

Abstract

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Oy Veikkaus Ab's sponsorship activities

Oy Veikkaus Ab has been granted exclusive rights to arrange lotteries, betting and money games in Finland. This puts it in an exceptional position compared with regular businesses. The company's operations are governed by Acts of Parliament and Decrees and are influenced by the conditions in its licence. The reason for this kind of regulation is the desire to curb problems associated with gaming and to direct profits to purposes serving the common good. In 2000 the company reported a net profit of about FIM 2.25 billion. The Ministry of Education and Parliament decide on the distribution of the company's profits.

The purpose of the present audit was to see if Veikkaus engages in sponsorship solely to promote business operations. This was meant to ensure that the company does not encroach upon the role of the Ministry of Education in deciding how to distribute profits. The audit also focused on how well the company manages sponsorship activities.

The audit indicated that most of the company's sponsorship activities have been proper and normal marketing. Sponsorship is difficult to quantify, however. According to the company's own accounts, sponsorship activities cost around FIM 18 million in 2000. This figure does not give a true picture of the amount actually spent, however. Activities of a similar nature have also been arranged in connection with other marketing.

There is no way to measure the benefits of sponsorship so as to show precisely how much they boost business. Since direct measurement of the benefits of sponsorship is impossible, the audit evaluated planning and contract procedure in this area.

Veikkaus has a written sponsorship policy which notes that sponsorship is not a means of distributing profits but is intended to promote the company's own business operations. By complying with this policy Veikkaus can avoid encroaching on the role of the Ministry of Education. The company's written sponsorship policy focuses on sports and fails to mention criteria for sponsoring the arts or youth work. In the opinion of the State Audit Office, Veikkaus needs better criteria for sponsoring the arts. The company's written sponsorship policy also says that Veikkaus is not supposed to pay for the use of a sponsored event for betting purposes. In the opinion of the State Audit Office, commission contracts based on game sales are hardly in line with this principle. The company can also achieve marketing visibility for a fixed price. Furthermore, Veikkaus has paid its Finnish partners a commission on foreign betting as well. The State Audit Office does not consider this practice warranted.

With regard to the proper management of sponsorship activities, the State Audit Office noted that Veikkaus has not always followed its own financial guidelines. Contrary to guidelines, oral agreements have often been concluded in connection with sponsorship, and these have not been limited to exceptional cases. Confirmations of oral agreements have been inadequate in content. This problem was corrected to some extent during the course of the audit. In one case

the managing director exceeded his authority to enter a contract within the framework set by guidelines.

Sponsorship activities with children and young people as a target group have contained features which are not in compliance with guidelines and regulations. A substantial number of contracts have involved marketing aimed at children and young people, and marketing has also included hidden advertising. This type of marketing is against the law.