Auditing and crisis management: The 2010 Melbourne Storm salary cap scandal

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ABSTRACT

In this paper, we investigate the way in which auditing was mobilised during the 2010 Melbourne Storm salary cap scandal, through a textual analysis of media coverage associated with the crisis. Using 't Hart's power-symbolic analytical framework, we document the initial public framing of the auditing-based response as well as rhetorical strategies to mask, and counter, public criticisms of audits commissioned by the National Rugby League (NRL) and News Limited in the immediate aftermath of the salary cap breach announcement. We illustrate that these audits formed a key element of the crisis management response of both organisations. We also provide evidence of the way that the NRL sought to use the audit exercise to re-legitimate its ongoing monitoring and enforcement of the salary cap. In spite of various challenges to the scope, due process, timeliness, transparency, independence and resourcing of the audits, the audit programs and their associated narratives endured. The paper contributes to understanding the role of auditing in crisis management and how this role can be implicated in shaping the social construction and contestation of organisational crises.

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Introduction

At the outset of the 2010 National Rugby League (NRL) season, the Melbourne Storm Rugby League Club ('the Storm') was held up as one of the most professional and successful clubs in the history of rugby league (Munro et al., 2010; Paxinos, 2010a; Read, 2010; Rothfield, 2010c). In the four seasons to 2010, the Storm had collected four consecutive Grand Final appearances, three minor premierships (first placed in the regular season) and two premierships. It boasted a playing roster replete with international stars and a management team considered to be one of the most professional in Australian sport. The club was heralded as having 'made it' in the rugby league frontier state of Victoria, a region dominated by the Australian Football League (AFL or 'Aussie Rules'). How-

ever, on 22 April 2010, this legacy was emphatically and irrevocably altered. Adjudged to have breached the salary cap, the Storm was officially stripped of all of its titles from 2006 to 2009, fined $500,000 and ordered to pay back $1.1 million in prize money. Further, the Storm was prevented from earning any further premiership points for the 2010 season. This crisis, arguably the 'biggest fraud in Australian sport history' (Proszenko, 2011), significantly threatened the viability of the Storm and the legitimacy of the NRL. In a tryst, the NRL became mired in a major investigatory exercise into how the breach was possible and who was responsible.

The crisis contained a number of elements that ensured it dominated the front and back pages of the media for several weeks: some of Australia's best-known sporting heroes, salacious allegations of deceit, under-the-table payments as well as multiple and competing investigative resources in the forms of an audit carried out by the NRL Salary Cap Auditor and a separate audit by Deloitte, commissioned by the Storm's owners, News Limited. It is these audits engaged amid the crisis that form the focus of this

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paper. Specifically, this paper investigates the way that auditing can be drawn on during crisis.

By focusing on media releases and public pronouncements of the implicated entities and mobilising the power-symbolic approach to analyses of crisis management developed by Paul 't Hart and colleagues (see, for example, Boin, 't Hart, & McConnell, 2009; Boin, 't Hart, & Stern, 2005; 't Hart, 1993), we show that audit can be positioned as an important crisis management ritual. In this instance, auditing was capitalised upon to conspicuously signal: (i) a commitment to resolving problems; (ii) enthusiasm for cleansing corrupt elements; (iii) transparency and probity in crisis responses; (iv) learning; and (v) closure to the crisis. Crisis, then, is a perceptual category that appears well suited to being addressed by the programmatic elements of auditing.

However, the legitimating capacity of auditing in crisis situations is neither mechanical nor inevitable. In this case, the crisis opened the entire salary cap 'system' to critical evaluation, particularly with respect to its capacity to be effectively audited (i.e., monitored and enforced). In turn, numerous elements of the NRL and News Limited investigatory audits attracted staunch criticism, relating to issues of scope, due process, timeliness, transparency, conflicts of interest, and resourcing. When challenges such as these emerge, the credibility of auditing is impugned and auditing must be publicly bolstered and (re-)legitimated through a variety of tactics if it is to operate as intended. We document the tactics used in this case to diffuse emerging critiques of the audit-based crisis response, and trace the way that these played out in the public sphere. In sum, we show how auditing is centrally implicated in an ongoing, dynamic process of legitimisation, de-legitimisation, and re-legitimisation during times of crisis ('t Hart, 1993).

This article is structured as follows. The next section provides a review of relevant research in auditing and legitimacy as well as pertinent literature relating to crisis management. This is followed by an overview of the methods used in collecting and analysing the media data. After a review of the context of the crisis, we then analyse the mobilisation of auditing in the initial communications of key parties to the crisis, and how its contextual legitimacy was publicly debated as the crisis unfolded. The final sections summarise the major findings, consider the relationships between crisis, blame and auditor legitimacy, and conclude the paper.

Auditing and the production of legitimacy

In an influential line of research, Power (1997, 2003, 2005) argues that there has been an 'audit explosion' in society, involving the rapid emergence of a multiplicity of new forms of auditing and certification based on financial attest auditing as an ideal. In the past decade, a growing line of research has considered the influx of audit-styled technologies and certification and verification processes into a diverse array of organisational settings including healthcare (Day & Klein, 2001), social work (Munro, 2004), counseling (House, 1996), business school academia

(Free, Salterio, & Shearer, 2009) and even private travel arrangements (Carter & Jeacle, 2011).

A recent special edition of *Accounting, Organizations & Society* was themed around assurance and certification outside of the financial attest context. This portfolio of articles contemplated the ways conventional auditing principles, procedures and logics are transmogrified in novel domains by assurance providers. These articles raise new theoretical insights into notions of independence (Jamal & Sunder, 2011), trust (Carter & Jeacle, 2011; Power, 2011) and the contextual nature of audit demand and certification procedures (Downer, 2011). These contributions also generate interesting insights about evolving societal expectations of certification and assurance. Carter and Jeacle (2011) explicitly posit assurance regimes as expert systems that engender trust. However, the authors problematise the role of expert labour in auditing and suggest that their analysis of TripAdvisor may represent a harbinger of a wider shift towards reinvention in the nature and delivery of assurance and certification services in contemporary society.

This work underscores the important ways in which auditing and certification imports and exports legitimacy into organisational domains. As Power (2003) argues, this legitimacy can accrue to the audited entity without regard to the actual efficacy of the audit to instantiate the specific programmatic aims for which it was undertaken. Free et al. (2009) demonstrate that not only can audits confer reputational benefits (such as legitimacy, safety and efficiency) upon audited organisations, but that in some circumstances, these benefits may also extend beyond those organisations whose accounts are audited.

In sum, research animated by Power's audit explosion thesis suggests that, against traditional myths of neutrality, the growth of auditing has profound impacts on managing societal impressions and behaviours. The auditor can thus be understood as a vehicle for institutionalised values about the manner in which organisational and individual performance is represented and understood. In this way, auditing can be considered an important potential resource in crisis management.

Auditing and crises of legitimacy

Major public inquiries, inquests, commissions and audits are an increasingly important ritual used during crises. Broadly speaking, organisational crises refer to high impact events or developments that are perceived to urgently threaten the viability of organisational functioning, structures and/or values, and may be characterised by ambiguity of cause, effect and means of resolution (Boin et al., 2009; Pearson & Clair, 1998). A growing number of authors have identified the important role of crises as an antecedent of the growing penetration of auditing into new fields (see Free & Radcliffe, 2008). In a climate of alleged financial excess or impropriety, accountants often emerge as high status actors. For instance, in the public sector of many countries, perceived crises of control of the public purse have stimulated an adaptation of the traditional financial audit with its focus on transaction authority to include the oversight of new performance