audit "only when forced to do so" (1985, p.10). It had become preferable to engage in audits which had less potential to cause anguish to either the Auditor-General or the auditee.

Brigden also took other redressive measures. With the retreat from efficiency auditing Brigden withdrew from any formalised liaisons with outside groups, including the central coordinating departments' consultative procedures forced upon Steele Craik by the Executive. Whereas Steele Craik had little choice but to accept the liaison conditions if he was to be given responsibility for efficiency auditing, Brigden did not feel compelled to continue the arrangement (AAO, *Executive Staff Conference*, 29 October 1982; Interview with Steele Craik, 11 March 1994). Accordingly, the meetings were phased-out throughout 1981 and 1982. The PSB, which attempted to
resuscitate the meetings by putting pressure on the Auditor-General through the Expenditure Committee, believed that Brigden's concerns stemmed from an unsubstantiated and misguided fear that the consultations 'pre-empted' his independence (Expenditure Committee, 1985, *Review of Efficiency Review Mechanisms*, Minutes of Evidence, Stirr, 3 July, p.21). Brigden attempted to convince the Expenditure Committee that he had found the arrangements he inherited were excessive for the purpose which they were ostensibly intended to achieve ie. co-ordination of performance review efforts (Expenditure Committee, 1985, *Review of Efficiency Review Mechanisms*, Minutes of Evidence, 3 July, p.155).

In his submission to the IDC during its review of efficiency auditing in 1983 Brigden made it very clear that he believed that consultations with the central departments jeopardised his standing as an independent officer. He argued that, irrespective of whether the arrangements had actually been used to apply pressure in the Auditor-General's selection of audit targets, they had this potential (AAO Submission to the IDC Review of Performance auditing, 1982, p.6). He contended that there was no need for the Public Service Board to be involved in the conduct of efficiency audits ... It is an unusual arrangement despite the best intentions of its creation ... It can be seen as in conflict with the traditional statutory independence of the Auditor-General ... There are sound reasons of principle to support the view that the Auditor-General should not only be independent of the Executive Government but be seen to be independent (AAO Submission to the IDC, *Review of Performance auditing*, 1982, pp.6-17).

Brigden also saw to it that his Office no longer used efficiency auditing as a form of management consulting. Accepted practice was for Auditors-General to have only limited, highly structured consultation with auditees during the course of an audit and to minimise the amount of information which was relayed back to the auditee before the audit was complete. In this scheme of audit it was seen as highly inappropriate and a threat to the state auditor's independence to draw close to the auditee; the state auditor's mandate could only be fulfilled if the state auditor remained outside the workings of the auditee. In the context of the form of governance inherited by Australia from 19th century Britain, to act otherwise would have been contradictory to the norms of constitutional practice. Auditors-General did not want to give the impression that audit conclusions and findings were the result of interrative negotiations with auditees which were designed to arrive at agreed findings. Rather, by restricting auditee involvement in audits to providing documentation and information required by the auditors it would be obvious that the Auditor-General had not been
influenced in his deliberations and that the resulting report presented an objective and independent assessment of the auditees statutory and financial obligations. State audit could only be of service to the Executive as a signalling device if these conditions were met. The AAO's officers at all times were to remember that the auditee was not their client; they worked on behalf of, although not as part of, Parliament. Efficiency auditing to Brigden did not introduce any changes in this conservative, long accepted relationship between auditee and auditor.

Both Brigden and his deputy on numerous occasions expressed their concern at the "cosiness of the arrangements" which followed from a close relationship with auditees as a result of the approach to efficiency auditing adopted by the EAD which was predicated on a supportive, cooperative relationship (AAO minute, Hill to Jones, 25 August 1982). Brigden wanted the AAO to maintain only the necessary contact with the auditees which would ensure the satisfactory completion of audits. Retreat by the AAO to a more remote auditee stance would reassert the essentially judgemental and non-consultative role of the AAO. The AAO was not in the business of management consulting. On the grounds that a close association with auditees compromised the Office's independence, Brigden forced his office to withdraw into the relative safety of its traditions which would provide a safe space between auditee and auditor. Reverting to the traditional audit relationship would allow the Office to reclaim the high ground and reassert its standing in the eyes of the public. Within the EAD, Brigden's determination to revert to 'safer' forms of audit were seen as a retrograde step, causing considerable friction between senior EAD officers and the Auditor-General. Brigden's proposals for less consultation with auditees were seen as a contradiction of the intent of the amendments to the Audit Act and a betrayal of Steele Craik's vision (AAO minute, Hill to Jones, 25 August 1983).

As the final act in the conflict over efficiency auditing between the Executive and the state auditor, Brigden was determined that the financial audit divisions would absorb the efficiency audit function and that the EAD would be no more. Consequently, throughout 1983 Brigden accelerated the integration of efficiency auditing within the financial audit divisions. In the meantime, Brigden continued to remove as many distinctions as he could between efficiency auditing and other forms of audit.

Phase 4, Reintegration: The Move to Comprehensive Auditing and the Closure of the EAD

It had never been the intention of Steele Craik or the Parliament sponsoring the legislation that efficiency auditing would continue to occupy a distinct function within the Auditor-General's office. Rather, the aim had always been for the EAD to carry out
early development work and to encourage the diffusion of efficiency auditing techniques throughout the AAO (18th Conference of Chief Auditors, 1978, p.1; Steele Craik's submission to the Public Service Board in 1978; JCPA, Report of the Australia Post Inquiry, p.124; AAO, Guide, 1978, p.8). The EAD's aim was to make itself redundant with all audit divisions conducting efficiency audits (Great Britain, 1980, PAC, Minutes of Evidence, Steele Craik, 11 June 1980, p.7): "it is a matter of policy that the EAD will form only a nucleus of EA (efficiency audit) teams and will in fact play more of a coordinating role in the conduct of EA's" (AAO, Guide, 1978f, p.8). Problems of coordinating the EAD's work with the financial audit divisions over the first two years of the EAD's activities served to reinforce the wisdom of this goal (AAO, Mid Term Review, 1981b, pp.40-1). This was before Brigden's plans began to bite and prior to Parliamentary review of the efficiency audit reports.

Given Brigden's intentions, what might have been a reasonable and expected program of assimilation for efficiency auditing became instead a battle-ground between two opposing visions for efficiency auditing (Minutes of Evidence, Australia Post Inquiry, 1985, p.443). On one side Brigden's views were inconsistent with the spirit of the efficiency audit provisions of the Audit Act as envisaged by the Royal Commission on Australian Government Administration ... by the ... Government itself ... and, finally, by the Parliament (JCPA, 1985, Minutes of Evidence, Australia Post Inquiry, p.441).

Brigden was attacked for the "continuing overt and covert denigration" in private and in public, especially in his appearances before the Expenditure Committee, of the work of the EAD which was said to be aimed at destroying efficiency auditing "in the form to which it has evolved" (AAO Minute, Jones to Auditor-General Brigden, 19 May 1983). Those opposed to Brigden's actions saw at stake the very survival of efficiency auditing in the form "intended" by its creators. Brigden's opponents were not prepared to see efficiency auditing swallowed-up by the financial audit divisions of the Office on just any terms. Certainly, they did not envisage that the integration should occur as a means of gaining control of efficiency auditing for the purpose of driving it to the point of extinction (AAO Minute, Jones to Hill, 30 November 1982).

After the troubles experienced by the EAD, attempts to close it would immediately leave the Auditor-General open to public accusations that he was retreating from a troublesome and contentious area of audit. In an attempt to avoid this, Brigden included the assimilation of the EAD as part of a general reorganisation of the Office in
an endeavour to make it more palatable to outside interests. In October 1982 Brigden
assigned one of his officers, Brian Boland, to carry out an extensive review of the
Office (AAO Minute, 4 November 1982). His decision to reorganise the Office could
be seen as a signal to the IDC, then reviewing the AAO’s efficiency auditing
performance, that if the Auditor-General was allowed to retain the efficiency auditing
function then it would be conducted under very different arrangements than had
previously pertained. Brigden made certain that the AAO projected a united front to
the IDC by forbidding EAD officers to appear before the IDC without his express
permission or to make submissions (AAO Minute, Jones to Hill, 30 November 1982,
p.4). The Executive had to be assured that the Auditor-General was again in control,
that the crisis over constitutional roles had been defused and that everyone in the AAO
would again know their place within the constitutional firmament. The Boland
"review", therefore, was very much an exercise in providing justifications for the
processes which Brigden had already determined. It was necessary to convince the
Expenditure Committee and the IDC in particular that the motives for the
reorganisation of the Office were derived from the need to improve the efficiency and
effectiveness of the audit function and that they did not reflect the actions of an office
under siege and unable to manage its affairs (Brigden to Sir William Cole (Chairman of
the PSB), 8 July 1983). Not surprisingly, the Boland report recommended the
integration of performance auditing.

By early 1983 Brigden was communicating with the EAD only by Office Minutes. He
was bypassing the EAD’s senior officers on most decisions related to the destiny of the
EAD. It is obvious from Office Minutes of 24 November 1981, 8 March and 19 May
1983 that by this stage the EAD had very little control over either the retention of its
personnel or the ability to carry out any further efficiency audits. Staff were gradually
transferred out of the EAD without senior management’s prior knowledge or approval
and were not being replaced (AAO Minute, Jones to the Auditor-General, 8 March
1983). Before the close of the year the EAD had all but ceased to exist.

Coincident with the integration of efficiency auditors into the core of the AAO,
Brigden attempted to make it clear to his Office that he saw the traditional financial
and compliance audit and auditing of efficiency as symbiotic elements in a
comprehensive program of auditing and not having separate identities: the one
supported the other in the pursuit of improved accountability. In the future
examinations of efficiency and economy will be included in all types of audits performed by the Office and our programs will, as far as possible, be directed to promoting improved government administration from both the financial accountability and efficiency standpoints. In other words, audits conducted by this Office will be concerned as much with economy and efficiency issues as with financial regularity. This is what is meant by the term "comprehensive auditing" (AAO, Administrative Circular, 6 September 1983).

Brigden's successor was left to justify the new approach and to reassure critics that the comprehensive auditing approach can be seen not as embodying some kind of abrogation of the responsibility to undertake efficiency audits, as it may have come to be understood by some, but rather a further stage in the development of auditing systems ... (Expenditure Committee, 1985, AAO Submission, Review of Public Service Efficiency Review Mechanisms, p.19).

Misgivings about the proposed reorganisation of the AAO were compounded by the Auditor-General's intention to re-emphasise the recruitment of accountants into the AAO with a "restraining (of) the recruitment of multidisciplinary analytical skills" (AAO Minute, Boland to Auditor-General, 4 November 1983, part 3, p.2). Reversion in the recruitment policy under Brigden meant that, apart from accounting and Electronic Data Processing, all other disciplines would be effectively excluded from being considered by the Office. Substantially, therefore, the progress of the conflict over efficiency auditing had resulted in the working relationship between the state auditor and auditees returning substantially to its pre 1979 form. The Executive had succeeded in reaffirming its dominance over state audit. As promised by Turner’s processional analysis, while the outward appearance of normality had returned to state audit the texture of the relationship between state audit and the Executive was now very different. The legitimate role of state audit had been challenged and shown to be very much dependent upon the cooperation of the Executive.

CONCLUSION
Establishment of efficiency auditing as part of the Commonwealth Auditor-General’s mandate involved him in a prolonged period of robust conflict with the Executive and its agencies which, following Turner’s model of processual analysis, embraced four stages: breach, crisis, redressive action and reintegration. In the latter two stages Auditor-General Brigden's reactions to the criticisms of efficiency auditing demonstrated the high political stakes which were involved in efficiency auditing.
Consequently, efficiency auditing under Brigden came to develop a form which was heavily influenced by political pressures emanating from within the Executive and therefore showed the conditional nature of state audit independence.

Financial audit was less threatening to the Executive and to the Auditor-General because it was carried out according to well defined standards of practice. It was also concerned with clear, definable and ascertainable criteria of assessment which had an appearance of objectivity. Financial audits did not demand the same degree of judgement on the part of the Auditor-General as did the more highly subjective efficiency audits. There were, as a consequence, more opportunities with efficiency auditing for: the Auditor-General to be harried by auditees; the conclusions reached in efficiency audits to be ridiculed as the prognostications of uninformed dilettantes; the auditors to be accused of perfunctory research and undernourished analysis as well as straying into questions of policy or effectiveness (for examples see Reports of the Expenditure Committee on The Australian Property Function Audit Report, June 1981, p.3 and the Main Battle Tank Audit Report, May 1984, p.2).

Although state audit independence has been limited the state auditor previously had been accepted as an officer with considerable independence. The difficulties experienced with efficiency auditing referred to in this paper exposed the shallow nature of state audit's independence and the relative position of powerlessness it occupied in comparison to the central coordinating departments and line departments.

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