

FINANCIAL ASPECTS OF CRIMES IN THE GAME OF FOOTBALL

Diyana Bankova¹

e-mail: diyanabankova@gmail.com

Abstract

In recent years, Bulgarian society has witnessed a number of abuses by the management of professional football clubs. However, these vicious practices are not a precedent. Although this activity is controlled by: the football federations of the respective country, the Federation Internationale de Football Association (FIFA) and the Union of European Football Associations (UEFA), this is not enough. It is important to take measures to counter crime, like: money laundering, corruption, fixing matches, illegal performance enhancing technology, sporting related financial irregularities, management related financial irregularities, transfer of young players across borders. In this line, the United Kingdom is developing a special mode to prevention from crimes in the football games.

Key words: finance, frauds, crimes, football, new regulations

JEL: K14, K35, M41, M42, M48, Z2, Z23

Introduction

Such a study will present information on the negative practice of football game at: international, European and national levels. The analysis of these practices aims to introduce new methods and approaches related to the fight against crime in football. It is clear that abuses in this sector take the form of various criminal forms. It is therefore fundamental to take preventive measures to minimize the risks of fraud and counter crime based on good practices in football sports.

Applied methodology

According to accounting practices, it is known that manipulations in the annual financial statements are usually in the direction of increasing or decreasing the income and/or expenses of a company. It is no coincidence that costs have been chosen as a key and essential object for the audit of the financial statements to FIFA by the auditing company PricewaterhouseCoopers (PwC) [1].

In order to illustrate the problem related to the financial aspects of crimes in the football sector, information will be presented in the tables below. In this way, attention should be paid to the expenses and the revenues received from the

¹ PhD in Academy of the Ministry of Internal Affairs, Faculty of Police, Department of Counteraction to Crime and Public Order Protection.

activities developed by FIFA. The disclosed data are of significant size, so let's see how they are spent in the next table.

Table 1: Consolidated Expenses for 2015 – 2018

Expenses	2015	2016	2017	2018	Total
Competitions & Events	-215,417	-157,067	-219,373	-1,974,317	-2,566,174
Development & Education	-186,512	-427,832	-477,507	-578,469	-1,670,320
Football Governance	-35,666	-31,753	-24,565	-31,479	-123,463
Total expenses from football activities	-437,595	-616,652	-721,445	-2,584,265	-4,359,957
Fifa Governance & Administration	-194,282	-248,185	-164,622	-190,586	-797,675
Marketing & TV Broadcasting	- 29, 489	-27,905	-37,081	-116,303	-210,778
Total expenses from administrative activities	-223,771	-276,090	-201,703	-306,889	-1,008,453
Total expenses	- 661,366	- 892, 742	- 923, 148	- 2,891,154	- 5,368,410

All listed expenses are in the million \$.

Source: Financial Report, FIFA, 2018, p. 140

Despite the creation of financial fair play regulations by UEFA, the manipulations in the reporting of the FC are not to be underestimated. Therefore, it is important for forensic [2] professionals and financial auditors to work together against financial irregularities. In the audit report it is checked that audit procedures have been performed on:

- ✓ transactions and business agreements that may have a potential conflict of interest and/ or risk of misuse of funds;
- ✓ joint tests with forensic (focusing on high – risk and atypical transactions);
- ✓ Verification of costs and comparison with signed contracts;
- ✓ Testing the controls and evaluating the effectiveness of their design as a mechanism to combat fraud.

The following table will also show FIFA's operating income. The audit report also attaches importance to their increase over the 4-year cycle. The Federation shows good financial indicators, but what is the reason for that, and whose expense is it?

Table 2: Consolidated Revenues for 2015 – 2018

Revenue	2015	2016	2017	2018	Total
Revenue from television broadcasting rights	258,496	95,612	228,645	2,543,968	3,126,721
Revenue from marketing rights	157,244	114,574	245,277	1,143,312	1,660,407
Revenue from licensing rights	50,499	204,485	160,211	184,573	599,768
Revenue from hospitality/ accommodation rights and ticket sales	0	0	22,368	689,143	711,511
Other revenue	78,135	87,025	77,701	79,958	322,819
Total revenue	544,374	501,696	734,202	4,640,954	6,421,226

All listed revenues are in the million \$.

Source: Financial Report, FIFA, 2018, p. 70

Revenues from: television and broadcasting rights, marketing rights, licensing rights, hospitality/ accommodation rights and ticket sales and other revenues are presented. For the period from 2015 to 2018 there is a tendency to increase all types of revenues of FIFA, with each passing year. It is impressive that in the last year the revenues have increased approximately 4 times. The reasons for the increase in revenue are related to the events surrounding the FIFA World 2018 Cup – TV rights, licenses, marketing, etc. These circumstances give an indication of increasing the control and supervisory functions over this sport. Implicit public revenues also affect the interests of criminal groups. This industry attracts huge amounts of capital, and in this way a significant part of illegally acquired money is legalized and laundered.

However, the practice proves serious weaknesses in the control environment of FIFA, as an organization performing control. The BBC reports that in May 2015, 14 FIFA officials were accused by the United States of corruption following an investigation from the Federal Bureau of Investigation (FBI). In December 2015, 16 more employees were charged. The charges cover more than \$ 200 million in bribes. As a result, the FIFA Ethics Commission fired FIFA President

Sepp Blatter and UEFA's President – Michel Platini, from practicing all kinds of football activities for six years.

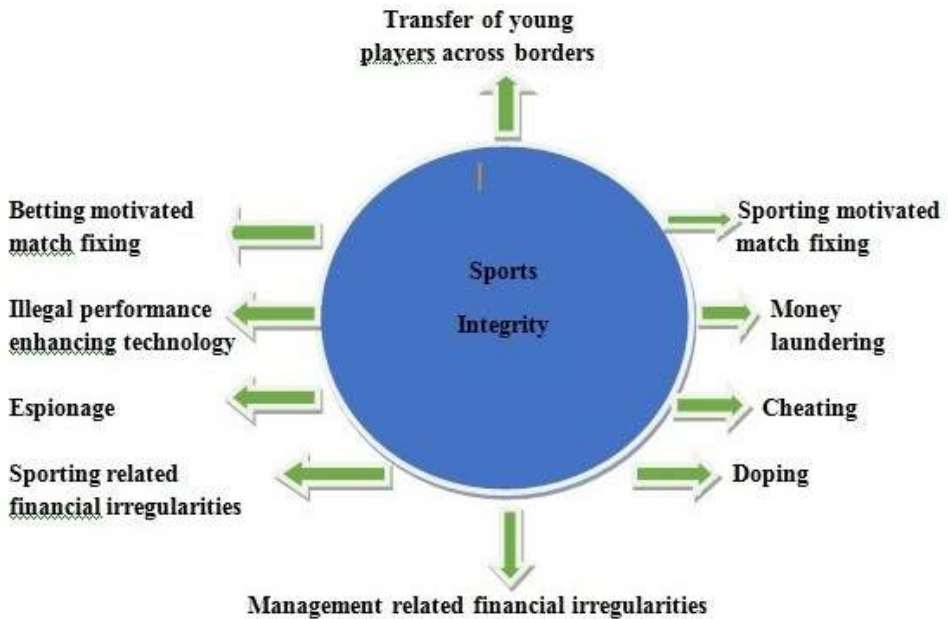
With the ineffectiveness of FIFA controls, an interesting event can be considered. In April 2017, Richard Lai, a member of the FIFA audit committee, pleaded guilty to corruption charges worth about \$ 1 million. This example confirms the lack of public confidence in FIFA, as well as in the audit profession. Thus, the football game loses the charm.

At the European level, as early as 2006, other criminal acts related to the fixing of matches with the so-called "Calciopoli" [3] were established. The Italian criminologist Anna Sergi reflects in her research on the mafiaization of criminal groups in football, such as the Ndrangheta clans [4]. In this way, the illegally acquired money is laundered. In addition, a good reception is being built. It is more important to establish "predicate crimes of specialized operatives, experienced in establishing the complex, as a mechanism for implementation, money laundering process" (Янев, 2006, p. 340). In this regard, the Italian police revealed fixed matches of FC – Juventus, Milan, Fiorentina, Lazio, Regina. The teams are suspected of fixing games by selecting specific referees.

Apart from the fact that different organized crime societies legalize their money, there is another related problem. The mafiaization and the corruption schemes of the managers of institutions that supervise the activities of FC – FIFA and UEFA. On 27 May 2014, although UEFA President Michel Platini and Europol Director Rob Wainwright signed a Memorandum to Combat the Determination of Matches at European level. This does not mean that Michel Platini does not break the rules of the law.

In 2019, a law enforcement investigation against *Platini* was completed. The reason for that is an allegation of corruption in the selection of, the decision to choose Qatar the host of the 2022 World Cup. Although there is evidence of "secret" meetings at the international level, political lobbies have managed to fight back. *Platini* has been out from participating in football management for four years. However, the Swiss prosecutor renewed and expanded the case in 2020.

Criminal behavior to the management of the FC is frequent in football. Facts have been presented regarding corruption and money laundering. Therefore, the following figure will show all known types of crimes that are committed in this sector.



Source: Examination of threats to the integrity of sports, Oxford Research A/S, April 2010, p. 3

Figure 1: Overview of threats to the integrity of sport

All types of crimes (Betting motivated match fixing, Illegal performance enhancing technology, Sporting motivated match fixing, Espionage, Sporting related financial irregularities, Cheating, Money laundering, Doping, Management related financial irregularities, Transfer of young players across borders) prove and show that organized crime groups have an interest at every level in football. The presented examples of crimes are only some of the most popular over the years.

Football crimes can be divided into two groups. The first group is the one that includes crimes that are committed on the ground. The other group includes crimes that are off the field.

Another important example that affects the financial condition of a FC is the intentional crimes on the ground. These are the simulations of players on the field who have previously agreed to receive an injury or penalty. There are always several people involved in committing an act of this type (organized criminal groups).

As the most significant financial off-field crimes are the crimes committed by the football agents. Very often the fees of various football players are increased in their contracts because of the better league in which they will play. The frauds

of the so-called "Agents" are different: illegal transfer, financing of illegal businesses, documentary fraud and others.

It is necessary to implement innovative methods and approaches against acts in football. Priority is to be given to: initiated legislative reforms, improvement of policies and rules, more procedures and tests on the part of auditors.

It is interesting to see how the United Kingdom (UK) handles all the crimes listed above? In addition to post-factum measures (imposition of fines and restrictions on carrying out activities and imprisonment), in the UK the legislation and policy of the FC are much more restrictive and different from those in Bulgaria.

For example, Russian businessman Vladimir Antonov, the former owner of Portsmouth FC, who cannot be in the management of FC again. The reason for this is the English legislation and the restrictions related to the banking crimes it commits. In 2015 he was detained in Russia for two and a half years in prison.

Another interesting example is for a potential owner of Doncaster Rovers FC who cannot receive the license for FC. The Guardian says that Louis Tomlinson, a member of the pop music group "One Direction", did not receive the rights to become the owner of Doncaster Rovers. The reason is the lack of capital adequacy, although he has gained a good reputation.

Another imposed restriction from the UK law is to the owner of Manchester City FC – Thaksin Shinawatra. He has capital adequacy, but is accused of corruption and human rights violations. In 2008. the ex-owner sold the club to Abu Dhabi United Group.

Examples in English football can continue to be listed and analyzed. It is important to the public interests to follow how these results are achieved in the UK? Why can't everyone become a FC owner? As well as for what reason are fines and restrictions imposed if the laws are violated by the owners?

The general reason for these results is that preliminary research and testing is carried out on potential owners and directors of FC in: Premier League, the Football League and the Football Association. Every person involved in the management is subject to inspection. The inspection shall include:

- ✓ criminal convictions in the UK as well as in foreign jurisdictions;
- ✓ declaring bankruptcy;
- ✓ allegations of illegal actions as the owner of a company registered in the UK;
- ✓ director of the FC, who was declared bankrupt more than twice;
- ✓ prohibition by a sports management commission, accredited association or other regulator.

This approach is known as the most restrictive in the football world. The legal framework is reasoned and related to the financial transparency of the FC. The

basic law for a FC is: the Insolvency Act 1986, including: "Bankruptcy Restriction Order" and "Interim Bankruptcy Restriction Order".

When the financial adequacy is ensured, the good management of the management is guaranteed through 2 tests:

- *the test for the English Premier League (EPL) is set out in Section F of the Premier League Handbook² (EPL Rules); and*
- *the test for the Championship, League One and League Two is administered by the Football League (EFL) and is contained in Appendix 3 of the English Football League Regulations (EFL Rules) 3.*

This method contributes to the financial stability of football in the English league. In addition to the legislative arguments aimed at the financial and economic levels, it is necessary to pay attention to a special book – "Den forsvunne diamanten". The book describes the cross-border transfer of young African football players. Many FCs build bases that are in conflict with the law. Children have the right to sign contracts after the age of 16, and it is expected that they will continue their education at the same time. Very often people are minors, and are exploited to play football. Education and personal choice remain in the background. There is information in the book about the channels of agents who charge a commission for the sale of underage Nigerians to FC.

In recent years, agreements on Joint investigation teams (JIT) have been concluded by the bodies carrying out search operations in the European legislation. It is regulated on the basis of "Article 6 of Decision 2009/371 / JHA of the Council of the EU, Europol employees may participate" (Николов, 2017, p. 53) in the JIT. This approach is suitable for application to increase the detection of all types of crimes in football games. Cooperation between different countries provides a number of advantages for the implementation of such an operation.

Conclusion

As a result of the short research, it can be summarized that football sports generate extremely large capitals reflected in the revenues from FIFA television rights. A number of examples of abuse were presented. In this direction, it is a priority for each country to protect the public interest. It is important to maintain good financial management and reputation of the FC. The problems with the management policy to FIFA, having an effect on the international and national level.

Bulgarian football has undergone drastic negative changes. The owners of PFC "Levski" was behind the scenes by people with interesting biographies. Most of them have capital of unknown origin. PFC "Litex" was also managed by Grisha Ganchev, although he was known for tax frauds. Other Bulgarian PFCs, such as "Ludogorets", are managed by Kiril Domuschiev. Apart from being the

owner of PFC, he also owns the television rights, which is a serious conflict of interest. Unfortunately, no restrictions are imposed. This management would not be allowed by English law. Because they would not cover the preliminary eligibility test of the candidate owners. In addition, English law would not allow fans to subsidize any FC. This is not good for the reputation of a PFC.

In that case the general problem – FIFA is an international organization that controls and distributes world football. Distributes: funds, rights, transfers and generates the largest financial resources. A serious omission is that there is no other independent body to supervise and control its activities. This conclusion suggests that crimes are committed from inside out (from the federation to the football clubs) and not from the outside in. The reason is – complete independence.

Results

Based on the analysis and monitoring of good practices in the football sector, some suggestions can be made to improve the policy and transparency in the activities and functioning of a FC, both nationally and internationally. Creation and implementation of:

- ✓ Codes of conduct;
- ✓ Introduction of reporting policies;
- ✓ Creation of rules and Ethics Committees;
- ✓ Imposition of sanctions;
- ✓ Creating training courses to raise awareness about fraud and corruption;
- ✓ Providing additional mandatory audit procedures for financial and accounting records;
- ✓ Forensic policy that is useful for the crime investigations;
- ✓ Tests by the Bulgarian Football Union of the financial stability of a potential FC owner.

Discussion

In order to reduce crimes in football, it is prudent to follow good practices as well as what improvements have been made to make them work better. At the international level, FIFA is taking some important measures, such as: assigning a neutral independent third party – Sportradar to determine the matches. There is also a policy of "zero tolerance" for referees involved in bribery. For prevention was created a new control position – "compliance officer". Also, in order to improve the financial policy, a new financial auditor is appointed – PwC. To improve financial policy in FC, IFRS 15 [5] is also applied, thus providing a more accurate and transparent analysis of the organization's four-year revenue cycle.

It is essential for law enforcement to carry out legal reforms, following the example of England. In this way, a significant part of the crimes will be minimized. European legislation also contributes to crime reduction with the Joint investigation team (JIT). For example, the Bulgarian Football Union, if it had the restrictive policy of England regarding the tests of the owners. Crimes in FC would go down because of the prevention restrictions.

Notes

- [1] PricewaterhouseCoopers (PwC) is one of the Big 4 companies in Audit.
- [2] Forensic – specific scientific methods and techniques that help the investigations of crimes.
- [3] "Calciopoli" – from Italian language, scandal about match fixing.
- [4] Ndrangheta clans – Organized crime syndicate, type of Italian Mafia, based in the region of Calabria. General activities are crimes to narcotics trafficking, extortion and money laundering.
- [5] IFRS 15 – International financial reporting standard called "Revenue from Contracts with Customers"

References

Янев, Р., (2006), Организация на оперативно-издирвателната дейност за разкриване на изпиране на пари, София, "АМБР". (Yanev, R., 2006. Organizatsia na operativno-izdirvatelnata deynost za razkrivane na izpirane na pari, Sofia, "AMVR")

Николов, П., (2017), Обмен и анализ на информацията в Европол, София, "Авангард Прима". (Nikolov, P., 2017. Obmen i analiz na informatsiyata v Evropol, Sofia, "Avangard Prima")

Barham, R. (2018), "A guide to the Owners` and Directors` Test in English football", available at: <https://www.lawinsport.com/topics/item/a-guide-to-the-owners-and-directors-test-in-english-football/>, (accessed 25 July 2020).

FIFA, (2018), "Financial report", available at: <https://resources.fifa.com/image/upload/xzshsoe2ayttyquuxhq0.pdf>, (accessed 25 July 2020).

Oxford Research AS, (2010), "Examination of threats to the integrity of sports", available at: https://www.playthegame.org/fileadmin/documents/examination_of_threats_to_sports_integrity.pdf, (accessed 25 July 2020).

Fifa corruption crisis: Key questions answered, BBC, (21 December 2015), available at: <https://www.bbc.com/news/world-europe-32897066>, (Accessed: 25 July 2020).

Top official Richard Lai admits bribery charges, BBC, (28 April 2017), available at: <https://www.bbc.com/sport/football/39747787>, (Accessed: 25 July 2020).

Vladimir Antonov: Former Portsmouth FC owner jailed in Russia, BBC, (18 March 2019), available at: <https://www.bbc.com/news/uk-england-hampshire-47609147>, (Accessed: 25 July 2020).

Sergi, A., How mafia and corruption scandals rocked Italian football, the local, available at: <https://www.thelocal.it/> (Accessed: 25 July 2020).

Ex-UEFA boss Platini released after being questioned in 2022 World Cup probe, (19 June 2019 -05:37 Modified: 19 June 2019 – 8:00), France24, available at: <https://www.france24.com/en/20190619-football-uefa-michel-platini-2022-world-cup-qatar-france-corruption-fifa>, (Accessed: 25 July 2020).

One Direction's Louis Tomlinson 'misled' as Doncaster takeover bid fails, (18 July 2014), The guardian, available at: <https://www.theguardian.com/football/2014/jul/18/one-direction-louis-tomlinson-misled-doncaster-takeover-john-ryan>, (Accessed 25 July 2020).

Thaksin doubled his money in City sale, claim sources, (8 Oct 2008), The guardian, available at: <https://www.theguardian.com/football/2008/oct/08/manchestercity.premierleague>, (Accessed: 25 July 2020).