

**Submission
No 34**

**INQUIRY INTO PROPOSAL TO DEVELOP ROSEHILL
RACECOURSE**

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Secretary

Development of Rose Hill Race Course

Please find below a submission to the Legislative Council Committee examining a proposal to develop the Rose Hill race course.

Media report that Racing NSW, an entity established by the NSW parliament, wishes or anticipates to receive the proceeds of any sale of the Rose Hill race course. The substantial increase in the financial capacity of NSW Racing that would result from this transfer suggests that the Committee should examine the over-sighting provisions that apply to NSW Racing. Indeed, there are persuasive existing grounds to recommend that these over-sighting provisions be brought into line with those applying to state statutory bodies.

Section 29 of the NSW Thoroughbred Racing Act 1969 provides that Racing NSW provide an annual report to the minister that includes the entity's audited financial statements. But atypically, and perhaps uniquely for a state owned corporation, these financial statements are not audited by the NSW auditor-general.

This raises several concerns.

NSW Racing is already a significant entity with annual revenues and expenses exceeding \$400 million. It commands assets of nearly \$600 million including current assets, mostly cash and investments, of over \$300 million. It is engaged in several activities including the provision of insurance services to parts of the racing industry.

According to the latest annual report, NSW Racing has 21 key managers, including nine board members. The remuneration of these board members is set by the state's Remuneration Tribunal. The remuneration of the chief executive is atypically not set by that Tribunal but by board members. In the year ending 30 June 2023, personal compensation for these key managers increased by nearly \$900,000 or over \$42,000 per key manager.

More importantly, the audited financial statements include provisions that, because of their nature and amount, require examination.

Provisions are expenses that act to reduce profits (or increase losses) for items that have been incurred but for which payments are not yet due. They include estimates, for example for payments for worker's compensation or insurance payments, that are actuarially calculated. While provisions such as these are common in entities' financial statements, NSW Racing financial statements have provisions that appear not to represent "a present legal or constructive

obligation as a result of a past event" (Note 1q Summary of Significant Accounting Policies, NSW Racing Financial Statements).

An example of provisions that seem unrelated to obligations arising from past events is the \$116 million set aside for "investment in capital projects across NSW in accordance with the 2017-19 Racing NSW Strategic Plan". Another is the \$36 million expense recognised to "support Thoroughbred Race Clubs with financial hardship they may run into" or the \$106 million expense for sustaining (future) increases in Racing NSW prizemoney.

Although these are audited figures, there is sufficient information to suggest that some of these provisions do not meet the definition for provisions set down in accounting standards. If it is confirmed that some of these provisions do not relate to obligations, there would be a need to revise and increase past profit results and increase past results for net assets.

There are media reports that the sale price of the land forming Rose Hill race course might be \$5 billion. It is inconceivable that Racing NSW would receive these monies and still not be subject to audit and oversight by the NSW auditor-general. As suggested above, there is ample evidence and precedent for that governance failing to be recognised and remediated now.

Tony Harris

Former state auditor-general and parliamentary budget officer.

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