DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY

CHAP REVIEW – HARNESS RACING NSW (HRNSW)

2007/2008
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1. EXECUTIVE SUMMARY

1.1 Introduction

On 9 September 2007, the Minister for Agriculture, Fisheries and Forestry, the Honourable Peter McGauran, announced assistance measures for those horse dependent businesses, employees and employers affected by the equine influenza outbreak in Australia.

Commercial Horse Assistance Payments (CHAPs) were provided to primary carers of commercial horses who would otherwise be active and potentially earning an income if not for the equine influenza outbreak and resulting standstill. A per-horse, per-day payment was provided to eligible applicants for the welfare and ongoing training of horses to ensure they remained fit and healthy and could return to normal activity as soon as the standstill was lifted.

Acumen Alliance was engaged by the Department of Agriculture, Fisheries and Forestry to undertake an independent third-party financial and performance audit of each Commercial Horse Assistance Payments (CHAPs) delivery agency. This report has been compiled to provide an assessment of the project delivery by Harness Racing NSW (HRNSW) and make recommendations for future improvements.

1.2 Audit Scope

In conducting the third party audit, Acumen Alliance:

- reviewed the delivery agencies’ books, records (including project reports and invoices) and financial statements, including those relating to the receipt, holding, expenditure and commitment of the funding;
- reviewed whether the funding was spent in accordance with the Terms of the Funding Deed with the Department of Agriculture Fisheries and Forestry; and
- examined the efficiency and effectiveness of delivery agencies’ activities in administering CHAPs.
1.3 Conclusion

Harness Racing NSW was found to have administered the program in accordance with the Terms of the Funding Deed with the Department of Agriculture, Fisheries and Forestry.

Whilst conducting the audit there were some areas identified for improvement:

- Participants were not notified of the appeals process in place and how to initiate an appeal if they were unsatisfied with their assessment. This likely led to a decreased number of appeals.

- Retained funds of $2 per day per horse were not approved by DAFF and included in the funding deed. The ability to retain was not mentioned in the Funding Deed however it was in the guidelines issued by DAFF and that is what HRNSW referred to when making the decision to withhold.
2. BACKGROUND

Harness Racing New South Wales (HRNSW) conducts the commercial affairs of the harness racing industry in NSW. Established under the Harness Racing Act 2002, HRNSW is controlled by an industry-appointed Board of five, headed by an independent Chairman and is chartered to operate autonomously of government in managing the strategic and commercial development of harness racing in NSW as a not-for-profit corporate body.

Functions performed by HRNSW include registration of harness racing clubs, strategic planning, insurance administration, allocation and scheduling of race meetings, distribution of funds, negotiation of commercial agreements, development of breeding and handicapping policy, management of capital works as well as a range of other activities previously performed by the NSW Harness Racing Authority (HRA).  

CHAPs was administered by HRNSW for eligible primary carers whose harness racing horses were unable to compete in racing, and could otherwise have generated an income from racing, if not for the quarantine restrictions in place.

HRNSW had two full time and temp staff devoted to CHAPs over the entire life of the program. Other HRNSW staff were also involved in the program as and when required. The Chief Financial Officer had overall responsibility for management of the program. HRNSW has at present not received any grant funding for administration costs associated with managing the program.

Harness Racing NSW made payments to 888 primary carers throughout the CHAPs period with invoices to DAFF totalling $13,792,660. Retained funds of $2 per day per horse totalling $1,320,904 were deducted from this amount leaving anticipated funds for payments to primary carers of $12,471,756.

At the time of audit and subject to a final reconciliation total payments of $12,474,590 had been made to participants.

\[^{1}\text{Information obtained from the HRNSW website.}\]
### 3. Compliance with Funding Deed

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4. DISCUSSION POINTS

4.1 Application Process

Summary

- Applications were assessed against eligibility criteria
- All successful applications reviewed had met the eligibility criteria

Discussion

Application forms were made available to recipients through the following methods:

- Through HRNSW and the DPI websites;
- A mail out to all HRNSW members; and
- At the HRNSW office.

When applications were received by HRNSW, the assessment process for checking the horses was:

- Ensure the application form was completely filled in;
- Check the registration details of the horse(s) in the application to the HRNSW database;
- Ensure a stable return was included; and
- Ensure the required Statutory Declarations were filled in.

After being assessed, it was signed off by one of the HRNSW staff as eligibility confirmed. The intention was that each application would then be approved by an approval panel and this would be signed off on the application form. In the sample reviewed no applications had a sign off by the approval panel. The actual process the occurred was that the panel was provided a list of the new applicants and details of their application by email and asked to review. The panel consisted of not only Sydney based persons but there was also a Newcastle based member and it was unrealistic to have them physically meet and sign off approval. The panel members would respond if there were any queries or objections in relation to the applications.

In the sample reviewed, not all stable returns were on file or the stable returns were dated the day of or very close to the date of the application and not pre August 25th. In actual practices, stable return information was all stored electronically which is what HRNSW assessed against.

Ongoing forms were required to continue to receive funding. Each CHAPs phase was broken of into periods of 14 days (the last period in each phase was a little less or more than
14 days) and an ongoing application form was required for each period. In the sample reviewed, all ongoing application forms were filled in as required. This included details of horses coming in and out of work.

A CHAPs 2 form was available but in reality was not required. In the sample selected, where money was received for CHAPs 2, for 70% of the time a CHAPs 2 application form was not submitted. All applicants did however submit ongoing applications through the CHAPs 2 phase.

A CHAPs 3 form was also available to applicants. Unlike the CHAPs 2 form, the CHAPs 3 form was compulsory. Applicants were also required to resubmit the applicable statutory applications. In the sample selected, where CHAPs 3 money was received, the CHAPs 3 form and the statutory applications had been submitted. In the sample selected all CHAPs 3 recipients were in eligible areas.
4.2 Payment Process

Summary

- Applicants were paid fortnightly based on approved applications
- Money was paid up front by HRNSW and money paid by DAFF was used to reimburse HRNSW
- HRNSW did not dictate how much should go to the owner and trainer. They did indicate a guideline that could be used
- A small amount of overpayments were identified by HRNSW which are being followed up for repayment
- Prize money guidelines were adhered to
- At the time of review DAFF had not paid the final 3 invoices

Discussion

HRNSW received from DAFF an amount of $20 per day per horse. Of this, they paid $18 to the primary carer and retained $2. HRNSW did not wait for moneys to be received from DAFF. Each fortnight they calculated what payment was required to be made. The amounts were entered into Quick Pay and the payments were made from HRNSW funds (not from the CHAPs account). DAFF was then invoiced. The money was received from DAFF into the CHAP's account and transferred into the HRNSW account.

HRNSW did not determine how much money should be paid to the owner and trainer. As a guide, they indicated owners should get $10 and trainers $8 but this was not enforced. They did act as mediator when there was a dispute between the owner and trainer which did happen in a handful of situations.

Prize money was not taken off the CHAP's payment. HRNSW had a process that once a certain amount of prize money had been won, the applicant was no longer eligible for CHAPs money. The amounts where this was triggered is indicated in the following table:
It was not necessary for applicants to declare income as HRNSW run all Harness Racing events and have all prize money details. In the sample selected, where prize money was received, the prize money guidelines as outlined above where applied.

At the time of the review, DAFF had not paid the final 3 invoices (totalling ~$215,000). This was due to DAFF requesting the final report and further details in relation to retained fees.

**Issue**

**OVERPAYMENTS**

HRNSW did undertake a thorough internal review process of payments made and identify a small number of overpayments. This totalled ~$12,000. HRNSW have notified the recipients and will be seeking reimbursement. In this review, no further over or under payments were identified.
4.3 Unsuccessful Applications

Summary

- Unsuccessful applications were notified by mail but were not informed they could appeal
- Reasons for rejecting applications were consistent with the funding guidelines

Discussion

Rejected applicants were sent a letter which indicated the application was not successful and on what grounds. A sample of rejected applications were reviewed and the decision process was consistent with the funding guidelines.

Issue

**Rejection Letters did not Notify the Appeals Process**

The rejection letter did not indicate that the decision could be appealed and there was no mechanism to notify applicants that there was an appeal process available. As such, applicants may not have been aware that they had an avenue for appeal, resulting in less appeals.
4.4 Site Visits

Summary

- Stewards were used to conduct site visits
- Specific site visits were based on tip offs or a suspicion. There were no random visits
- When visiting stables for vaccinations, stewards would check horse numbers against stable returns

Discussion

HRNSW used their stewards to conduct site visits where required. There was no regime of site visits and site visits were done either from a tip off or from a suspicion. There were no random checks of recipients.

Stewards would also visit stables to monitor and record vaccinations and at this time would check numbers against stable returns. As stable returns were used to determine if horses were in work, this was deemed a sufficient process.

HRNSW did uncover an applicant that had falsified a statutory declaration. The HRNSW CEO advised us on our visit and DAFF had been notified. This was from a tip off to HRNSW by the owner. This trainer was the subject of a Stewards Inquiry. The result of which is not yet known. The matter was not referred to the AFP.
4.5 Appeals Process

Summary

- Only one appeal was received for a rejected application
- The HRNSW board was the appeals board

Discussion

As discussed earlier, applicants were not notified of an appeal process. As a direct result only one appeal was received by HRNSW. The appeal was considered by the HRNSW board and was rejected on the same grounds the original application was rejected. The decision was consistent with the funding guidelines.
4.6 Reporting

Summary

- Correctly rendered invoices were supplied to DAFF
- The fortnightly grantee report accompanying the invoice did not include all the required information
- At the time of the review, HRNSW had not supplied the final report or any reporting in regards to retained fees

Discussion

Invoices were sent out with a report containing actual applications attached. The reports were missing the following required details:

- Number of applications approved and rejected (including eligible and ineligible horses)
- Reasons for application rejection or ineligibility
- Number of payments made
- Number of applications withdrawn
- Expenditure by location and controlling interest

As indicated earlier, HRNSW made payment in advance of receiving money from DAFF. The invoices did correspond with the payments made. Amounts paid corresponded to the invoice.

Issue

REPORTS NOT RECEIVED

The final report and reporting in regard to retained fees had not been supplied to DAFF at the time of the review.
4.7 Quality Assurance

Summary

- HRNSW did not undertake an independent QA of the CHAPs program
- An internal Review identified some minor overpayments

Discussion

An internal review was conducted after payments were made. This identified that some overpayments were made. While this process was conducted after the fact, it does provide some assurance that payments were correct.
4.8 Retained Fees

Summary

- HRNSW retained fees of $2 per day per horse in CHAPSs 1 & 2
- HRNSW did not come to an agreement in regards to retained fees with DAFF
- There was no specific application process for retained fees
- Retained fees paid met the guidelines for the intention of retained fees

Discussion

HRNSW did retain fees to pay money as indicated in the retained fees guidelines. The rate retained was $2 per day per horse which came to 10% of the payment amount. Fees were only retained for CHAPs 1 & 2.

There was no specific application process to receive retained fees but applicants would contact HRNSW to discuss moneys sought and there would be a negotiation process. In one instance, HRNSW did seek out an applicant who was not aware they could receive retained fees.

Retained fees were paid out for the following types of expenses:
- Insurance
- Horse Transport
- Race Caller
- Videographer

Issue

DAFF NOT NOTIFIED

HRNSW did not come to an agreement with DAFF in regards to retained fees and DAFF were not aware that HRNSW were retaining fees until November 2007. The ability to retain was not mentioned in the Funding Deed however it was in the guidelines issued by DAFF and that is what HRNSW referred to when making the decision to withhold.