


Statement of Kevin John Dixon

I, **Kevin John Dixon**, company director, of Racecourse Road Deagon, in the State of Queensland, state as follows:

- A. I am the Chairman of the Queensland All Codes Racing Industry Board (trading as Racing Queensland) (**Racing Queensland**). I was appointed to that position on 1 May 2013.
- B. I am also:
- 1) Chairman of the Queensland Thoroughbred Racing Board. I was appointed to that position on 1 May 2013;
 - 2) a director (and the Chairman) of Racing Queensland Limited (**RQL**). I was appointed to that position on 17 April 2012;
 - 3) a director of Queensland Racing Limited (**QRL**). I was appointed to that position on 17 April 2012;
 - 4) a director of Racing Information Services Australia Pty Ltd. I was appointed to that position on 14 May 2012;
 - 5) a director of Queensland Race Product Co Ltd. I was appointed to that position on 10 May 2012; and
 - 6) a director of Sunshine Coast Racing Pty Ltd. I was appointed to that position on 17 April 2012.
- C. I have also previously held the following positions:
- 1) Founding Chairman of the Brisbane Racing Club. I held that position from 1 July 2009 to 17 April 2012. It was necessary for me to resign from that position prior to my appointment as a director of RQL, QRL and Sunshine Coast Racing Pty Ltd which occurred later that day;
 - 2) Chairman of the Brisbane Turf Club. I held that position for a period of approximately three weeks in June 2009; and


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- 3) Deputy Chairman of the Brisbane Turf Club. I held that position from approximately September 2008 to June 2009.
- D. I have a Bachelor of Economics from the University of Sydney and I am a Fellow of the Institute of Chartered Accountants. I have in excess of 30 years professional experience in the management consulting field.
- E. Attachment "**KJD-1**" [RQL.130.001.0036] is a copy of a Requirement to Give Information in a Statement dated 16 July 2013 (**Notice**) directed to me from the Queensland Racing Commission of Inquiry (**Commission**). This Statement is provided in response to the Notice.
- F. There have been a number of changes to the control body arrangements for Racing in Queensland during the period 1 January 2007 to 30 April 2012 which is defined as the Relevant Period for the purposes of the Notice.

Relevant History

- G. I am aware of the following relevant history as part of my role as Chairman of Racing Queensland.
- H. QRL was established as the thoroughbred control body on 1 July 2006 and continued to be the thoroughbred control body until 30 June 2010.
- I. Prior to 1 July 2008, the Harness Racing Board was the control body for the harness code of racing in Queensland. On 1 July 2008 the Harness Racing Board was dissolved and Queensland Harness Racing Limited (**QHRL**) became the control body for the harness code of racing.
- J. Prior to 1 July 2008, the Greyhound Racing Authority was the control body for the greyhound code of racing in Queensland. On 1 July 2008 the Greyhound Racing Authority was dissolved and Greyhounds Queensland Limited (**GQL**) became the control body for the greyhound code of racing.
- K. From 1 July 2010 RQL became the control body for greyhound, harness and thoroughbred racing in Queensland. On 1 July 2010, all of the assets of QRL, QHRL and GQL, including the books and records of these three entities transferred to RQL.


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- L. RQL is a company limited by guarantee.
- M. On 1 May 2013, Racing Queensland was established as the control body for the three codes of racing in Queensland. All assets of RQL including the books and records of RQL, transferred to Racing Queensland on 1 May 2013.
- N. As Chairman, I necessarily rely on information provided to me by the management team of Racing Queensland and, in particular, Adam Carter (former Acting Chief Executive Officer and General Manager, Corporate Services). I understand that a number of the documents referred to in the Notice will be produced to the Commission as part of a statement provided by Adam Carter. I do not intend to reproduce those documents in this Statement.
- O. I set out below my responses to each of the questions set out in the Notice.

1. CONTRACT MANAGEMENT AND FINANCIAL ACCOUNTABILITY (paragraph 3(a) of the Terms of Reference)

1.1 In respect of the procurement, contract management and financial accountability of the **Relevant Entities** during the **Relevant Period** what were the:

- (a) policies;
- (b) processes;
- (c) guidelines; and
- (d) measures which were used to ensure contracts which were awarded delivered value for money.

1.2 In respect of the policies, processes, guidelines and measures were they adhered to?

1.3 Events surrounding all contractual arrangements between the **Relevant Entities** and Contour Consulting Engineers Pty Ltd ("**Contour**") including those contracts where Contour was contracted to manage contracts on behalf of the **Relevant Entities**.

1.4 In respect of contracts which were entered into between the **Relevant Entities** and Contour:

- (a) Whether each contract was underpinned by procurement practices;
- (b) Whether, for each contract, payment policies and processes:
 - (i) were implemented; and
 - (ii) were adhered to.

1. I understand that the policies, processes, guidelines and measures of each of the Relevant Entities have been provided to the Commission under cover of a statement provided by Mr Adam Carter (General Manager, Corporate Services, Racing Queensland). Again, I do not intend to reproduce those documents in this Statement.


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2. I was not directly involved in any contractual arrangements with Contour on behalf of QRL or RQL during the Relevant Period. I therefore make no direct observation as to whether those contracts complied with the policies and processes in place at the time.
3. I do recall, however, that the Brisbane Racing Club had occasion to discuss projects with RQL (and previously QRL) from time to time. RQL expressed a preference to engage Contour to undertake work for particular projects. I observed that this practice occurred in my then capacity as Founding Chairman of the Brisbane Racing Club.
4. I recall that such a preference was expressed on occasions by Mr Bob Bentley, Mr Malcolm Tuttle and/or Mr Paul Brennan. The reasons given for their preference to engage Contour were generally that the work was required to be undertaken urgently or that Contour had relevant experience and were well suited to the project.
5. I recall that the Brisbane Racing Club resisted using Contour on each occasion, primarily because it felt it was more able to achieve the same result in other ways.
6. During the period relevant to the matters set out above, I also recall discussions with fellow club Chairmen, most notably the chairmen of Townsville Turf Club, Rockhampton Jockey Club and Gold Coast Turf Club, who stated they had also received substantial encouragement from RQL to engage Contour.

2. MANAGEMENT (paragraph 3(b) of the Terms of Reference)

2.1 As to the Relevant Entities during the Relevant Period, the

- (a) management policies;
 - (b) management processes;
 - (c) management guidelines; and
 - (d) workplace culture and practices
- that were in place and whether each one:

- (a) ensured integrity; and
- (b) was adhered to.

2.2 The involvement of the boards or members of the boards of the Relevant Entities in the exercise of functions of:

- (a) the executive management team; and
- (b) other key management personnel, including the company secretary and those involved in integrity matters.


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7. I understand that the policies, processes and guidelines of each of the Relevant Entities have been provided to the Commission under cover of a statement provided by Mr Adam Carter. I do not intend to reproduce those documents in this Statement.
8. As set out above, I became a director of RQL on 17 April 2012. On 17 April 2012, Mr Bob Bentley announced his resignation as Chairman and director effective from 30 April 2012. Mr Tony Hanmer and Mr Bill Ludwig also announced their resignation as directors of RQL effective from 30 April 2012 on that day. Following the resignation of Mr Bentley, Mr Hanmer and Mr Ludwig on 30 April 2012, a board meeting was held on 1 May 2012 between myself, Brad Ryan and Wayne Milner (as the remaining members of the Board). At that meeting I was appointed as Chairman.

Workplace Culture

9. The workplace culture and practice that I observed at RQL upon my commencement was one of a very 'flat' management structure, wherein there were seven separate areas each reporting directly to the Chief Executive Officer (then Malcolm Tuttle).
10. My observation was that staff had felt, up until that time, constrained in their roles and that any steps to be taken in their role first had to be approved by Mr Tuttle and/or Mr Bentley. There was a culture of staff awaiting direction rather than proactively undertaking their employment duties.
11. It also appeared to me that staff, up until that time, had often been assigned to undertake tasks for which they were not suited. By way of example, I recall that Mr Reid Sanders and Mrs Shara Reid (formerly Murray) had been assigned to oversee the development of the synthetic track at the Toowoomba Turf Club. I knew that there were other staff available at the time, who, in my view, were more suitably experienced to undertake that task (including for example, Mr Warren Williams, who had specific experience in this field).
12. I observed that staff within the organisation had an expectation that I, as the Chairman, would direct them how to do their jobs rather than expect them to take their own initiative.
13. I sought to address the existing workplace culture as soon as possible in my role as Chairman, including by introducing a more hierarchical structure to the organisation and seeking to ensure that staff were appropriately assigned to undertake tasks based on their experience and


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qualifications. I have found that staff have reacted positively to the changes that I have caused to be introduced.

Policies and Procedures

14. My observation upon joining RQL was that it had a wide-ranging suite of policies and procedures in place which appeared to me to be in adequate terms. I requested copies of policies from Mr Adam Carter and other staff of RQL. I undertook a review of those policies and discussed the implementation of and compliance with the policies with the management of RQL (where a policy fell within their area of responsibility).
15. In the course of undertaking that review I identified a substantial number of instances where the relevant policy and procedure had not been complied with by RQL staff (including, in particular, in the dealings between Contour and RQL). I did not prepare a formal report recording the results of that review. However, set out below are some of the actions that were undertaken as a result of that review.
16. I delivered a briefing to the Honourable Steven Dickson MP, Minister for National Parks, Recreation, Sport and Racing, on 29 May 2012 in relation to the current status of the organisation.
17. On 7 November 2012 I directed Mr Adam Carter, the Acting Chief Executive Officer of RQL, to send a letter to the Honourable Steven Dickson MP outlining the concerns held in relation to the dealings between Contour and RQL, and advising that a forensic audit would be undertaken of all projects involving Contour. Attachment "KJD-2" to this Statement is a copy of the letter from RQL to the Honourable Steven Dickson MP dated 7 November 2012 [RQL.110.001.0594].
18. I understand that the Honourable Steven Dickson MP subsequently referred the matter to the Auditor-General on approximately 14 November 2012.
19. On 20 November 2012, I confirmed with Mr Adam Carter that the dealings between RQL and Contour had been referred to the Crime and Misconduct Commission in accordance with s.38 of the Crime and Misconduct Act 2001. Attachment "KJD-3" to this Statement is a copy of the letter from RQL to the Crime and Misconduct Commission dated 20 November 2012 [RQL.115.001.1765].


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20. On 23 November 2012, RQL prepared a draft report entitled 'Forensic Report - Contour'. Attachment "KJD-4" to this Statement is a copy of that report [RQL.109.012.1135]. The purpose of the draft report was to facilitate discussions between RQL, the Auditor-General and the Crime and Misconduct Commission on 23 November 2012.
21. On 3 December 2012, RQL engaged Deloitte Touche Tomatsu to undertake an independent examination of its procurement processes. That resulted in Deloitte Touche Tomatsu preparing a report dated 29 April 2013 entitled 'Racing Queensland Limited - Examination of Procurement Processes'. Attachment "KJD-5" to this Statement is a copy of that report [RQL.109.012.4886].
22. That report set out various recommendations, which are in the process of being implemented by the current board of Racing Queensland. A copy of the report was also provided to the Crime and Misconduct Commission, the Minister and the Queensland Audit Office on 29 April 2013.

3. CORPORATE GOVERNANCE (paragraph 3(c) of the Terms of Reference)

3.1 The corporate governance arrangements of Racing Queensland Limited in the **Relevant Period**.

3.2 Whether Racing Queensland Limited and its **Officers** operated and acted:

- (a) with integrity;
- (b) in accordance with the company's constitution;
- (c) in the best interests of the company;
- (d) in the best interests of the racing industry;
- (e) consistently with policies made pursuant to sections 81 and 83(2) of the Racing Act 2000 by the Relevant Entities which were current during the Relevant Period; and
- (f) consistently with legislation including the Racing Act 2000 and the Corporations Act 2001.

3.3 In the **Relevant Period** were there in place policies, rules and procedures within Racing Queensland Limited to:

- (a) identify and manage conflicts of interest; and
- (b) minimise the risk of directors and executives improperly using their position and information for personal or financial gain.

3.4 Within Racing Queensland Limited during the **Relevant Period** were there in place terms of employment in contracts restraining former directors and executives from seeking employment with Racing Queensland Limited's contractors and suppliers.

23. Again, I understand that the documents comprising the corporate governance arrangements of RQL have been provided to the Commission under cover of a statement provided by Mr Adam Carter. I do not intend to reproduce those documents in this Statement.

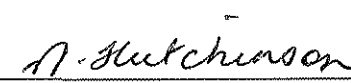

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24. As set out above, I became a director of RQL on 17 April 2012. I therefore make no direct observation as to whether RQL and its officers acted appropriately prior to that time.
25. I do recall, however, in my capacity as Founding Chairman of the Brisbane Racing Club several occasions where I had concerns in relation to the club's dealings with RQL (and previously, QRL).
26. By way of example, there were occasions on which a complaint would be submitted about the Chairman or the board of RQL on behalf of the Brisbane Race Club. That complaint would be referred to RQL's integrity department which was then led by Mr Jamie Orchard. In my view there was no clear definition of the authority or responsibility for the review of such a complaint. I felt that the integrity department within RQL was unable to undertake an objective and independent review of the complaint in circumstances where it reported directly to the Chairman and the board of RQL.
27. I was also involved in the negotiation of arrangements with Sky Channel during 2010, in my then capacity as Founding Chairman of the Brisbane Racing Club. I recall that at the time there was a view held by the board of RQL (which was explained to me in a briefing provided by Mr Bob Bentley to Club Chairman and Chief Executive Officers) that it would achieve a better outcome for the racing industry by negotiating collectively with Sky Channel rather than allowing each of the individual racing clubs to negotiate individually.
28. I recall that each of the individual racing clubs agreed to allow RQL to undertake negotiations on their behalf. That agreement was subject to certain parameters being placed upon RQL, including most importantly that RQL could only negotiate at the 'aggregate level' and could not know what the resulting share of each individual club was. The clubs considered that this information should be kept confidential between themselves and Sky Channel.
29. Upon joining RQL in April 2012 and reviewing its records of those negotiations, and from reporting by Sky Channel to RQL during the course of those negotiations, I discovered that in fact RQL had complete knowledge of each individual club's resulting share.
30. I also recall that Brisbane Racing Club approached RQL towards the end of its negotiations with Sky Channel (in late 2010) to request that they receive further funds as part of the agreement (I am aware that a number of the individual clubs had also made such an approach). Shortly afterwards, RQL advised the Brisbane Racing Club that it had approached Sky



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Channel for additional funds and had secured a \$1.5m 'sign on bonus'. I was later informed by Sky Channel executives and, in particular, Mr Brendan Parnell that RQL had in fact already secured those funds from Sky Channel prior to the individual clubs entering into an agreement.

31. In my capacity as the then Chairman of the Brisbane Racing Club I discussed the \$1.5m 'sign on bonus' with Wayne Milner, a then director of RQL. In my discussion with Mr Milner, I insisted, that the funds should be refunded by RQL to Sky Channel and then redistributed by Sky Channel directly to clubs, including the Brisbane Racing Club. I further advised Mr Milner that the Brisbane Racing Club would not proceed with the agreement until it received written evidence from RQL that RQL had refunded the money to Sky Channel.
32. Following further requests that were made by me over a number of days, I recall that RQL provided written confirmation to the Brisbane Racing Club that the money had been refunded to Sky Channel. I also recall that Brisbane Racing Club also received confirmation separately from Sky Channel which confirmed that Sky Channel had received the refund from RQL of the payment.

4. OVERSIGHT BY THE MINISTER, THE EXECUTIVE GOVERNMENT, THE CHIEF EXECUTIVE (paragraph 3(d) of the Terms of Reference)

4.1 Oversight of the operations of the Relevant Entities in the Relevant Period by:

- (a) the responsible Minister;
- (b) the Executive Government; and
- (c) the Chief Executive.

33. I recall that on several occasions in my capacity as Founding Chairman of the Brisbane Racing Club I contacted the Minister for Racing at the time regarding various concerns that I held in relation to the management of RQL (and more previously, QRL) and other related topics.
34. On each occasion I recall being advised by the relevant Minister and the Executive Director of the Office of Racing (who attended each meeting) that RQL was a private company and that I should raise my concerns directly with it (or, previously, QRL).

5. EMPLOYMENT CONTRACTS: TUTTLE, ORCHARD, BRENNAN, REID (paragraph 3(c) of the Terms of Reference)

5.1 The events surrounding the renegotiation of employment contracts in 2011, for the following senior executives of Racing Queensland Limited:

- (a) Malcolm Tuttle;


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- (b) *Jamie Orchard;*
- (c) *Paul Brennan, and*
- (d) *Shara Reid (formerly Murray).*

5.2 *The events surrounding the payouts made under the abovementioned contracts on the voluntary termination in March 2012 of the employment of:*

- (a) *Mr Tuttle;*
- (b) *Mr Orchard;*
- (c) *Mr Brennan; and*
- (d) *Ms Reid.*

5.3 *The actions of the directors and senior executives of Racing Queensland Limited referred to in paragraph 5.1 and 5.2 hereof and:*

- (a) *the responsibilities;*
- (b) *duties; and*
- (c) *legal obligations of those persons.*

35. I had no involvement with the renegotiation of employment contracts or the termination payments made to Malcolm Tuttle, Jamie Orchard, Paul Brennan and Shara Reid (formerly Murray).
36. As set out above, I became a director of RQL on 17 April 2012. Each of the four executives had resigned prior to that date.

6. QUEENSLAND RACE PRODUCT CO LIMITED and TATTS GROUP (paragraph 3(f) of the Terms of Reference)

6.1 *The operations of the Relevant Entities in the Relevant Period with respect to the arrangements between Queensland Race Product Co Limited and Tatts Group (formerly UNiTAB) concerning fees paid by Tatts Group for Queensland wagering on interstate races through TattsBet ("Fee Arrangements").*

6.2 *How Queensland Race Product Co Limited responded to the introduction of race information fees.*

6.3 *Whether there was legal or other expert advice obtained by the boards of the Relevant Entities as to the effect on fees payable by the Tatts Group to Queensland Race Product Co Limited as a consequence of race information fees being introduced.*

6.4 *Any action taken or not taken as a consequence of the legal or other expert advice and whether there were reasons for taking or for not taking action in accordance with the advice.*

6.5 *When the race information fees were introduced or at any other time in the Relevant Period, whether the directors and senior executives of the Relevant Entities acted in relation to the Fee Arrangements:*

- (a) *in good faith;*
- (b) *consistently with their responsibilities;*
- (c) *consistently with their duties and legal obligations; and*


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(d) in the best interests of the company or companies of which they were directors or senior executives.

*(e) Whether the actions of the directors and/or senior executives of the **Relevant Entities** relating to the **Fee Arrangements** were influenced by a conflict of interest when the race information fees were introduced or at any other time in the **Relevant Period**.*

6.6 Whether, in relation to the *Fee Arrangements*, the directors and the senior executives of the **Relevant Entities used their position to gain a personal advantage when the race information fees were introduced or at any other time in the **Relevant Period**.**

37. As set out above, I became a director of Queensland Race Product Co Ltd on 10 May 2012.
38. I therefore had no involvement in its response to the introduction of race information fees in 2008, and make no comment as to the conduct of the directors and senior executives of the Relevant Entities involved at that time.
39. Upon becoming a director of Queensland Race Product Co Ltd, I had no knowledge of the deductions then being made by TattsBet to the fees paid by it under the Product and Program Agreement in respect of race information fees payable to interstate authorities.
40. I recall that this issue was first brought to my attention by Mr Bill Andrews in or about June or July of 2012. At or about the same time I also discussed the issue with Mr Michael Lambert, who expressed some concerns as to whether TattsBet were entitled to make the deductions. I was referred to a board document that Mr Lambert had prepared in relation to his concerns.
41. I subsequently reviewed the advice provided to RQL by Cooper Grace Ward in late 2008 relevant to the issue. To my knowledge, there was no advice taken from Senior Counsel by RQL at that time.

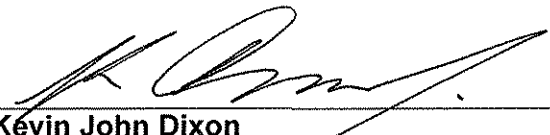
7. FUNDS TRANSFER IN FEBRUARY 2012: QUEENSLAND GOVERNMENT TO RACING QUEENSLAND LIMITED INFRASTRUCTURE TRUST ACCOUNT (paragraph 3(g) of the Terms of Reference)

7.1 Events surrounding the approved transfer of funds by the Queensland Government to the Racing Queensland Limited Infrastructure Trust Account in February 2012.

7.2 The basis upon which the transfer of funds was made.

7.3 Was any influence exercised by directors of Racing Queensland Limited in relation to having the transfer made.

42. As set out above, I became a director of RQL on 17 April 2012.


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43. I therefore had no involvement in the transfer of funds by the Queensland Government to RQL in February 2012.

8. ANY OTHER RELEVANT MATTER

8.1 Any other matter relevant to the Commission's Terms of Reference.


I make this statement conscientiously believing the same to be true, and by virtue of the provisions of the Oaths Act 1867 (Qld).

Dated 2 August 2013

Signed and declared by Kevin John Dixon at
Brisbane in the State of Queensland
this 2nd day of August 2013
Before me:




Signature of person before whom the declaration is made



Signature of declarant

MICHELLE HUTCHINSON, SOLICITOR

Full name and qualification of person before whom the declaration is made


Kevin John Dixon
Witness

Queensland Racing
Commission of Inquiry

2233967 - R1

16 July 2013

Mr Kevin Dixon
C/- Clayton Utz
GPO Box 55
BRISBANE QLD 4001

Dear Mr Dixon

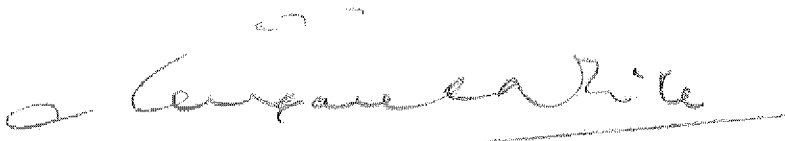
**REQUIREMENT TO PROVIDE WRITTEN STATEMENT TO RACING
COMMISSION OF INQUIRY**

Please find enclosed a notice requiring you to give written information in a statement to the Queensland Racing Commission of Inquiry established by the *Commissions of Inquiry Order (No. 1) 2013*.

The statement is to be provided to the Commission on or before 2 August 2013, at the place and in the manner specified in the notice.

If you require further information, clarification or assistance, please contact (at first instance) the Commission's Secretary, Joanne Bugden, on 1300 763 087.

Yours sincerely



Commissioner
The Hon. Margaret White AO



QUEENSLAND RACING COMMISSION OF INQUIRY

Commissions of Inquiry Act 1950
Section 5(1)(d)

REQUIREMENT TO GIVE INFORMATION IN A WRITTEN STATEMENT

To: Mr Kevin Dixon
Of: C/- Clayton Utz, GPO Box 55, BRISBANE QLD. 4001

I, THE HONOURABLE MARGARET WHITE AO, Commissioner appointed pursuant to *Commissions of Inquiry Order (No. 1) 2013* to inquire into certain matters pertaining to racing in Queensland ("the Commission") require you to give a written statement to the Commission pursuant to section 5(1)(d) of the *Commissions of Inquiry Act 1950* in regard to your knowledge of the matters set out in the Schedule annexed hereto.

YOU MUST COMPLY WITH THIS REQUIREMENT BY:

Giving a written statement prepared either in affidavit form or verified as a statutory declaration under the *Oaths Act 1867* and in accordance with the Practice Guideline (which is published on the Commission website at www.racinginquiry.qld.gov.au) to the Commission on or before 2 August 2013, by delivering it to the Commission at Level 1, 50 Ann Street, BRISBANE, or to the Commission's secretary at PO Box 12369, George Street, BRISBANE, or electronically to info@racinginquiry.qld.gov.au.

If you believe that you have a reasonable excuse for not complying with this notice, for the purposes of section 5(2)(b) of the *Commissions of Inquiry Act 1950* you will need to provide evidence to the Commission in that regard by the due date specified above.

DATED this sixteenth day of July 2013

The Hon. Margaret White AO
Commissioner
Queensland Racing Commission of Inquiry

SCHEDULE

Commission of Inquiry Act 1950

1. CONTRACT MANAGEMENT AND FINANCIAL ACCOUNTABILITY (paragraph 3(a) of the Terms of Reference)
 - 1.1 In respect of the procurement, contract management and financial accountability of the *Relevant Entities (defined below)* during the *Relevant Period (defined below)* what were the:
 - (a) policies;
 - (b) processes;
 - (c) guidelines; and
 - (d) measures which were used to ensure contracts which were awarded delivered value for money.
 - 1.2 In respect of the policies, processes, guidelines and measures were they adhered to?
 - 1.3 Events surrounding all contractual arrangements between the *Relevant Entities* and Contour Consulting Engineers Pty Ltd ("*Contour*") including those contracts where Contour was contracted to manage contracts on behalf of the *Relevant Entities*.
 - 1.4 In respect of contracts which were entered into between the *Relevant Entities* and *Contour*:
 - (a) Whether each contract was underpinned by procurement practices;

(b) Whether, for each contract, payment policies and processes:

(i) were implemented; and

(ii) were adhered to.

2. MANAGEMENT (paragraph 3(b) of the Terms of Reference)

2.1 As to the *Relevant Entities* during the *Relevant Period*, the

(a) management policies;

(b) management processes;

(c) management guidelines; and

(d) workplace culture and practices

that were in place and whether each one:

(a) ensured integrity; and

(b) was adhered to.

2.2 The involvement of the boards or members of the boards of the *Relevant Entities* in the exercise of functions of:

(a) the executive management team; and

(b) other key management personnel, including the company secretary and those involved in integrity matters.

3. CORPORATE GOVERNANCE (paragraph 3(c) of the Terms of Reference)

3.1 The corporate governance arrangements of Racing Queensland Limited in the *Relevant Period*.

3.2 Whether Racing Queensland Limited and its **Officers** operated and acted:

- (a) with integrity;
- (b) in accordance with the company's constitution;
- (c) in the best interests of the company;
- (d) in the best interests of the racing industry;
- (e) consistently with policies made pursuant to sections 81 and 83(2) of the *Racing Act 2000* by the Relevant Entities which were current during the Relevant Period; and
- (f) consistently with legislation including the *Racing Act 2000* and the *Corporations Act 2001*.

3.3 In the **Relevant Period** were there in place policies, rules and procedures within Racing Queensland Limited to:

- (a) identify and manage conflicts of interest; and
- (b) minimise the risk of directors and executives improperly using their position and information for personal or financial gain.

3.4 Within Racing Queensland Limited during the **Relevant Period** were there in place terms of employment in contracts restraining former directors and executives from seeking employment with Racing Queensland Limited's contractors and suppliers.

4. **OVERSIGHT BY THE MINISTER, THE EXECUTIVE GOVERNMENT, THE CHIEF EXECUTIVE** (paragraph 3(d) of the Terms of Reference)

4.1 Oversight of the operations of the *Relevant Entities* in the *Relevant Period* by:

- (a) the responsible Minister;
- (b) the Executive Government; and
- (c) the Chief Executive.

5. EMPLOYMENT CONTRACTS: TUTTLE, ORCHARD, BRENNAN, REID
(paragraph 3(c) of the Terms of Reference)

5.1 The events surrounding the renegotiation of employment contracts in 2011, for the following senior executives of Racing Queensland Limited:

- (a) Malcolm Tuttle;
- (b) Jamie Orchard;
- (c) Paul Brennan; and
- (d) Shara Reid (formerly Murray).

5.2 The events surrounding the payouts made under the abovementioned contracts on the voluntary termination in March 2012 of the employment of:

- (a) Mr Tuttle;
- (b) Mr Orchard;
- (c) Mr Brennan; and
- (d) Ms Reid.

5.3 The actions of the directors and senior executives of Racing Queensland Limited referred to in paragraph 5.1 and 5.2 hereof and:

- (a) the responsibilities;
- (b) duties; and
- (c) legal obligations of

those persons.

6. **QUEENSLAND RACE PRODUCT CO LIMITED and TATTS GROUP** (paragraph 3 (f) of the Terms of Reference)

6.1 The operations of the *Relevant Entities* in the *Relevant Period* with respect to the arrangements between Queensland Race Product Co Limited and Tatts Group (formerly UNITAB) concerning fees paid by Tatts Group for Queensland wagering on interstate races through TattsBet ("*Fee Arrangements*").

6.2 How Queensland Race Product Co Limited responded to the introduction of race information fees.

6.3 Whether there was legal or other expert advice obtained by the boards of the *Relevant Entities* as to the effect on fees payable by the Tatts Group to Queensland Race Product Co Limited as a consequence of race information fees being introduced.

6.4 Any action taken or not taken as a consequence of the legal or other expert advice and whether there were reasons for taking or for not taking action in accordance with the advice.

6.5 When the race information fees were introduced or at any other time in the *Relevant Period*, whether the directors and senior

executives of the *Relevant Entities* acted in relation to the *Fee Arrangements*:

- (a) in good faith;
- (b) consistently with their responsibilities;
- (c) consistently with their duties and legal obligations; and
- (d) in the best interests of the company or companies of which they were directors or senior executives.
- (e) Whether the actions of the directors and/or senior executives of the *Relevant Entities* relating to the *Fee Arrangements* were influenced by a conflict of interest when the race information fees were introduced or at any other time in the *Relevant Period*.

6.6 Whether, in relation to the *Fee Arrangements*, the directors and the senior executives of the *Relevant Entities* used their position to gain a personal advantage when the race information fees were introduced or at any other time in the *Relevant Period*.

7. FUNDS TRANSFER IN FEBRUARY 2012: QUEENSLAND GOVERNMENT TO RACING QUEENSLAND LIMITED INFRASTRUCTURE TRUST ACCOUNT (paragraph 3(g) of the Terms of Reference)

7.1 Events surrounding the approved transfer of funds by the Queensland Government to the Racing Queensland Limited Infrastructure Trust Account in February 2012.

7.2 The basis upon which the transfer of funds was made.

7.3 Was any influence exercised by directors of Racing Queensland Limited in relation to having the transfer made.

8. ANY OTHER RELEVANT MATTER

8.1 Any other matter relevant to the Commission's Terms of Reference.

GLOSSARY

Officers - means:

- the directors of Racing Queensland Limited;
- the executive management team of Racing Queensland Limited;
- other key management personnel of Racing Queensland Limited;
- the company secretary of Racing Queensland Limited.

Relevant Entities – means:

- Racing Queensland Limited
 - before July 2010: Queensland Racing Limited, Greyhounds Queensland Limited and Queensland Harness Racing Limited;
 - before July 2008: Greyhound Racing Authority and Queensland Harness Racing Board;
- entities controlled by Racing Queensland Limited or the other entities mentioned above, including Queensland Race Product Co.Limited.

Relevant Period means 1 January 2007 to 30 April 2012.

Terms of Reference: the terms of reference for the Commission are contained in *Commissions of Inquiry Order (No. 1) 2013* which is available on the Commission's website at www.racinginquiry.qld.gov.au/.

INFORMATION TO ADDRESSEE

YOU MUST COMPLY WITH THIS SUMMONS OR NOTICE

Pursuant to sections 5 and 7 of the *Commissions of Inquiry Act 1950* ("the Act"), a failure without reasonable excuse to comply with this summons or notice, and (if summonsed to give evidence) a failure to continue to attend as required by the Commissioner until excused from further attendance, constitutes an offence which carries a maximum penalty of 200 penalty units or 1 year's imprisonment. Non-compliance with this summons or notice may result in a warrant being issued for your arrest.

LEGAL REPRESENTATION

You may be legally represented at a Commission hearing, if you first obtain leave from the Commissioner. The procedure for seeking such leave is set out in the Initial Practice Guidelines available on the Commission's website at www.racinginquiry.qld.gov.au.

IF THIS NOTICE REQUIRES YOU TO GIVE A STATEMENT OR ANSWER QUESTIONS

Pursuant to section 14 of the Act, a person attending before the Commission is not entitled to remain silent upon being required to give evidence, refuse or fail to answer any question they are required by the Commissioner to answer, or refuse or fail to produce any thing that the person has been summonsed or required to produce, on the ground that to do otherwise would or might tend to incriminate the person.

Pursuant to section 14A of the Act, a statement or disclosure made by any witness in answer to any question put to the witness by the Commission or the Commissioner shall not be admissible in evidence against the witness in any civil or criminal proceedings save for any proceedings for contempt or in relation to the offences specified in section 22 of the Act.

IF THIS NOTICE REQUIRES YOU TO PRODUCE A DOCUMENT OR THING

You must bring the stated document or thing to the Commission, if the stated document or thing is in your possession, custody or control. You must produce the document or thing to the Commission, unless you have a reasonable excuse. A claim of privilege, other than legal professional privilege, is not a reasonable excuse. However, legal professional privilege is not a reasonable excuse if the privilege is waived by any person (including you) who has authority to waive it.

PROTECTIONS AND ALLOWANCES FOR A WITNESS

Every witness attending before the Commission has the same protection and the same liability as a witness would in any action or trial in the Supreme Court of Queensland.

Pursuant to section 23 of the Act, penalties apply to any employer who dismisses an employee from employment, or prejudices him or her in their employment because the employee appeared as a witness before the Commission.

Pursuant to section 24 of the Act, a person attending a Commission hearing under summons is entitled to be paid the allowances and expenses as allowed by regulation or by the Commissioner.



**RACING
QUEENSLAND**

7 November 2012

Hon. Steve Dickson MP
Minister for National Parks, Recreation, Sport and Racing
Queensland Government
PO Box 15187
CITY EAST QLD 4002

Racing Queensland Limited
A.B.N 52 142 786 874
Racecourse Rd Deagon QLD 4017
PO Box 83 Sandgate QLD 4017
T 07 3889 9777
F 07 3289 6404
E info@racingqueensland.com.au
W www.racingqueensland.com.au

Dear Minister

RE: ADVICE OF SPECIAL FORENSIC AUDIT

As you are aware, the previous Board of Racing Queensland Limited (RQL) initiated a number of Capital Projects over the last few years. These included, but are not limited to thoroughbred facilities at Corbould Park in Caloundra, Callaghan Park in Rockhampton and Ooralea Racecourse in Mackay.

RQL has recently undertaken a review of these projects, so as to ensure we have learnt as much as possible from these projects. A number of characteristics of these projects regarding their procurement and performance have caused some concern. In addition, some recent events have added to that concern and we believe that action is now appropriate to address these concerns. This letter is therefore to advise you of the circumstances and actions being taken.

The major concern involves work performed by a Sunshine Coast based consulting engineering firm trading under the name Contour Consulting Engineers Pty Ltd (**Contour**).

The specifics are:

1. For the period July 1, 2007, to October 31, 2012, Contour have been awarded contracts and undertaken other works on behalf of the consolidated entities of RQL to the approximate value of \$158 million. As a result of the LNP winning government, and the subsequent changing of Board membership, the projects concerned were put on hold subject to review. As such, of this \$158 million in awarded work, only \$58 million was completed. The remaining \$100 million has been put aside.
2. Based on documentation provided, the direct consulting fees earned from this work by Contour were approximately \$5.6 million. It is unclear if any inter-contractor payments were made, or if Contour received some payment from subcontractors.
3. RQL's procurement policy requires all work in excess of \$10,000 to be competitively tendered to at least three suppliers. RQL's policies also require a contractor's register to be kept for all payments. Despite \$5.6 million being paid to Contour, our review

identified only \$3.19 million being logged to the register. We have been unable to locate or identify any contract or engagement documentation for the remainder.

4. Despite the requirement for tender policy, it appears RQL awarded a substantial volume of work to Contour without RQL undertaking a competitive tender process. The exact amount not tendered is unclear to us at this time and requires further investigation. However, it would involve the majority of the work at least in recent times. We cannot identify any circumstances that would have justified the policy being ignored.
5. On March 29, 2012, the week following the State Election, a letter sent by Contour on August 31, 2011, was countersigned by the then-Chairman of RQL, Mr Bob Bentley (copy attached). This appears to be a clear attempt to "catch up" the approval documentation over awarded projects that had not been subject to prior documentation. It was used to provide some documentation for the payments that had been made to Contour in the period between August 2011 and March 2012, notwithstanding it was after the fact.
6. The RQL executives charged with the procurement process and responsible for ensuring adherence to the procurement rules were the Chief Executive Officer, Mr Malcolm Tuttle, and the Director of Product Development, Mr Paul Brennan.
7. All projects awarded, notwithstanding the non-adherence to policy, were approved by the then-Chairman, Mr Bentley, and subsequently ratified by the RQL Board.
8. Mr Tuttle and Mr Brennan on the Monday immediately following the 2012 State Election resigned under extremely favourable terms provided by the then Board, the details of which you are already aware. You will recall that four executives resigned at that time with a payout of \$1.83 million, representing \$1.3 million above their entitlements. Mr Tuttle and Mr Brennan received \$1.168 million of this amount.
9. Immediately after his resignation Mr Brennan took up a senior executive role with Contour and we have now learnt that Mr Tuttle has also taken up a senior executive role with Contour.

Given the above, we have significant concerns regarding these events and, as such, we advise that we will immediately undertake a forensic audit of all projects involving Contour.

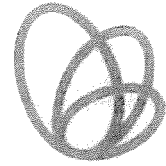
This audit will include the procurement process, the engagement contracts, the performance against the contract and the value for money. Given some of the funds spent on these projects were funds granted under deed by the previous Government, we will provide you with a copy of the audit findings when completed. We will of course be available to you if you believe any further action is appropriate.

Should you have any queries in relation to this, please do not hesitate to contact me on (07) 3869 9702.

Yours sincerely



ADAM CARTER
Acting Chief Executive Officer



**RACING
QUEENSLAND**

7 November 2012

Hon. Steve Dickson MP
Minister for National Parks, Recreation, Sport and Racing
Queensland Government
PO Box 15187
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This audit will include the procurement process, the engagement contracts, the performance against the contract and the value for money. Given some of the funds spent on these projects were funds granted under deed by the previous Government, we will provide you with a copy of the audit findings when completed. We will of course be available to you if you believe any further action is appropriate.

Should you have any queries in relation to this, please do not hesitate to contact me on (07) 3869 9702.

Yours sincerely



ADAM CARTER
Acting Chief Executive Officer



RACING
QUEENSLAND

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RACING
QUEENSLAND

Status Report - Contour

As at 23 November 2012

Background

The previous Board of Racing Queensland Limited (**RQL**) initiated a number of Capital Projects over the past few years. These included, but are not limited to thoroughbred facilities at Corbould Park in Caloundra, Callaghan Park in Rockhampton and Ooralea Racecourse in Mackay.

RQL has recently undertaken a review of these projects. Work performed by a Sunshine Coast based consulting engineering firm trading under the name Contour Consulting Engineers Pty Ltd (**Contour**), warranted closer inspection.

For the period 1 July 2007 to 31 October 2012, Contour was awarded contracts and undertook other works on behalf of the consolidated entities of RQL to the approximate value of \$158 million. Of this, \$58 million was completed, the remaining \$100 million placed on hold with the change in State government. The direct consulting fees earned from this work by Contour amounted to approximately \$5.99 million inclusive of GST.

- RQL's procurement policy requires all work in excess of \$10,000 to be competitively tendered to at least three suppliers. Despite this, it appears RQL awarded a substantial volume of work to Contour without RQL undertaking a competitive tender process.
- RQL's policies also require a contractor's register to be kept for all payments. Only \$3.19 million of Contour's \$5.99 million fees were logged to the register.

The RQL executives charged with the procurement process and responsible for ensuring adherence to the procurement rules were the Chief Executive Officer, Mr Malcolm Tuttle, and the Director of Product Development, Mr Paul Brennan.

All projects awarded, notwithstanding the non-adherence to policy, were approved by the then-Chairman, Mr Robert Bentley, and subsequently ratified by the RQL Board.

Immediately following his resignation (the Monday following the 2012 State Election), Mr Brennan took up a senior executive role with Contour and Mr Tuttle has since also taken up a senior executive role with Contour.

Purpose and Scope

The purpose of this review was to confirm any suspected fraudulent behaviour, determine the extent thereof, and identify any further similar instances, both regarding work performed by Contour and by other similar consulting engineering firms, regarding Capital Projects undertaken on behalf of RQL.

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The scope of this audit was to focus on:

- The procurement process
- The engagement contracts
- The performance against contract
- Value for money,

for all Capital Projects for the period 1 July 2007 to 31 October 2012, for Contour and noting similar possibly fraudulent transactions for other similar consulting engineering firms.

Key Risks for the Audit

The key risks for this audit include:

- Fraudulent transactions
- Inability to recoup financial damage from fraudulent activity
- Ineffective corporate governance
- Ineffective anti-fraud programs resulting in fraud and/or financial misstatement
- Board conflict of interest and/or lack of independence
- Inappropriate decision-making and delegation of authorities
- Inadequate attention to strategy and execution
- Non-compliance with purchasing / procurement policy and procedures
- Reputation damage / public perception
- Inability to effectively allocate and manage contract risk.

Methodology

We performed the following tasks:

- Identified Capital Projects for which engineering consulting was undertaken by Contour
- Determined whether or not the purchasing / procurement policy was complied with, and where not, detail the instances and extent of the non-compliance, for each engagement contract (where those are in place) against the prescribed procurement steps and value for money
- Determined whether or not authorised approval was obtained
- Determined whether or not Board approval was obtained
- Scrutinised Board meeting minutes where applications for approval were tabled, and document minutes where approval was granted
- Identified and secured all and any communications between RQL and Contour, and between Contour and Messrs Tuttle and Brennan (run search functionality over the e-mail boxes of these individuals)
- Reconciled payments per financial records to the contractor's register

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- Followed audit trail on exceptions.

Findings

1) Contract

There is no contract or agreement in place with Contour, for RQL. An internal audit report by Deloitte (dated April 2012; fieldwork March 2012) noted the absence of this contract; they were subsequently sent a signed version dated March 2012. This despite the fact that Contour have been engaged since 2007.

To date (23 November 2012) we have found proposed contracts for Corbould Park, unsigned by RQL. We also have strategic asset management plans for Corbould Park, Ooralea Park, Cluden Park, Cannon Park, Beuadesert, Gold Coast, Deagon Clifford Park, Calaghan Park and Bundamba. We are continuing to obtain archived information.

RQL uses consulting services and implements industry capital works projects each year. Parties to these agreements are contracted, and the process is transparent and competitive in accordance with the purchasing policy.

We found e-mail documentation that implied the existence of a Contour contract at least circulated in draft form. The email is dated 27 Oct 2011 and refers to several clauses requiring clarification.

This is non-compliance with the purchasing policy and poor corporate governance from a probity perspective, as well as an inability to effectively allocate and manage contract risk.

2) Tendering process

Initial contact was made with Contour when they tendered for the role of civil designer for synthetic track surface in June 2007. Project managers were Arben, Contour were the lowest of the three tenderers and winning tenderer.

Subsequently, Contour appears to have replaced Arben as project managers. The 1 Feb 2008 Board minutes note this as being under deliberation, as Arben were thought to be spending too little time on site.

We could find no other tender documents for any Contour transactions. Tendering is a requirement of the purchasing policy for amounts exceeding \$10,000. This represents non-compliance with the purchasing policy.

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3) Board Approval

The waiver of an open tender is at the discretion of the Board for amounts exceeding \$100,000 and must be minuted. We found an amendment to Item 3.2 of the Feb 2008 Board meeting whereby the initial Board-approved amount of \$100,000 to repair flood damage to the Beaudesert track was increased to \$200,000 based on the strategic importance of Beaudesert.

This occasion was thus minuted. However, an extension can be understood, but to double the amount is questionable, without going out to tender again based on revised quotes.

In the Board meeting minutes for 4 Nov 2011 it was put forward that Contour had submitted a contract for their appointment to provide planning services for the Industry Infrastructure Plan. We also found in the same Board minutes from 4 Nov 2011 where concerns regarding probity were raised, and that these were to be addressed but that work had already commenced. The motion was carried, presumably to address probity issues. Work meanwhile continued.

These points place doubt over the corporate governance procedure, and the independence of the Board.

4) Invoices

Payments to Contour far exceed the Contract Register entries. Payments of \$5.99m were made but only \$3.19m are recorded.

Eight invoiced payments to Contour were uncovered, for which the GST-inclusive total exceeded \$50,000. One of these exceeded \$180,000 and another exceeded \$220,000. The payments were all approved by the officials with the correct delegations and authorisation levels, but the absence of a contract effectively renders this non-compliance with the purchasing policy.

5) Fraud program

There do not appear to be any fraud programs or procedures in place to prevent or help detect behaviour counter to the policies and procedures of RQL, particularly at Board level. There is a draft procedure but this has awaited Board approval for some time.

Contracts and payments made

The discrepancy between the amounts owing to Contour per the Contract Register, and the actual amounts paid over are shown below. The amount paid is almost double that per the register.

<u>Contour Contracts</u>								
Project Name	Contract Number	Project Value	Project Management Value	Documentation on File	Date of Signing	Approx Project Cost \$M	Complete	Put on Hold
Rockhampton track upgrade	0373		126,000	Budget	n/a	6.5	6.5	
Sunshine Coast Track	0270		65,800	Contract	6/15/2007	5.5	5.5	
Toowoomba Track	0432			Engagement letter	12/17/2008	11.8	11.8	
Sunshine Coast (other)	0417			Engagement letter	3/13/2008			
IIS - Cairns	0709		130,000	Contract	3/29/2012	2		
IIS - Townsville	0709		100,000	Contract	3/29/2012	6		
IIS - Rockhampton	0709		80,000	Contract	3/29/2012	2		
IIS - Deagon	0709		1,650,000	Contract	3/29/2012	45		
IIS - Beaudesert	0709		650,000	Contract	3/29/2012	8		
IIS - Gold Coast	0709		150,000	Contract	3/29/2012	38		
Stables	0318	12,263,248	240,000	Budget	n/a	12	12	
Miscellaneous Works - Sunshine Coast	0546					6	6	
IIS - Mackay						8	8	
Miscellaneous Works Scoping								
Sunshine Coast Lighting						7.2	7.2	
		12,263,248	3,191,800			158	57	101



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Payments Made to Contour (inclusive of GST)				
	RQL	SCR	RKR	Total
FY 07/08	222,025	10,527	-	232,552
FY 08/09	990,145	66,843	-	1,056,988
FY 09/10	741,794	174,624	-	916,418
FY 10/11	1,070,073	201,133	45,709	1,316,915
FY 11/12	2,295,400	39,412	2,883	2,337,695
YTD October 2012	73,898	54,022	1,605	129,525
	5,393,334	546,561	50,198	5,990,093
			ex GST	5,445,539

High-value invoices

Entity	Trans. Date	Description	Amount	Jrnl. Src.	Reference
RQL	10/13/2011	Payment	-259,822.55	Invoice	AP131011
RQL	9/6/2011	ENG SERVICES MKY 21/8/11	-224,006.75	Invoice	INV02132
RQL	9/29/2011	ENG SERV MACKAY	-180,773.53	Invoice	INV02173
RQL	9/6/2011	ENG SERVICES BEAU 21/8/11	-84,366.70	Invoice	INV02130
RQL	7/27/2011	ENG SER @ DEAGON 21/07/11	-77,504.64	Invoice	INV02096
RQL	9/6/2011	ENG SERVICES DGN 21/8/11	-68,160.40	Invoice	INV02131
RQL	12/13/2011	ENGINEERING SER DGN TO 30/11	-59,215.34	Invoice	INV02231
RQL	6/30/2009	Proj Mgmt Srvs Jun 09	-58,828.28	Invoice	INV01147
RQL	7/27/2011	ENG SER @ MKY 21/07/11	-50,780.41	Invoice	INV02098



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Conclusion

As at 23 November 2012, RQL are still investigating this matter and will compile a timeline of key events as part of that process. RQL also intends the involvement of an independent third party to verify and progress the investigation.

Racing Queensland Limited
Final Report

Examination of Procurement Processes
29 April 2013

Adam Carter
Acting CEO
Racing Queensland Limited
Racecourse Road
Deagon
Qld 4017

29 April 2013

Dear Adam

I refer to our engagement letter dated 3 December 2012 in which you have asked Deloitte Touche Tohmatsu (Deloitte) to assist Racing Queensland Ltd (RQL) in the conduct of an examination into certain procurement processes.

We are pleased to provide you with our attached final report. If you have any questions in relation to this report, please do not hesitate to contact me on (07) 3308 7080 or 0410 340 145.

Yours sincerely



Graham Newton
Partner
Deloitte Touche Tohmatsu

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1 Executive Summary

1.1 Introduction

The main role of Contour Consulting Engineers Pty Ltd (Contour) was to act as project manager overseeing infrastructure projects on behalf of RQL. In addition to this Contour prepared costings and estimates in relation to infrastructure projects that RQL relied on to apply for government funding. For the period 1 July 2007 to 31 October 2012, Contour was appointed to manage projects on behalf of the consolidated entities of Racing Queensland Ltd (RQL) to the approximate value of \$158 million. Of this, \$58 million was completed with the remaining \$100 million placed on hold as at March 2012¹. The direct fees earned from this work by Contour amounted to approximately \$6.02 million.

RQL has since become aware that former RQL senior executives, Mr Malcolm Tuttle (Mr Tuttle) and Mr Paul Brennan (Mr Brennan) accepted senior roles at Contour in 2012. RQL are now seeking to understand the process by which contracts were awarded and payments made to Contour and the extent to which Mr Brennan and/or Mr Tuttle may have been involved to the extent that their actions may have provided any unauthorised benefit to themselves or detriment to RQL.

The key purpose of our work was to conduct an objective forensic investigation into the procurement process applied by RQL in respect of the services performed by Contour and all associated payments made to them. We have also undertaken a comparative sample analysis of a separate contractor (Blacklaw Civil Contractors Pty Ltd) used by RQL and a separate project (Beaudesert Racing Club) not managed by Contour to provide further insight into the overall procure-to-pay process at RQL. This was to identify if any deficiencies in process with regard to Contour were isolated or reflective of wider organisational gaps. We have also reviewed overall expenditure of all project management contractors employed by RQL and reviewed links between these organisations and key personnel.

At the instruction of RQL we have not approached Mr Tuttle or Mr Brennan to seek their assistance in relation to these matters.

1.2 Summary of findings

Detailed findings appear throughout this report. A summary of our key findings appears below.

1.2.1 Overall findings in relation to Mr Tuttle and Mr Brennan and their respective dealings with Contour

- Contour received a large volume of work from RQL whilst Mr Tuttle and Mr Brennan were in senior management roles. We identified a number of process and procedure breaches in relation to appropriate delegation approvals that were not properly applied in relation to Mr Brennan and Mr Tuttle.
- We identified through our email analysis a potential personal relationship between Contour employees/management and Mr Brennan. It was evident that Contour employees had performed building appraisals on private properties that Mr Brennan was considering purchasing.
- Our review did identify gaps in the documentation and application to associated procurement processes, in particular as this applies to Contour. However, these gaps were not isolated to Contour and were also evident across other contracts and arrangements examined which we

¹ Based on information supplied to Deloitte from RQL

understand from RQL is due, in part, to the merging of three racing bodies and RQL now having the responsibility to update historical gaps in information that was originally held by other racing bodies.

- Based on the documents and emails we reviewed, we did not find any information to indicate that Mr Tuttle or Mr Brennan received inappropriate or unauthorised benefits in relation to their dealings with Contour whilst employed at RQL. As outlined previously we did identify information to indicate Mr Brennan was communicating with Contour in a personal capacity to perform work for him. Our recommendations in this regard address this at Part 7 of this report.

1.2.2 Remediation of issues

- RQL have identified that remediation was necessary to correct the process and procedural issues and as such have appointed outside consultants to provide risk management, process improvement and structuring advice to ensure there are both efficiencies and compliance by the managers and their teams. Part 5 of this report provides further detail of the work undertaken by RQL in this regard.

1.2.3 Procurement Framework

From policies reviewed, discussions with management and our contract and payment analysis, we identified some gaps in RQL's procurement framework in relation to what should be happening and the practice applied, compared to policy requirements. This makes it difficult for RQL to benchmark against its six key purchasing principles. The key observations are as follows:

- The majority of the projects reviewed did not have detailed design, costing and project plan documentation on file to support and help understand expenditure.
- All of the projects reviewed did not contain any reporting addressing the outcomes of the project, including cost to budget, quality of product and timeliness, although some discussions were identified in board meeting minutes.
- From the documents reviewed, the majority of the contractors were not subject to a tender process overseen by RQL as per the RQL Purchasing Policy, where they were evaluated against at least two other contractors.
- Many of the transactions reviewed only contained payment documentation such as invoices. There were a limited number of purchase orders or contracts to verify if payments and approvals were in line with original agreements.
- The contracts register is currently incomplete according to the Acting RQL Legal Counsel, with documents missing. We were advised this is predominately due to the merging of the three codes in 2010², which required a single source register to be created. RQL subsequently inherited registers that were incomplete and/or missing documentation. The issue was further compounded with changes in management. This situation was confirmed from the contracts and projects reviewed as part of this engagement.

1.2.4 Project Managers – Expenditure & Relationships

- It is evident from the examination that Contour was awarded the majority of project management contracts during the five year period of our analysis. The contractors RQL have engaged other than Contour, Dalton Consulting Engineers (Dalton) and HBO & EMTB, have only conducted

² In July 2010 the three racing codes in Queensland of Thoroughbred, Harness and Greyhound Racing merged to form Racing Queensland Limited.

work relatively recently. As a result the expenditure for Dalton and HBO & EMTB combined is \$211,571.25 compared to \$6,016,702.98 for Contour.

- We did not identify any relationships of concern between Mr Tuttle and/or Mr Brennan and any of the entities we reviewed.
- There was a relationship between Mr Thomas Maxwell Blacklaw (Mr Blacklaw) and the Sunshine Coast Turf Club. Mr Blacklaw is a Director, Secretary and Shareholder of Blacklaw Civil Contractors Pty Ltd (Blacklaw) and is also on the Board of the Sunshine Coast Turf Club. Blacklaw, amongst other projects undertaken for RQL, constructed the stables and cushion track at the Sunshine Coast Turf Club. It is beyond the scope of this investigation to consider the procurement and approval processes in respect of this project.
- See Appendix A for a full breakdown of relationships.

1.2.5 Contract & Payment analysis for Contour

- Based on the documentation available to us there was only one instance identified where a tender process was followed involving the engagement of Contour. Arben Management Pty Ltd (Arben) conducted a tender process for the construction of the synthetic track at Sunshine Coast Racetrack on behalf of RQL. Arben later recommend Contour for the engagement as they submitted the lowest tender.
- Of the Contour invoices examined there is a reference to 37 contract numbers. We were able to locate six documents referred to as ‘contract documentation’ and two documents referred to as ‘letters of engagement’. We also identified three documents referred to as ‘fee proposals’. We note however that the contracts register refers to only four of these namely, one ‘contract documentation’, two ‘letters of engagement’ and one ‘fee proposal’. See Appendix B for a full breakdown.
- On 27 October 2011, Mr Tuttle emailed Mr Snowdon and CC’d Mr Brennan, Ms Shara Murray (Ms Murray) and Ms Debbie Toohey (Ms Toohey) in relation to the ‘Contour Board Paper’ (see Appendix D - Email #2). He raises concerns on what appears to be the lack of a signed contract with Contour, he comments:

‘I am also acutely aware of the audit committees position and the current mood of government. Whilst you are managing this I strongly suggest that you make an arrangement for the Board to deal with this as soon as possible. An outsider might form the view that we put ourselves in a position where we left ourselves with no option but to sign a belated contract for services.’

- On Thursday 29 March 2012 Mr Brennan on behalf of Contour emailed Mr Adam Carter (Mr Carter) and Mr Snowdon of RQL and CC’d Mr Brett Thomson (Mr Thomson), Mr Chris Fulcher (Mr Fulcher) and Ms Amy Hayne (Ms Hayne) of Contour. In the email he outlines monies owing to Contour and that the fee proposal sent to RQL on 31 August 2011 constitutes a binding contract (see Appendix D – Email #3).
- There were 468 transactions involving payments to or on behalf of Contour totalling \$6,016,702.98.
- We have not been able to locate 33 Contour invoices amounting to \$638,974.15.
- We identified a total of eight purchase orders relating to 11 invoices of the 468 examined amounting to \$227,967.58.
- There were 40 Contour invoices amounting to \$577,131.37 paid with no authorising signature on the invoice showing appropriate delegation approval. These range in value from \$100.00 to \$167,475.00.
- There are seven invoices amounting to \$481,252.21 that appear to have been authorised and paid without adherence to the appropriate delegation being applied in respect of Mr Brennan.

- We have not been able to accurately calculate variations, if any, between payments and contracts in all of our work due to limitations in the documentation³.

1.2.6 Contract & Payment analysis for Blacklaw and Beaudesert

We selected another contracting party, Blacklaw. This was to identify if any deficiencies in process with regard to Contour were isolated or reflective of wider organisational gaps. We noted similar gaps in the application of proper procurement and contracting procedures.

- Of the Blacklaw invoices examined there is reference to seven contract numbers. We were only able to locate one document referred to as a 'contract' on the contracts register.
- There are 71 transaction records attributable to Blacklaw amounting to \$10,115,934.62.
- We have not been able to locate five Blacklaw invoices amounting to \$488,008.07.
- Of the 71 transaction records we sighted six purchase orders.
- We identified authorisation signatures but we have been unable to confirm who the details refer to on 14 invoices. The total value of these invoices amounted to \$3,941,816.96.
- There are 11 invoices that appear to have been authorised and paid without adherence to the appropriate delegation being applied in respect of Mr Brennan or Mr Tuttle. Of these, eight appear to have been approved by Mr Brennan totalling \$1,265,125.24 and three appear to have been approved by Mr Tuttle totalling \$1,017,488.84.
- We have not been able to accurately calculate variations, if any, between payments and contracts due to limitations in the documentation⁴.

We also reviewed the documentation provided by RQL in relation to the track upgrade project at Beaudesert Racing Club. This was to identify if any deficiencies in process with regard to Contour were isolated or reflective of wider organisational gaps. The main findings were:

- Brisbane Racing Club (BRC) was appointed as project directors as per a signed agreement on 28 August 2012. The total value of the project outlined in this document is \$2,846,947. Prior to 2012 Contour was contracted by RQL to undertake concept design and project management duties from 2010 until March 2012. There is no tender evaluation or contract documentation on file in relation to Contour's appointment to this role.
- There are 58 transaction records attributable to the Beaudesert project amounting to \$2,196,677.13.
- Seven invoices amounting to \$391,024.37 were paid to Contour and the last Contour invoice was issued on 5 July 2012 for \$7,662.58.
- We identified seven purchase orders relating to the track upgrade project. Six were appropriately approved. On one we could not confirm the signature. None of the purchase orders relate to Contour.
- Four invoices were authorised outside of delegation limits amounting to \$419,452.28. These invoices were issued by various companies and were authorised by various RQL employees.
- One Contour invoice for \$84,366.70 was authorised by Mr Mark Snowden (Mr Snowden)⁵ outside of his delegation limit.

³ For an example see section 5.3.1

⁴ For an example see section 5.4.1

⁵ Mr Snowden's authorisation limit was \$50,000. This invoice should have gone to Mr Tuttle for approval.

- We have not been able to accurately calculate variations, if any, between payments and contracts due to limitations in the documentation⁶.

1.2.7 Email analysis

- There are a number of emails throughout May and June 2011 from Mr Brennan to real estate agents relating to properties he appears to be negotiating to purchase in a personal capacity. Mr Brendan Lowther (Mr Lowther) and Mr David McDougall (Mr McDougall) from Contour appear to have performed building inspections on the properties and recommended repairs and/or modifications totalling \$40,000 to \$50,000 in some cases. We did not identify any information to indicate whether or not Mr Brennan had paid for these services and/or if the transactions may therefore have been at arms length.

⁶ For an example see section 5.5.1

2 Terms of Reference

2.1 Objective

The key objective of our work was to conduct an objective forensic investigation into the procurement process applied to the contract services performed by Contour and all associated payments made to them.

2.2 Scope

Deloitte performed the following work as part of our investigation:

- Developed an investigation plan outlining the detail of work to be performed
- Conducted background checks on companies, staff members and contractors of interest to identify any inappropriate relationships
- Reviewed RQL's Purchasing Policies and Addendum
- Reviewed RQL's contracts register
- Reviewed available Contour tender documents, contracts, transactions, purchase orders and invoices held by RQL
- Reviewed available Blacklaw tender documents, contracts, transactions, purchase order and invoices held by RQL
- Reviewed tender documents, transactions, purchase orders and invoices held by RQL in relation to the track upgrade project at Beaudesert Racing Club
- Reviewed RQL and Sunshine Coast Racing Board meeting minutes which referred to Contour and Blacklaw
- Conducted an examination of email accounts relating to Mr Tuttle and Mr Brennan to identify communication relevant to contracts and arrangements entered into with Contour and other contractors
- Held discussions with the following individuals in order to understand the procurement framework at RQL and the contract services performed by Contour and other contractors
 - Ms Sharon Drew – Finance Manager
 - Mr Jason Swemmer – Risk Consultant
 - Mr Adam Carter – Acting CEO
 - Mr Warren Williams – Racecourse Development Manager
 - Ms Michelle Hutchinson – Acting Legal Counsel
 - Ms Sarah Camenzind – Compliance Accountant
 - Mr Russell Thompson – Senior Project Manager

3 Limitations

This report has been prepared using resources from the Australian Deloitte Forensic practice.

Deloitte Forensic staff are not lawyers, and our report should not be relied upon as legal advice.

This report has been prepared based on work completed as at 29 April 2013. Deloitte has not updated its work since that date. Deloitte assumes no responsibility for updating this report for events and circumstances occurring after the date of this report.

This report has been prepared exclusively for the internal use of Racing Queensland Limited. The distribution of this report is limited to authorised recipients of Racing Queensland Limited and will not be otherwise distributed without the written consent of Deloitte, other than we consent that Racing Queensland Limited may provide this report to the Crime and Misconduct Commission and the Queensland Audit Office. This report is not intended to and should not be used or relied upon by anyone else (including the Crime and Misconduct Commission and the Queensland Audit Office) and we accept no duty of care to any other person or entity.

The report has been prepared for the purpose of investigating the procurement process applied to services performed by Contour and all associated payments made to them. You should not refer to or use our name or the advice for any other purpose.

We reserve the right to alter the findings reached in this report should information that is relevant to our findings subsequently become available after the date of this report.

For the purposes of preparing this report, reliance has been placed upon the material, representations, information and instructions provided to us. Deloitte has not interviewed all of the persons identified as possibly being in possession of relevant information, and as a result, our investigative work could be incomplete. Original documentation has not been seen (unless otherwise stated) and no audit or examination of the validity of the documentation, representations, information and instructions provided has been undertaken, except where it is expressly stated to have been. Had Deloitte undertaken further investigation work, our findings may have been different.

4 Background

On 26 March 2012 the Chief Executive Officer, Mr Tuttle and Director of Product Development, Mr Brennan resigned from RQL. Immediately following their resignations Mr Brennan took up a senior executive role with Contour. Mr Tuttle has since also accepted a senior executive role with Contour.

For the period 1 July 2007 to 31 October 2012, Contour undertook a number of capital infrastructure projects on behalf of the consolidated entities of RQL as project manager. These included, but are not limited to thoroughbred facilities at Corbould Park in Caloundra, Callaghan Park in Rockhampton and Ooralea Racecourse in Mackay.

In early November 2012, RQL became aware of Mr Tuttle's appointment at Contour, and also identified some potential anomalies in RQL's procurement process with certain projects involving Contour. On 7 November 2012 RQL wrote to the Minister for National Parks, Recreation Sport and Racing, Mr Stephen Dickson, to advise the Minister of the identified issues and RQL's proposed action.

On 20 November 2012 RQL advised the Crime and Misconduct Commission (CMC) to notify them of their concerns, in accordance with its obligations under the Crime and Misconduct Act when the matter may involve official misconduct. They also outlined their proposed response.

On 29 November 2012 the CMC responded to RQL, agreeing with the proposed response, and for Deloitte Forensic to undertake the forensic investigation on behalf of RQL.

Deloitte were subsequently engaged on 3 December 2012 to conduct an independent forensic investigation in relation to this matter.

5 Remediation of issues

It must be noted that the observations made in this report in relation to RQL's processes and procedures are in direct relation to the period we examined when Mr Tuttle and Mr Brennan held senior positions. RQL has since reviewed and updated many of their processes and procedures. This is an ongoing project and from the discussions we have had with RQL staff these process and procedure changes appear to be contributing to an ongoing improvement. The following summary is based on discussion with RQL personnel. Deloitte has not performed any work as to the effectiveness of the changes, whether they are sufficient for RQL's purposes, or whether they are being complied with in practice.

RQL has identified that remediation was necessary to correct the process and procedural issues and as such have appointed outside consultants including Mr Jason Swemmer (Risk Management Consultant) and Ms Michelle Hutchinson (Acting Legal Counsel). RQL have advised Mr Jason Swemmer has assisted with the following tasks:

- Address risk management, process improvement and structuring advice to ensure there are both efficiencies and compliance by the managers and their teams. Amongst other things, this role has assisted in changing policies and procedures and writing the charters for the four code Boards⁷.

RQL have advised that Ms Michelle Hutchinson has assisted with the following tasks:

- Updating RQL's contract register
- Preparation of template contracts
- Review of RQL's policies and procedures
- Development and implementation of a governance and compliance plan for the organisation
- Training.

In addition to the measures RQL have advised they have also implemented the following:

- A Cost Control Group was implemented in October 2012 to review non-recurring capital and project costs in excess of \$2,000.
- RQL created an addendum to the Purchasing Policy which, along with the Purchasing Policy form the basis upon which the Industry Infrastructure Plan/Strategy Committee is guided in the procurement of goods and services relating to the projects that make up the Industry Infrastructure Plan.
- RQL has made a greater effort enforcing IPOS use with the business, as this provides added control that the appropriate officers have the delegated authority to order as per the Purchasing Policy.

⁷ The fourth code board is the Queensland All-Codes Racing Industry Board created on 28 November 2012, which is an overarching control body across the three racing codes.

6 Investigation undertaken

6.1 Procurement Framework

6.1.1 Purchasing Policy

The RQL Purchasing Policy was implemented and approved on 13 April 2007 and updated on 1 July 2010, 1 July 2011, 4 November 2011, 19 March 2012, 16 July 2012 and 16 November 2012.

An addendum was created on 19 December 2011 to deal specifically with the Industry Infrastructure Plan.

From all documents reviewed, we identified six key principles that RQL are required to adhere to when undertaking and managing purchasing activities to meet the organisation's operational requirements and also meet the objectives of the policy⁸.

1. Value for money
2. Quality of product, services and support
3. Open and fair competition
4. Accountability of outcomes
5. Use of Queensland product where price competitive and where quality standards are met
6. Suppliers are compliant with all taxation requirements

The above principles form the basis in developing policy for key purchasing activities including Capital Works projects and Consulting services. For the purpose of investigation, we have focused on the Capital Works and Consulting policies, and the processes RQL employees are expected to abide by.

Capital Works

RQL's policy states that once projects are given preliminary approval through the annual capital budgeting process, race clubs are expected to provide detailed design and costing information, and a project plan, prepared by a suitably qualified and experienced independent consultant.

Variations greater than 10% from the preliminary estimate are to be referred back to the Board of RQL.

Following establishment of the works contracts, RQL will make payment to the club, equivalent to the agreed industry contribution.

Following completion of the project, the club is required to provide RQL with a report addressing the outcomes of the project, including cost to budget, quality of product and timeliness.

Consulting

RQL uses consulting services in a number of aspects of its operations, with the above six key operating principles to be applied at all times.

RQL's policy states that Contracts between \$10,000 and \$100,000 requires a tender process with at least three preferred contractors. Preferred contractors were described as 'those in the system', although there is no formal register in place. As per the policy, the only due-diligence for a new supplier to be placed in the system is an ABN check. Evaluation of tenders is to be conducted by two

⁸ Deloitte are not commenting on these objectives as part of this report

accountable officers and approved by a delegated officer (CEO/General Manager of Corporate Services).

Contracts over \$100,000 are subject to open tender unless waived by the board. Tenders are to be evaluated, in accordance with the six key operating principles, by a panel of no less than two accountable officers, and be approved by no less than a delegated officer.

6.1.2 Finance

During the period reviewed, the payment process has been a combination of manual and electronic purchasing procedures. The electronic (currently in place) procedure called IPOS is custom built to meet RQL's needs and provides improvements in relation to tighter controls, reporting and operational efficiencies. The manual process involved manual purchase order generation and invoice approvals.

RQL's policy outlines the procedure, beginning with a purchase order being raised, through to an invoice being received and paid. Naturally there are variations dependent on if a purchased order is required, if the supplier is already approved or if there are discrepancies between documents because of value, order numbers etc.

There are also a number of controls outlined within the policy document such as delegation limits, only dealing with suppliers with a valid ABN and required signatures. The policy also states that RQL should perform an annual supplier analysis to review expenditure to determine that value for money is being achieved. We also reviewed a delegation of authority document that outlined all of the limits for key staff members. This included limits for Mr Tuttle, which was \$150,000 and for Mr Brennan, which was \$50,000.

6.1.3 Contracts register

The contracts register is currently maintained by the legal department, with original contracts being kept securely in a safe. A legal officer currently sends out an email once a month to managers requesting that any new contracts be passed to legal and updated onto the register. The Acting RQL Legal Counsel advised that the register is currently incomplete, with documents missing. We were advised this is predominately due to the merging of the three codes in 2010⁹, which required a single source register to be created. RQL subsequently inherited registers that were incomplete and/or missing documentation. The issue was further compounded with changes in management. We were also advised that the management of the contracts register is not governed by, or incorporated in an existing RQL policy. There is also very little existing contract templates in place, that would help guide managers in ensuring that contracts are appropriately developed.

Management also believed that the merging of the three codes under RQL meant that the appropriate knowledge and experience might not be currently in place in the business. It was commented that training should be delivered to relevant staff on topics such as procurement, governance and fraud to help ensure that management have the required level of knowledge.

6.1.4 Findings

From the policies reviewed, discussions with management and review of our analysis, we identified some gaps with what RQL's procurement framework stipulates should occur compared to the practice applied. This makes it difficult for RQL to benchmark against the six key purchasing principles. The key observations are as follows:

⁹ In July 2010 the three racing codes in Queensland of Thoroughbred, Harness and Greyhound racing merged to form Racing Queensland Limited.

- The majority of the projects reviewed did not have detailed design, costing and project plan documentation on file to support and help understand expenditure.
- All of the projects reviewed did not contain any reporting addressing the outcomes of the project, including cost to budget, quality of product and timeliness, although some discussions were identified in board meeting minutes.
- From documents reviewed, the majority of the contractors did not appear to have been subject to a proper tender process, where they were evaluated against at least two other contractors.
- Many of the transactions reviewed only contained payment documentation such as invoices. There were a limited number of purchase orders or contracts to verify if payments and approvals were in line with original agreements.
- The contracts register is currently incomplete according to the Acting RQL Legal Counsel, with documents missing. This was confirmed from the contractors and projects reviewed as part of this engagement.

6.2 Project Managers – Expenditure and Relationships

We conducted an examination of expenditure for a sample of contractors that perform project management activities, identified by RQL, including Contour. See Table 1 below for a full analysis of these entities.

Table 1 - Examination of Contour expenditure when compared to other project management companies

Name	Date Range	Total Payment Amount
Contour	Jul 2007 – Oct 2012	\$6,016,702.98
Dalton Consulting Engineers	Aug 2012 – Nov 2012	\$26,268.00
Ridgemill Project Management	Not used by RQL	Not used by RQL
WSP	Not used by RQL	Not used by RQL
AECOM	Not used by RQL	Not used by RQL
HBO & EMTB	Aug 2012 – Oct 2012	\$185,303.25
Jones Nicholson Pty Ltd	Not used by RQL	Not used by RQL

It is evident from the examination that Contour was awarded the majority of project management contracts. The contractors RQL have engaged other than Contour, Dalton Consulting Engineers and HBO & EMTB, have only conducted work relatively recently. As a result the expenditure for Dalton and HBO & EMTB combined is \$211,571.25 compared to \$6,016,702.98 for Contour.

Appendix A shows relationship maps relating to entities of interest and also additional entities deemed relevant by RQL. No links were identified between Mr Tuttle, Mr Brennan and Contour or the other entities reviewed.

There was a relationship between Mr Blacklaw and the Sunshine Coast Turf Club. Mr Blacklaw is a Director, Secretary and Shareholder of Blacklaw and is also on the Board of the Sunshine Coast Turf Club. Blacklaw, amongst other projects undertaken for RQL, built the stables and cushion track at the Sunshine Coast Turf Club. It is beyond the scope of this investigation to consider the procurement and approval processes in respect of this project.

6.3 Contour Consulting Engineers Pty Ltd

Contour provided direct design and engineering services to RQL in addition to project managing various infrastructure projects. Where Contour was engaged to manage projects on behalf of RQL we have not been able to identify or examine any RQL documentation outlining the process by which Contour considered and then selected the various service providers for the projects. We examined Contour transactions between 1 July 2007 and 31 October 2012 to understand the type and monetary value of work performed by Contour, and if approvals and payments of work were in line with existing policies and guidelines set down in RQL's Procurement Framework. We also compared Contour rates with other similar contractors.

In 2011 and 2012 Contour also assisted RQL in preparing costings and estimates that RQL used to apply for funding to government for various infrastructure projects. These applications were in the form of business cases for approval by government after which RQL entered into various funding deeds with government to apply the funding to the projects. We understand from RQL that Contour provided this assistance on the following six projects:

Description	Value (ex GST)	Execution date of deed
Ooralea Park, Mackay	\$7,443,426	15/07/11
Cronulla Park, Logan	\$23,503,915	16/02/12
Bundall, Gold Coast	\$34,953,297	16/02/12
Canon Park, Cairns	\$1,859,339	16/02/12
Callaghan Park Rockhampton	\$1,518,111	16/02/12
Beaudesert	\$6,502,063	16/02/12

6.3.1 RQL contracts with Contour

Based on the documents examined there was one identified instance where a tender process was followed involving the engagement of Contour. In June 2007 Arben Management Pty Ltd (Arben) conducted a tender for the construction of the synthetic track at Sunshine Coast Racetrack and recommended Contour as they submitted the lowest tender. We were unable to find any documentation engaging Arben to perform this role.

It appears from Board minutes reviewed that Arben were later removed from managing the project and replaced by Contour, without a tender process. Arben appear to have subsequently worked under the instruction of Contour on other projects.

We identified the following meeting minutes that appear to reflect determinations involving Contour:

- In the Sunshine Coast Racing Board meeting minutes on 25 July 2008, the Chairman stated that the investment in the lights was an investment in the future and part of RQL's strategic direction however a business case could not justify expenditure. The board resolved to proceed with Option 1 (Lights on synthetic and course proper), the largest of the options proposed, and engaged Contour to project manage the engagement.
- In the Industry Infrastructure Plan Control Group (IIPCG) meeting minutes of 8 March 2012, Mr Snowdon recommends the appointment of Mr Russell Thompson (Mr Thompson) as Project Manager for RQL. Mr Thompson took up this role as a contractor to RQL but was, at the time, a contractor for Contour. Mr Snowdon advised he could not foresee any conflict of interest. This

seems to be confirmed from discussions with Mr Thompson, who has his own business and was purely in a contracting role for both organisations. Mr Thompson also explains that there was no overlap in the roles and he was purely in an operational role. The Mackay projects were managed by Mr Thompson on behalf of RQL.

The Contour transactions refer to 37 separate ‘contract’ numbers in their invoice and progress certificates.

We were only able to locate 11 Contour documents in total. Six documents referred to as ‘contract documentation’ and two as ‘letters of engagement.’ We also identified three documents referred to as ‘fee proposals’. For a list of these documents please refer to Table 2.

One document referred to as ‘contract documentation’ and two documents referred to as ‘Letters of Engagement’ are included in the contracts register. One referred to as a ‘Fee proposal’ are also included.

The fee proposal document #0709 in relation to the Industry Infrastructure Plan was signed on 29 March 2012 by Mr Bob Bentley (Mr Bentley) the Chairman of RQL. It was noted that this document had been signed after the work had been completed.

We have been unable to accurately calculate variations, if any, between payments and contracts due to limitations in the documentation. In particular:

- The majority of the projects do not have contracts providing a breakdown of services undertaken and agreed fee amounts
- Invoice numbers and descriptions do not match the documentation we have reviewed

For example, with contract number 0318-PC S1 outlined in Table 2 below, we found no invoices directly matching this contract number. However, there are invoices with contract number 0318, but these relate to the construction of stables and engineering services at the Sunshine Coast Racecourse. These issues have impaired our ability to compare contracts to invoices for variations and/or overspend.

Table 2 – Documents sourced that reference potential arrangements in place or proposals with Contour

Number	Type	Site	Description of services	Contract Amount	Contour Fee Amount	Document included on contract register?
0318-PC S1	Contract	Sunshine Coast Racecourse	Bulk Waste Storage and Disposal	\$306,300		
0709-02-B	Contract	Mackay Racecourse	Consulting contract		Schedule of rates	
					1. Hourly Rates	
					2. 1.25% of construction cost	
0417	Letter of engagement	Sunshine Coast Racecourse	No Information		3. 1.75% of construction cost	Yes
					4. TBA	
					5. Hourly Rates	
0432	Letter of engagement	Toowoomba Racecourse	No Information		1.9% of construction cost	Yes
0270-FP	Fee	Sunshine	Synthetic Track		\$65,800	

Number	Type	Site	Description of services	Contract Amount	Contour Fee Amount	Document included on contract register?
	Proposal	Coast Racecourse	Construction			
0709	Fee Proposal	Industry Infrastructure Plan	Fee Proposal to provide consulting services		\$2,760,000	Yes
0436-FP-01	Fee Proposal	Sunshine Coast Racecourse	Track Lighting for Night Racing		Item 1 – Hourly Rates Item 2 – 1.25% of Construction Cost	
0550-06	Contract (DRAFT)	Mackay Racecourse	Judges Tower Relocation	\$138,605		
0550	Contract	Mackay Racecourse	Track Improvements	\$2,991,223.42		Yes
0550-03	Contract	Mackay Racecourse	Function Facility Building	\$1,966,511		
0550-02	Contract	Mackay Racecourse	Stewards and Jockey Facility and Swab Stall	\$643,019		

For four of the five projects at Mackay Racecourse that we have documentation for, it appears Contour have conducted the tender process and provided recommendations on behalf of RQL.

6.3.2 Contour transaction analysis

- We examined 468 Contour transactions amounting to \$6,016,702.98
- We were unable to locate 33 Contour invoices amounting to \$638,974.15
- We identified a total of eight purchase orders relating to 11 invoices of the 468 examined amounting to \$227,967.58.
- We identified authorisation signatures but we have been unable to confirm who the details refer to on 3 invoices, the total value of these invoices amounted to \$14,937.13.
- There were 40 invoices amounting to \$577,131.37 that were paid with no authorising signature on the invoice.
- There are 10 invoices that appear to have been be paid without adherence to the appropriate delegation amounting to \$693,903.96. Of these, seven appear to have been approved by Mr Brennan amounting to \$481,252.21. See Table 3 below:

Table 3 – Details of Contour invoices that appear to have been approved without proper delegation

Invoice Number	Invoice Date	Invoice Amount	Project Code	Invoice Description	Signature	Position	Delegation limit
INV00921	18/12/2008	119,570.00	0373	Preliminary design services for the Rockhampton Racecourse upgrade	Paul Brennan	Director of Product Development	50,000
INV00922	18/12/2008	70,010.33	0432	Engineering services in accordance with fee proposal sated 29 May 2008 and 07 July 2008 for synthetic track at Clifford Park racecourse	Paul Brennan	Director of Product Development	50,000
INV01069	30/04/2009	50,600.00	0318	Stabling and associated works at Corbould Park racecourse	Paul Brennan	Director of Product Development	50,000
INV01729	30/09/2010	53,317.06	Multiple	Preliminary engineering services - engineering advice into master plan development for various racecourses	Paul Brennan	Director of Product Development	50,000
INV01833	12/01/2011	51,674.70	0426	Upgrade works at Gold coast racecourse	Paul Brennan	Director of Product Development	50,000
INV01854	23/12/2010	79,154.54	0377	Track upgrade works at Beaudesert racecourse	Paul Brennan	Director of Product Development	50,000
INV01946	31/03/2011	56,925.58	0426	Track upgrade works at Gold Coast racecourse	Paul Brennan	Director of Product Development	50,000

In relation to all work performed by those engaged by Contour, some subcontractors appear to invoice through Contour who then invoice RQL (there is no on-cost). However, some appear to have invoiced RQL direct. We have not found any evidence of double payments in relation to these invoices.

6.3.3 Comparison of Contour rates to a similar contractor

RQL selected a number of contractors and advised they were providing or had costed similar services to that performed by Contour . We were then asked to compare the schedule of rates outlined in Contour contract *0709-02-B Mackay Racecourse* to these contractors. In performing our analysis we sought to, where possible, compare the rates applied to the same or similar positions across the different suppliers e.g. Engineer. Whilst we were able to provide some comparative analysis across certain positions we were unable to do so for others due to the positions being unclear. The contractors that were ultimately selected for comparison were as follows:

- Dalton Consulting Engineers
- WSP
- AECOM
- Jones Nicholson Pty Ltd

The rates outlined by Contour are dated December 2011, therefore we have applied a CPI increase (1.7% for Brisbane as at September quarter 2012¹⁰) in order to achieve an up to date comparable rate.

The comparative analysis indicates some differences in rates applied to similar positions across the various contractors. As we did not examine the detail of work performed by each contractor or the background for engagement we are unable to comment on the reason for the difference in rates applied for these positions. Please see Appendix C for a full breakdown.

6.3.4 Findings

There were 37 contract numbers in invoice and payment certificate documents reviewed, however we were only able to locate 11 Contour documents that appear to be linked to contracts. Only four of these appeared on RQL's contracts register.

Due to the majority of projects not having contracts providing a breakdown of services undertaken and agreed fee amounts, and invoice numbers and descriptions not matching documentation we have reviewed, we have not been able to calculate variations, if any, between payments and contracts.

Of the 468 Contour transactions examined, 33 invoices were missing, 40 had no authorising signature and only 11 had purchase orders. 10 of the invoices also appear to have been paid without the appropriate delegation level. Of these, seven appear to have been approved by Mr Brennan amounting to \$481,252.21.

Contour rates were compared to a number of other contractors. The comparative analysis indicates some differences in rates applied to similar positions across the contractors. As we did not examine the detail of work performed by each contractor or the background for engagement we are unable to comment on the reason for the difference in rates applied for some positions.

6.4 Blacklaw Civil Contractors Pty Ltd

We conducted a detailed examination of all Blacklaw transactions between 30 June 2006 and 31 January 2012 to determine if the process applied to Blacklaw was consistent with the process that was applied to Contour.

6.4.1 RQL contracts with Blacklaw

Blacklaw refers to seven separate contract numbers in their invoice and progress certificates. We were only able to locate one Blacklaw document which was referred to as 'contract documentation' (see Table 4). This document is included in the contracts register.

We have not been able to accurately calculate variations, if any, between payments and contracts due to limitations in the documentation. In particular:

- Many of the projects do not have contracts providing a breakdown of services undertaken and agreed fee amounts
- Invoice numbers and descriptions do not match the documentation we have reviewed
- Many of the invoices did not include contract numbers in the description

For example, the only contract we have been able to locate relates to the construction of the synthetic track at the Sunshine Coast Turf Club. Although there was no contract number, we did identify 11 invoices that included reference to *construction of the synthetic track* amounting to \$2,465,469.88.

¹⁰ Consumer Price Index, September Quarter 2012: Source ABS 6401.0, Released 24 October 2012 10.30am AEST.

This is \$173,091.55 more than the original contract amount. We have not seen any documentation approving these variations.

Table 4 – Documents sourced that reference potential arrangements in place with Blacklaw

Number	Type	Site	Description	Contract Amount	Contour Contract Amount
No Information	Contract	Sunshine Coast Racecourse	Synthetic Track Construction	\$2,292,378.33	N/A

6.4.2 Blacklaw transaction analysis

- We examined 71 Blacklaw transactions amounting to \$10,115,934.62.
- We were not able to locate five Blacklaw invoices amounting to \$488,008.07.
- We identified six purchase orders relating to six of the 71 invoices examined.
- We identified authorisation signatures but we have not been able to confirm who the details refer to on 14 invoices, the total value of these amounted to \$3,941,816.96.
- There were seven invoices amounting to \$1,086,228.78 that were paid with no authorising signature on the invoice.
- There are 15 invoices that appear to have been paid without adherence to the appropriate delegation. Of these, eight appear to have been approved by Mr Brennan totalling \$1,265,125.24 and three appear to have been approved by Mr Tuttle totalling \$1,017,488.84. See Table 5 below.

Table 5 – Details of Blacklaw invoices that appear to have been approved without proper delegation

Invoice Number	Invoice Date	Invoice Amount	Project Code	Invoice Description	Signature	Position	Delegation limit
164	12-Oct-07	222,770.11	Job no. 99107	Corbould Park, Caloundra New synthetic race track Payment certificate no.1	Malcolm Tuttle	CEO	150,000
176	12-Nov-07	618,291.62		Corbould Park, Caloundra New synthetic race track Payment certificate no.2	Malcolm Tuttle	CEO	150,000
620	16-Jul-10	84,341.00	0546 - Zone C	Corbould Park Racecourse misc. upgrade works Zone C - committee carpark	Paul Brennan	Director of Product Development	50,000
621	16-Jul-10	260,181.13	0546 - Zone 1	Corbould Park Racecourse misc. upgrade works Zone 1 - western carpark	Paul Brennan	Director of Product Development	50,000

Invoice Number	Invoice Date	Invoice Amount	Project Code	Invoice Description	Signature	Position	Delegation limit
627	29-Jul-10	213,141.27	Contract 0432	Clifford Park Racecourse, Toowoomba Track redevelopment Payment certificate - final - retention release	Paul Brennan	Director of Product Development	50,000
637	11-Aug-10	195,072.97	0645-PC-4	Corbould Park Racecourse Sewer Works (Claim #4)	Paul Brennan	Director of Product Development	50,000
782	03-May-11	172,728.53	Contract 546	Corbould Park stables complex civil works Phase A - Stage 1 Payment certificate no.1	Paul Brennan	Director of Product Development	50,000
794	24-May-11	105,992.47	0546 - RQL 09	Corbould Park Racecourse misc. upgrade works RQL 09 - maintenance area Progress claim #2	Paul Brennan	Director of Product Development	50,000
805	15-Jun-11	93,788.18	0546 - Zone 6	Corbould Park Racecourse misc. upgrade works Zone 6 - Raceday walkways & parade area Progress claim #1	Paul Brennan	Director of Product Development	50,000
817	27-Jun-11	139,879.69	Contract 546 - RQL 09	Corbould Park - misc. upgrade works RQL 09 - maintenance area Progress certificate no.3	Paul Brennan	Director of Product Development	50,000
890	21-Oct-11	176,427.11	Contract 318-PA S1	Corbould Park stables complex civil works Phase A - Stage 1 Payment Certificate 15 - final	Malcolm Tuttle	Chief Executive Officer	150,000

6.4.3 Findings

There were seven contract numbers in invoice and payment certificate documents reviewed, however we were only able to locate one Blacklaw contract document. This was included on RQL's contracts register.

The majority of the projects examined do not have contracts providing a breakdown of services undertaken and agreed fee amounts. Invoice numbers and descriptions also do not match documentation reviewed therefore we have not been able to calculate variations, if any, between payments and contracts. The exception is the construction of the synthetic track, with an overspend of \$173,091.55, however we have not seen any documentation approving this variation

Of the Blacklaw transactions examined, five invoices were missing, seven had no authorising signature and only six had purchase orders. Fifteen of the invoices also appear to have been paid without the appropriate delegation level. Of these, eight appear to have been approved by Mr Brennan totalling to \$1,265,125.24 and three appear to have been approved by Mr Tuttle totalling to \$1,017,488.84.

6.5 Beaudesert Racing Club

We conducted a detailed examination of all transactions and documentation relating to the track upgrade project at the Beaudesert Racing Club between 27 July 2011 and 19 November 2012. This was to determine if the process applied to this project was consistent with that applied to Contour. We observed similar gaps to that in the Contour documentation.

6.5.1 RQL Contracts relating to the Beaudesert project

It appears from the timeline prepared by Mr Todd Martindale (Mr Martindale) that Contour was contracted by RQL to undertake concept design and project management duties from 2010 until March 2012. There is no tender evaluation or contract documentation on site in relation to Contour's appointment. Brisbane Racing Club (BRC) was subsequently appointed as project directors as per a signed agreement on 28 August 2012. The total value of the project outlined in this document is \$2,846,947.00, See Table 6. This document is included in the contracts register.

We have been unable to accurately calculate variations, if any, between payments and contracts due to limitations in the documentation. In particular:

- We do not have a contract for the original work carried out by Contour prior to BRC's appointment. Invoice numbers and descriptions also do not match the BRC contract
- Invoices reviewed did not include contract numbers

The total value of invoices we examined that relate to the Beaudesert project amount to \$2,196,677.13. This is \$650,269.87 less than the contract value of \$2,846,947.00.

Table 6 – Documents sourced that reference potential arrangements in place with BRC

Number	Type	Site	Description	Contract Amount	Contour Contract Amount
No Information	Contract	Beaudesert Racecourse	Track Upgrade	\$2,846,947.00	N/A

6.5.2 Beaudesert project transaction analysis

- We examined a total of 58 transactions amounting to \$2,196,677.13. These were submitted by various suppliers, including Contour, between 27 July 2011 and 19 November 2012.
- We identified seven purchase orders relating to the Beaudesert project. Six were appropriately approved. We could not confirm the signature on one. None of the purchase orders relate to Contour.
- Seven invoices amounting to \$391,024.37 were paid to Contour. Their last invoice was issued on 5 July 2012 for \$7,662.58.
- Four invoices were authorised outside of delegation limits amounting to \$419,452.28. These invoices were issued by various companies and were authorised by various RQL employees.

- One Contour invoice for \$84,366.70 was authorised by Mr Snowden outside of his delegation limit, see Table 7 below:

Table 7 – Details of Contour invoices that appear to have been approved without proper delegation

Invoice Number	Invoice Date	Invoice Amount	Project Code	Invoice Description	Signature	Position	Delegation limit
INV02130	6/09/2011	84,366.7	CIV00377	Engineering Services in accordance with our Fee Proposal for Beaudesert Racecourse	Mark Snowden	Infrastructure Manager	50,000

6.5.3 Findings

We identified a contract in place with BRC for the course upgrade at Beaudesert. This document was included on RQL’s contracts register. There was no documentation in relation to Contour.

The total value of invoices we received that relate to the Beaudesert project amount to \$2,196,677.13. This is \$650,269.87 less than the contract value of \$2,846,947.00.

Of the transactions examined, only seven had purchase orders. Four of the invoices also appear to have been paid without the appropriate delegation level. Of these, one Contour invoice for \$84,366.70 was authorised by Mr Snowden outside of his delegation limit.

6.6 Email review

We received the following data files from Mr Swemmer, Risk Management Consultant at RQL marked as follows:

- ‘All email Mar 2005 -May 2008’
- ‘Mal Tuttle Apr 2008 – Nov 2012’
- ‘Paul Brennan Apr 2008 – Nov 2012’

We applied the following search terms across the data and reviewed approximately 2,000 emails:

Keyword	Number of files [emails & attachments]
Contour AND Extension	80
Contour AND Contract	279
Contour AND Relationship	27
Contour AND Election	11
Job AND Election	225
Contour AND Due diligence	22
Contour AND Tender	144
Contour AND Procurement	21
Contour AND Ignore	27

Keyword	Number of files [emails & attachments]
Contour AND Arben	138
Blacklaw AND Contour	143
Blacklaw AND Extension	46
Blacklaw AND Contract	94
Blacklaw AND Relationship	2
Blacklaw AND Election	5
Blacklaw AND Due diligence	4
Blacklaw AND Tender	52
Blacklaw AND Procurement	0
Blacklaw AND Ignore	8
Blacklaw AND Arben	197
Delivery of industry infrastructure plan	3
Contour board paper	1
Audit AND Contour	57
Audit AND Blackwell	20
Dave - dthomme@bigpond.com	3
TOTAL	1609

The main items of interest are as follows (see Appendix D for copies of these emails):

1. There are a number of emails throughout May and June 2011 from Mr Brennan to real estate agents in relation to properties he appears to be in negotiations to purchase in a personal capacity. Mr Brendan Lowther (Mr Lowther) and Mr David McDougall (Mr McDougall) from Contour Consulting Engineers (Contour) appear to have performed building inspections and recommend repairs and/or modifications totalling \$40,000 to \$50,000 in some cases We did not identify any information to indicate if Mr Brennan paid for these services and/or if any such transaction/s were therefore at arms length.
2. On 27 October 2011 Mr Tuttle emailed Mr Snowdon and CC'd Mr Brennan, Ms Murray and Ms Toohey in relation to the 'Contour Board Paper'. He raises concerns on what appears to be the lack of a signed contract with Contour, he comments:

'I am also acutely aware of the audit committees position and the current mood of government. Whilst you are managing this I strongly suggest that you make an arrangement for the Board to deal with this as soon as possible. An outsider might form the view that we put ourselves in a position where we left ourselves with no option but to sign a belated contract for services.'
3. On Thursday 29 March 2012 Mr Brennan emailed Mr Carter and Mr Snowdon of RQL and CC'd Mr Thomson, Mr Fulcher and Ms Hayne of Contour. In the email he outlines monies owing to Contour and that the fee proposal sent to RQL on 31 August 2011 constitutes a binding contract.
4. On 5 November 2011, Mr Tuttle emailed Mr Snowdon and CC'd RQL Board, Mr Brennan and Ms Murray in relation to the delivery of the Industry infrastructure plan. Mr Tuttle outlines the following tasks that he wishes Mr Snowdon to address:

IP and copyright – Not negotiable this is the property of RQL (To be outlined to all consultants as a matter of urgency)

Write to Government advising what has occurred to date re the engagement of consultants to satisfy Government timelines (re Mackay) also advising how we have satisfied ourselves in terms of value for money and probity. Provide document to RQL Board ensuring Board is aware of what has occurred.

Engagement of Contour for Mackay (dealing with IP ownership)

Confirm work by Contour for the development of business cases is minimal and nothing further is required in terms of engagement

Re-confirm with all relevant consultants (including Contour) No work without engagement

Pair out all work subsequent to the business cases (This is not just a roll over for Contour – competitive tender to apply)

Competitive tender processes required as per RQL purchasing standards and compliant with any/all requirements of Government

Settle with RQL Board probity standards required re the engagement of consultants (Ensure probity standards are applied, met, and satisfy Government as required)

Ensure appropriate separation of disciplines with the engagement of consultants (ie project management, civil engineering, structural engineering, environmental etc)

Deal with tender process on a project by project basis (If this is not the case there needs to be an open, transparent, justifiable and competitive process highlighting why projects have been conjoined)

Evaluate and report to the Board on the competitive engagement of a quantity surveyor highlighting the value that will be brought to the projects

Re-evaluate project timelines and impact on commitments already given

Mr Snowdon responds on the 7 November 2011 in relation to the tasks:

I agree re the IP & copyright, this will be the first item that needs to be addressed with Contour. I suggest that if ownership is to remain with Contour (as per the disclosure on their plans) then they provide us with full freedom to do with the information as we please.

Letter to government is complete and has been sent off. I intend to do a note to the board along the following lines and will forward to you in draft when available.

When we meet with Contour we will deal with the IP (above) and their contract on Mackay. The contract will require additional content such as a clear description of their role and responsibilities on the project.

The limit of Contours work on the business cases has been made clear in the past and can be reaffirmed. As most business cases are complete they will only be required to carry out additional work if Office of Racing or Treasury require anything else on the business cases.

This has been made clear in the past and can be done again.

This will be carried out subject to what response Bob gets on Beaudesert and Cairns.

This will be done unless Beaudesert and Cairns are fast tracked like Mackay. If fast tracked probity will be compromised.

Probity standards as per the "Internal Financial Process". I assume this has gone to the board, and as I mentioned this morning today is the first time I have seen this version (19th September update).

Agreed and has been my recommendation to have independent Project Management. Other disciplines can be by the same consultant as long as they are procured through the appropriate process.

Agreed and is currently being implemented.

I can prepare something for the board once I know the direction of Beaudesert and Cairns. If they are to be fast tracked they will be dealt with in the same way as Mackay.

This can be done and will require the input of Paul as the impact on race dates will be the most significant.

5. On 7 November 2011 Mr Tony Hanmer (Mr Hanmer), Non-Executive Board Director, in response to Mr Tuttle's original email above states:

'At the audit, finance and risk committee meeting 10th October, I tabled 2 items, one of which was ensuring that all RQ suppliers comply with several fairly simple criteria. This was born out of a concern that the board needed comfort in the suppliers our consulting engineers were subcontracting as well as having confidence that the consulting engineers we chose would be in a position to deliver on their contractual arrangements.'

6. On 6 December 2011 Mr Brennan emailed Mr Fulcher (Contour) and CC'd Mr Thomson (Contour) and Mr Snowdon with regard to the Cairns projects. He states the following:

'Following receipt of your fee proposal I have discussed this internally, but unfortunately due to the costs associated with finalising the detail design this will require Government approval, which will dictate one of the below approaches:

- a. RQL to proceed with Contour to undertake the detail design without going to the market and prior to Government approval of the business case;*
- b. RQL to go to the market for the detailed design, prior to the Government approval of the business case;*
- c. RQL to await business case approval and then engage Contour to have the work undertaken; or*
- d. RQL to await business case approval and then go to market to have the work undertaken.*

As the release of funds is contingent upon RQL meeting all Government probity requirements it is imperative that RQL has Government approval if there is to be any deviation from agreed protocols. Bob met with Government last Friday and we are awaiting a response in relation to the approach we are able to take on Cairns.'

Mr Thomson from Contour responds to Mr Brennan's email with:

'With regard to Paul's email below, we would consider the situation to fall well within the auspices of the "SOLE SUPPLIER" criteria of the State Government Procurement Policy, especially in the context of the "critical" nature of the sub-project, the relationship between customer and supplier and the 3 Foundation Concepts of the State Procurement Policy and the limited risk and relative low cost of this component of this sub-project.'

7. There is email correspondence between RQL and both Arben and Contour relating to the lack of supervision of the projects under their control. Both appear to be in relation to their lack of presence on site.

7 Recommendations

7.1 Overall recommendation

We recommend RQL seek independent legal advice in relation to any consideration of further action it may consider to be appropriate based on the findings outlined in this report.

7.2 Procurement Framework

The review of the Procurement Framework unveiled several gaps between policy and practice. To tighten up the framework and provide further protection to RQL, they may want to consider the following:

- Developing and delivering appropriate training on expected procurement processes with management. This may include a number of key areas expected to be considered such as value for money, when to gain competitive quotes, providing awareness of the contracts register, understanding of conflicts of interest and completing appropriate documentation.
- Updating and maintaining RQL's contract register (we understand this process is underway). This could include developing appropriate KPI's for personnel responsible, ensuring management are aware of their responsibilities and incorporating the register into the Purchasing Policy.
- Developing appropriate contract templates (we understand this process is underway) to provide consistency and completeness.
- Conduct analysis on the procurement system to identify potential duplicate and/or false payments, in particular when changing or updating systems there can be significant potential for errors and system manipulation.

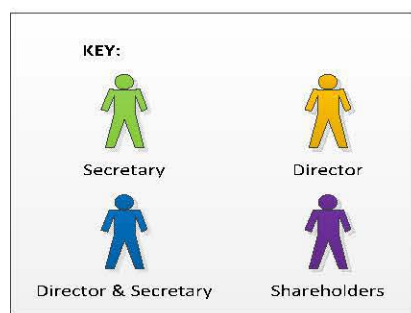
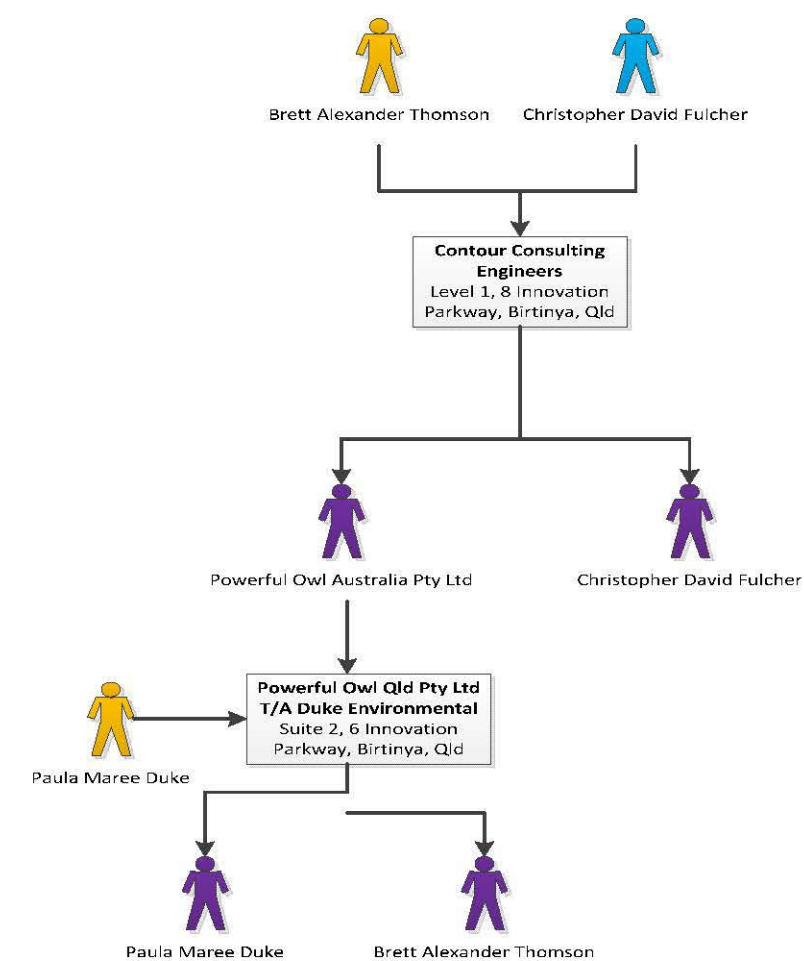
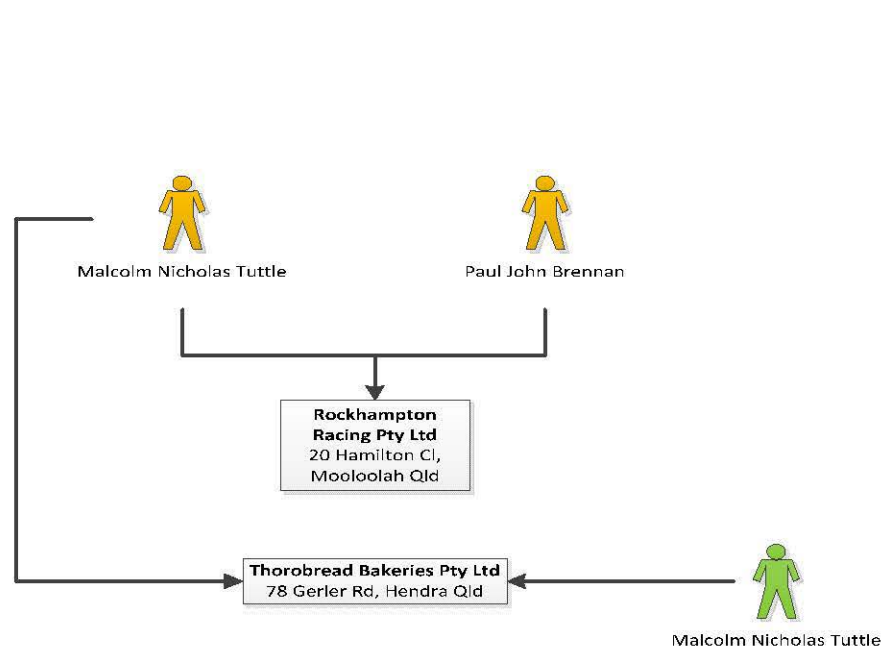
7.3 Using Subcontractors

- The review of Contour being initially engaged by RQL suggested there was no tender process undertaken, purely a straight swap with another engineering firm. RQL may want to consider reviewing the process for engaging new contractors.
- RQL may want to consider reviewing the process for how subcontractors are managed under Project Management firms like Contour, to ensure appropriate due diligence is conducted, and RQL's six procurement principles are being adhered to.
- RQL may want to consider developing and tightening the process between procure and pay, to help ensure that variations between contract and payment identified and appropriately approved. This could include stricter expectations on paperwork produced before payment is released.

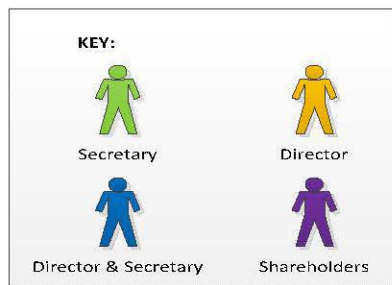
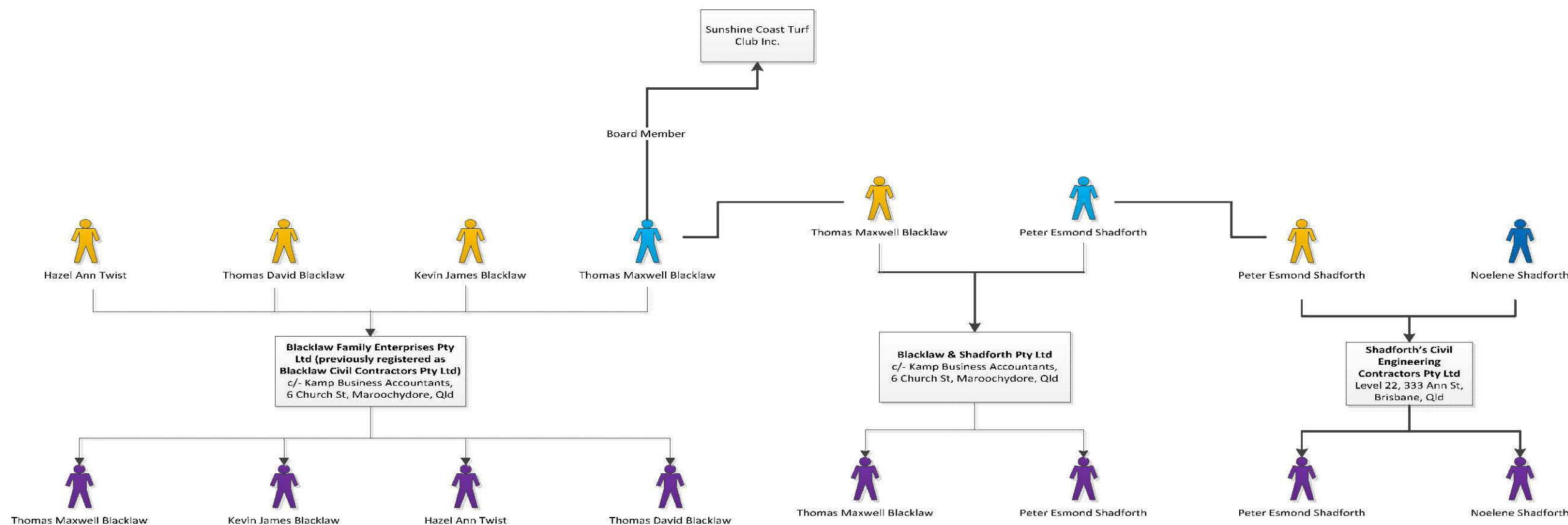
Appendix A

Relationship maps

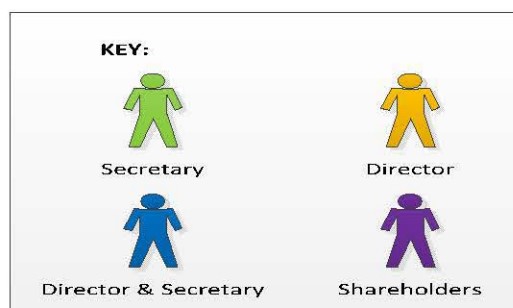
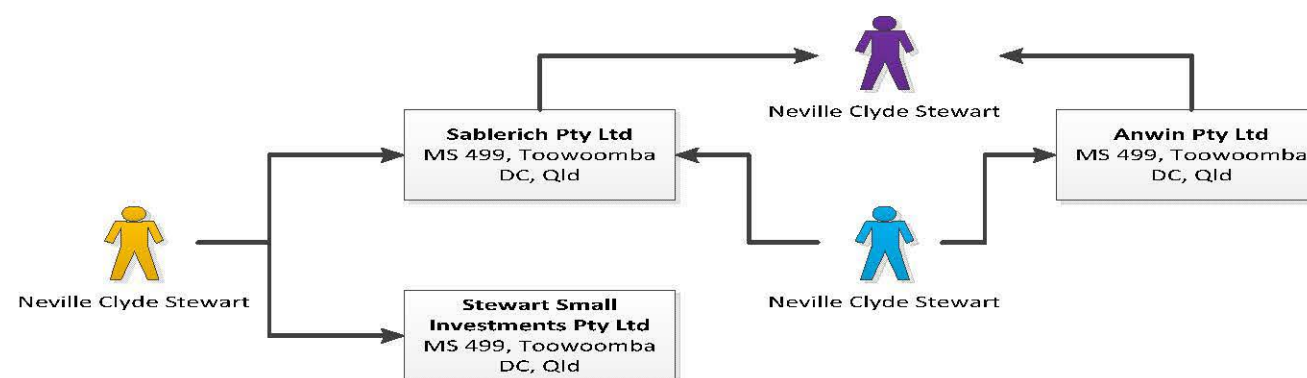
**Racing Queensland Limited –
Key persons of interest and Contour Consulting
Engineers Pty Ltd**



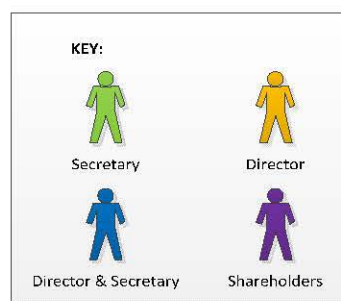
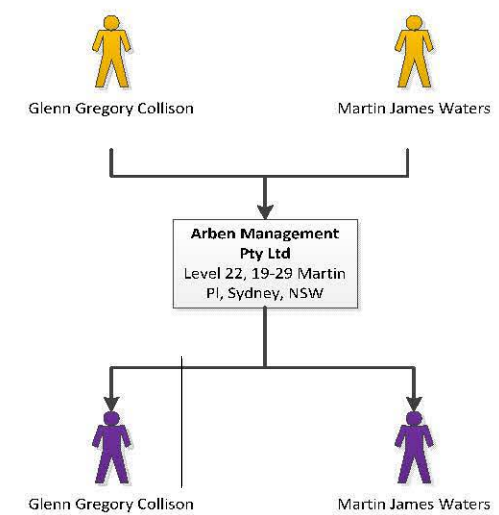
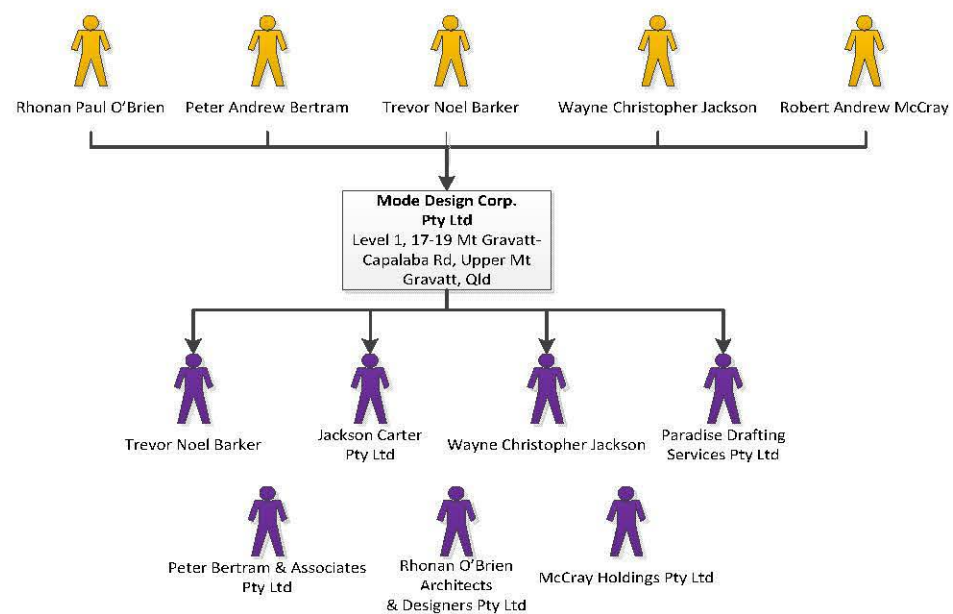
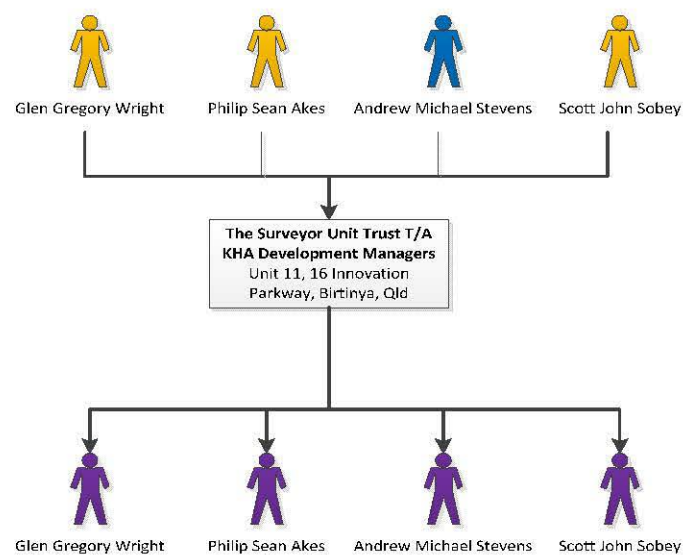
**Racing Queensland Limited –
Blacklaw Civil Contractors and related entities**



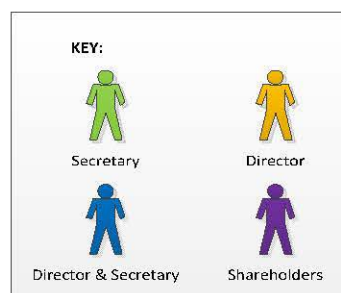
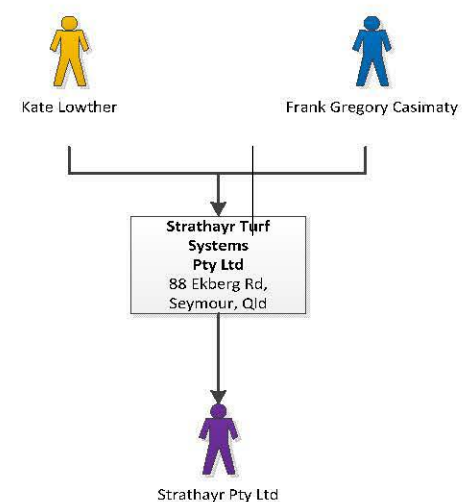
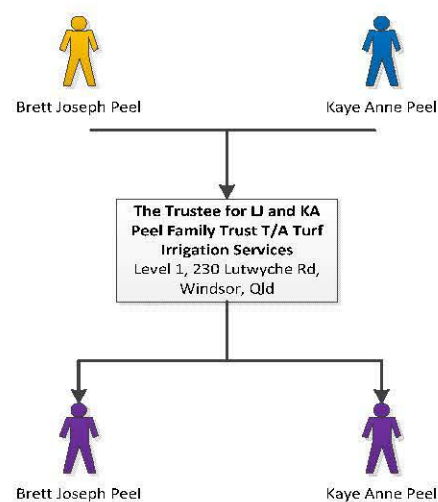
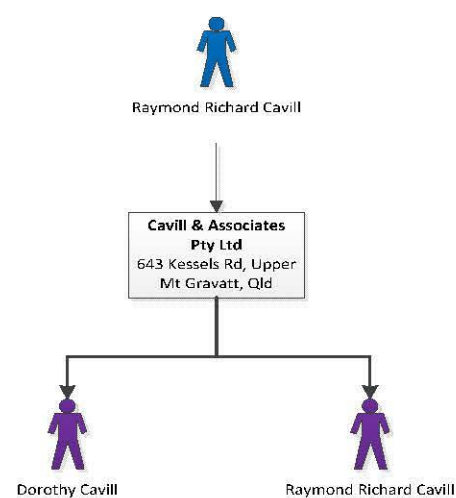
**Racing Queensland Limited –
Former Toowoomba Chairman – Neville Stewart**



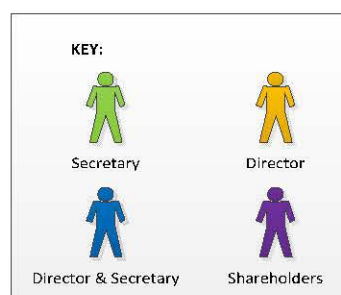
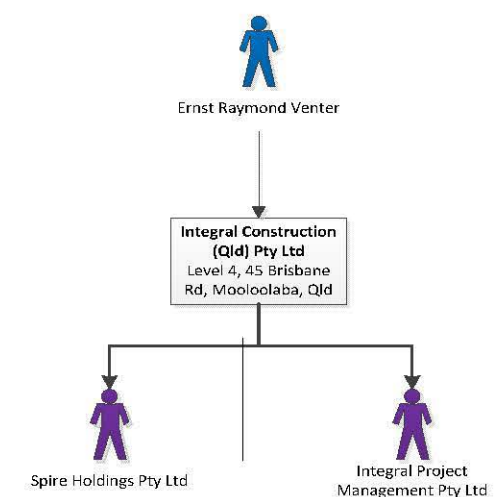
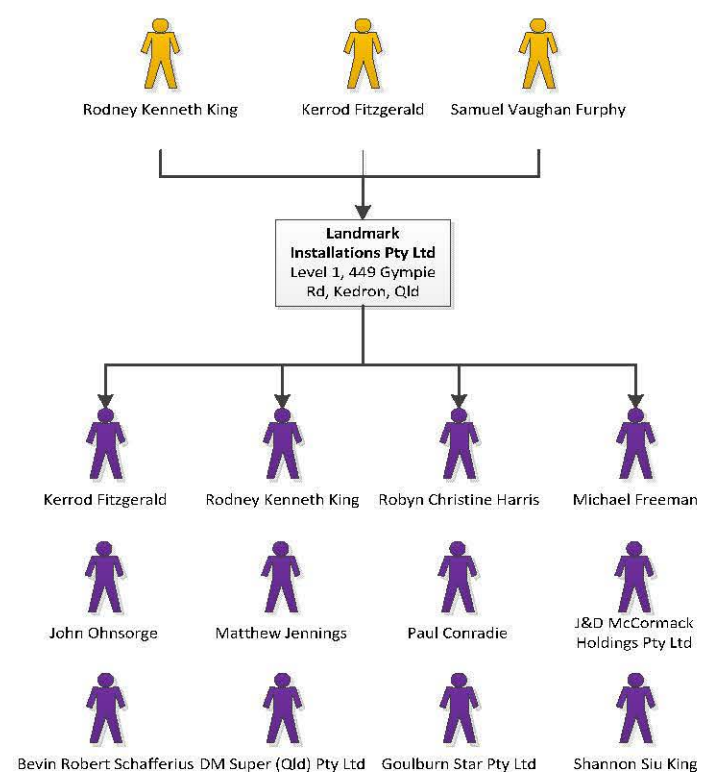
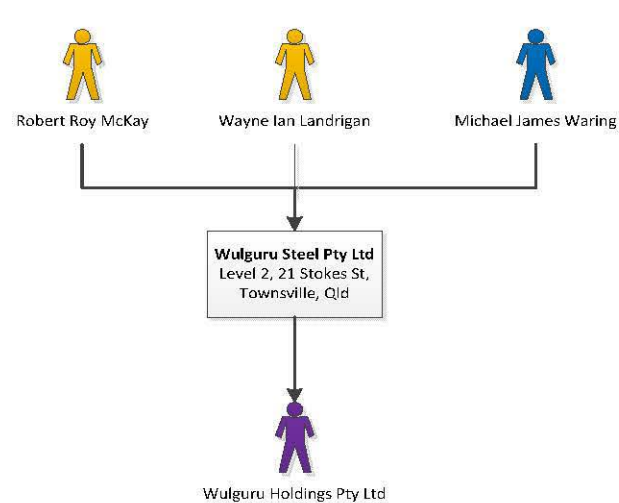
**Racing Queensland Limited –
Additional Entity Searches**



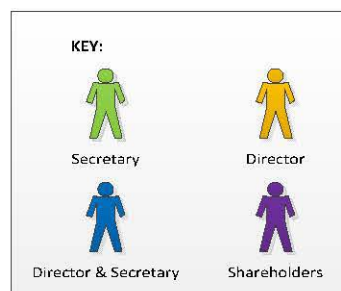
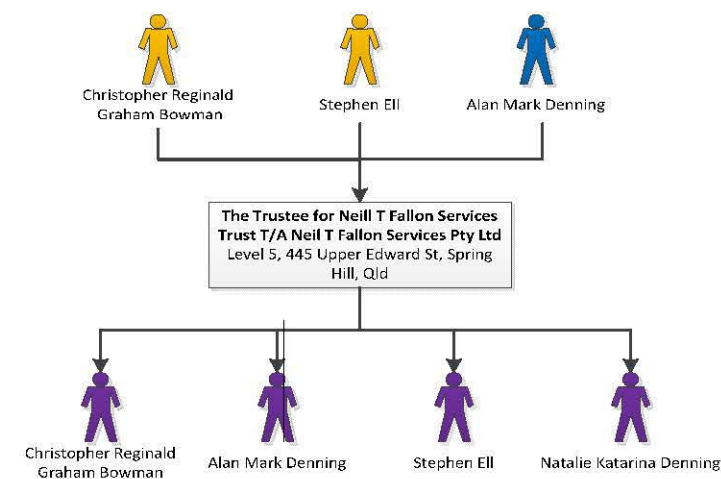
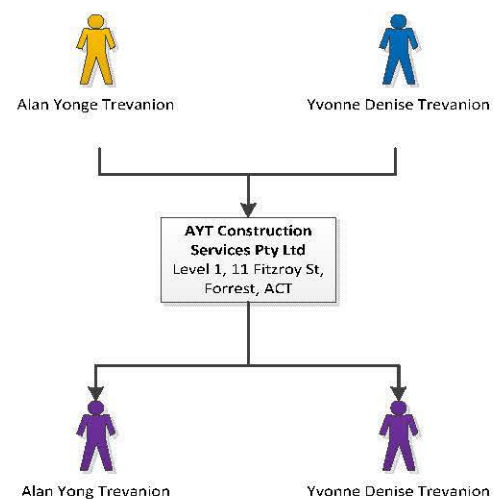
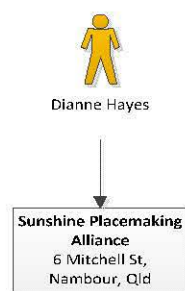
**Racing Queensland Limited –
Additional Entity Searches**



**Racing Queensland Limited –
Additional Entity Searches**



**Racing Queensland Limited –
Additional Entity Searches**



Appendix B

Contract code and descriptions of Contour invoices

Project Code	Invoice Description	Amount Paid to Contour	Amount as per Contract	Difference
0621	Upgrade works Engineering advice/services	\$35,756.80		
CIV00778	Proposed NRL bid at Albion Racecourse	\$23,287.28		
DE1019	Investigations into Aboriginal cultural heritage issues	\$10,427.45		
0377	Track flood damage at Beaudesert racecourse Upgrade works	\$752,152.59		
0691	Harness racing facility at Bundamba racecourse Engineering services Engineering advice into master plan development	\$61,911.31		
0557	Proposed upgrade to Cannon Park racecourse, Cairns Engineering services Engineering advice into master plan development	\$79,870.13		
0432	Synthetic track at Clifford Park Racecourse Engineering services Engineering advice into master plan development Lighting installation	\$486,777.89	1.9% of construction cost	N/A
0535	Racetrack redesign works at Cluden Park Racecourse Engineering services Engineering advice into master plan development	\$57,838.22		
0318	Preliminary estimate of construction costs Stabling and associated works at Corbould Park racecourse Engineering services	\$353,865.67		
0436	Project management services for proposed track lighting for night racing at Corbould Park racecourse	\$184,387.31		
0417	Stabling and associated works at Corbould Park racecourse	\$230,342.89	Hourly Rates	N/A
0449	Engineering services for Corbould Master Plan	\$12,005.13		
0714	Engineering advice into master plan development Corbould Park, Community Open Space Area	\$4,365.35		
0546	Miscellaneous works Corbould Park upgrade	\$345,111.46		

Project Code	Invoice Description	Amount Paid to Contour	Amount as per Contract	Difference
0645	Engineering services as per your agreement with Brett Thomson for the sewer/pump station design at Corbould Park Racecourse	\$58,185.44		
CIV00710	Engineering services: Advertising signage at Corbould Park Racecourse	\$6,884.63		
CIV00714	Engineering services for the proposed community open space area at Corbould Park Racecourse	\$14,145.18		
5206	Proposed storage bin for synthetic material stored on-site at Corbould Park Racecourse	\$11,556.88		
0438	Fire hydrant design at Corbould Park Racecourse	\$2,550.63		
0714/0270	Engineering advice into master plan development: Corbould Park racecourse	\$8,059.15		
0270	Synthetic track Sunshine Coast	\$119,788.13		
0380	Engineering services for Deagon racecourse. Phase A - heads of agreement on water recycling Upgrade works Engineering services Engineering advice into master plan development	\$467,684.45		
STR05249	Proposed facility extension at Racecourse Road, Deagon	\$49,472.50		
CIV00704	Office relocation Deagon to Corbould Park	\$38,159.28		
0601	Upgrade works at Eagle Farm racecourse Engineering advice into master plan development	\$19,626.76		
0426	Track upgrade at Gold Coast racecourse Engineering advice into master plan development	\$455,705.33		
0550	Upgrade works at Mackay Racecourse	\$1,037,163.74	\$2,991,223.42	\$1,954,059.68
0496	Engineering services for proposed Sunbus satellite depot at Pierce Avenue, Caloundra	\$2,310.00		
CIV00719	Redcliffe Harness Track - Building assessment report	\$4,647.89		
0373	Preliminary design services for the Rockhampton Racecourse upgrade Engineering services Engineering advice into master plan development	\$317,606.01		
0675	Engineering services in accordance with fee proposal for Rockhampton racecourse	\$72,270.00		
CIV00645	Engineering services for sewerage pump station	\$907.50		
CIV00417	Professional services - Sunsouth Power Project	\$3,107.50		

Project Code	Invoice Description	Amount Paid to Contour	Amount as per Contract	Difference
5171	Engineering services for the structural design of the judges tower lighting frame Engineering advice into master plan development	\$16,500.00		
0556	Preliminary engineering advice on issues relating to future upgrades and additions to Wadham Park and Wadham Park 2 Proposed track upgrade	\$26,523.75		
CIV00550	Engineering services in accordance with fee proposal for Mackay Racecourse	\$44,746.36		
Multiple Codes		\$54,257.06		
Blank		\$546,745.33		
TOTAL		\$6,016,702.98		

Appendix C

Comparison of Contour rates to similar contractors

Contour Classification	Rate per hour (ex GST)	Rate per hour with CPI increase (ex GST)	Dalton Classification	Rate per hour (ex GST)	Rate with CPI increase variance (%)	WSP Classification	Rate per hour (ex GST)	Rate with CPI increase variance (%)
Director/Principal Engineer	\$265	\$269.51	Senior Engineer Director	\$260	3.53%	Director	\$270	-0.18%
Associate Director	\$245	\$249.17	N/A			N/A		
Senior Project Manager	\$235	\$239.00	Senior Associate/ Project Manager	\$210	12.13%	N/A		
Senior Engineer/ Scientist	\$220	\$223.74	N/A			Senior Engineer	\$190	15.08%
Engineer/ Scientist	\$205	\$208.49	N/A			N/A		
Senior Designer/ Technician	\$210	\$213.57	Senior Design Manager	\$210	1.67%	N/A		
Designer	\$190	\$193.23	Design Engineer	\$160	17.20%	N/A		
Engineering/ Scientific Technician	\$190	\$193.23	N/A			N/A		
Graduate Engineer/ Designer/ Technician	\$175	\$177.98	N/A			N/A		
Senior Drafter	\$155	\$157.64	N/A			N/A		
Drafter	\$135	\$137.30	Design Drafting Staff	\$120	12.60%	N/A		
Undergraduate	\$125	\$127.13	N/A			N/A		
Administration	\$95	\$96.62	N/A			N/A		

Contour Classification	Rate per hour (ex GST)	Rate per hour with CPI increase (ex GST)	AECOM Classification	Rate per hour (ex GST)	Rate with CPI increase variance (%)	Jones Nicholson Classification	Rate per hour (ex GST)	Rate with CPI increase variance (%)
Director/Principal Engineer	\$265	\$269.51	Principal Engineer	\$225	16.52%	Director	\$277	-2.78%
Associate Director	\$245	\$249.17	N/A			N/A		
Senior Project Manager	\$235	\$239.00	N/A			N/A		
Senior Engineer/Scientist	\$220	\$223.74	Senior Engineer	\$200	10.61%	N/A		
Engineer/Scientist	\$205	\$208.49	Engineer	\$175	16.06%	Project Engineer	\$198	5.03%
Senior Designer/Technician	\$210	\$213.57	N/A			Senior Design Engineer	\$178	16.56%
Designer	\$190	\$193.23	N/A			Design Engineer	\$153	20.59%
Engineering/Scientific Technician	\$190	\$193.23	N/A			N/A		
Graduate Engineer/Designer/Technician	\$175	\$177.98	N/A			N/A		
Senior Drafter	\$155	\$157.64	N/A			Senior Drafter	\$149	5.80%
Drafter	\$135	\$137.30	N/A			Drafter	\$129	6.26%
Undergraduate	\$125	\$127.13	N/A			N/A		
Administration	\$95	\$96.62	N/A			Office Staff	\$84	12.91%

Appendix D

Emails of interest

Email #1A

From: Paul Brennan <pbrennan@racingqueensland.com.au>
Sent: Thursday, 12 May 2011 2:04 PM
Subject: FW: 254 Glenview Road, Glenview - Building Inspection Findings
Attachments: P1010163.jpg; P1010164.jpg; P1010165.jpg; P1010168.jpg; P1010169.jpg; P1010171.jpg; P1010176.jpg; P1010177.jpg; P1010184.jpg; P1010190.jpg; P1010191.jpg; P1010192.jpg; P1010195.jpg; P1010196.jpg; P1020039.jpg

From: Brendan Lowther [<mailto:Brendan@contource.com.au>]
Sent: Thursday, 12 May 2011 12:54 PM
To: Paul Brennan
Cc: Brett Thomson
Subject: 254 Glenview Road, Glenview - Building Inspection Findings

Hi Paul,

Based on our brief visual inspection of the residence located at 254 Glenview Road, we offer the following information regarding the potential problems that we see:

1. The sub-floor space is not adequately ventilated and has no drainage capability whatsoever. The subfloor space is very damp and this needs to be rectified.
2. It appears that water has and can pond in the sub-floor space, particularly in the south-eastern corner (See water mark on brick in attached photos ending in numbers 176 and 177).
3. A floor bearer under the entry area has been propped up on a masonry block pier, but this pier does not appear to have any sort of footing.
4. The bowed internal wall beside the kitchen/dining area appears to be caused by swelling of the elevated timber floor. If our assumption is correct, we believe that the swelling of the timber floor has pushed the brick wall over toward the kitchen and has caused cracking damage in the brick wall, damage to the internal wall, plus rotation of the floor bearers along the eastern end of the house. This issue really looks like it needs to be rectified smartly, and would require the temporarily propping the roof and floor, cutting out both the damaged brick and internal gyprock walls, reconstruction of walls and tidying up other associated damage. We believe this is likely to cost in the order of \$20k.
5. Some of the brick piers along the eastern side of the residence, which support the lounge room timber floor, show signs of rotation in a general easterly direction. This is likely to be also associated with swell of the timber floor.
6. There has been some excavation in the sub-floor space to the north-western corner of the residence, which appears to have been recently undertaken to provide clearance between perimeter timber floor bearers and the outside soil. This excavation has been undertaken from within the subfloor space and looks to extend under the external concrete pavement (eg. the external concrete path has been undermined.)
7. Wall, ceiling and cornice cracking is evident at a number of junctions between the various extension areas. Although the cracks evident were fairly minor, we believe that they have still formed since the building was last painted and are evidence that some ongoing movement is occurring.
8. Doors to bedrooms and robes are out of square and ill-fitting, which is likely to be related to foundation movement.
9. The family room floor is not level.
10. Termite infestation to the kitchen/meals area has occurred and although termite damaged timber window reveals have been replaced, we cannot comment on the internal damage and structural soundness of the wall framing.
11. A number of fine vertical cracks in the render to the exterior of the residence were noted. These are likely to be caused by poor initial building practice, foundation movement or both and are likely

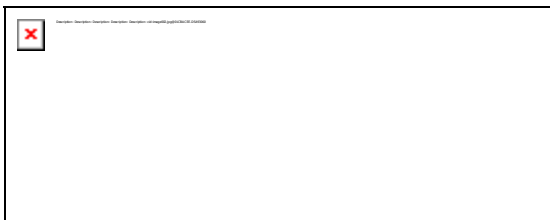
to get worse over time.

- 12. Downpipes were found to be leaking and the sewer line from the bathroom was found to have a minor break near the sub-floor access point.
- 13. The site soil was found to be fairly wet where we parked our cars on the 10th May 2011 and we expect that this may be fairly typical for this site. If you were to purchase the property, we would suggest that better surface and sub-surface drainage be installed to assist in drying up the site.
- 14. The shed to the rear of the residence was found to be in a poor condition, had asbestos roof sheeting, rotted timber roof framing members and is need of repair work or replacement.

Regards,

Brendan Lowther

*Senior Structural Engineer
BEng(Hons) ADEng RPEQ MIEAust*



for and on behalf of:
CONTOUR Consulting Engineers Pty Ltd

Mobile **0438 939 771** Phone **(07) 5493 9777** Fax **(07) 5493 6888**
Email [**brendan@ContourCE.com.au**](mailto:brendan@ContourCE.com.au)
PO Box 474, Buddina, Qld, 4556.
Suite 2, Level 1, No. 6 Innovation Parkway,
Birtinya, Sunshine Coast, Qld, 4575.

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Email #1B

From: David McDougall <David@contource.com.au>
Sent: Wednesday, 15 June 2011 4:38 PM
Subject: Mooloolah Property.
Attachments: img-615160126.pdf

Hello Paul,

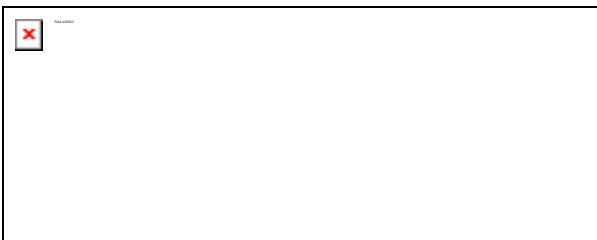
Matt in the office has done a brief check on the property at Mooloolah for you. There are two things of not that you might want to consider. Find attached an aerial which shows the contours, approximate flood line, and I have drawn in the overhead electrical lines that appear to run through the property.

Something to note is that when overhead power lines cross a property, Energex usually have conditions and/or easements on that property, that mean you are required to obtain their permission for any work within a given distance of the lines. This will most probably affect any extension or renovation works on the property.

Would you like us to do a property search through Council on the flood height for that property?

Yours sincerely,

David McDougall
BEng
Civil Engineer
for and on behalf of:
CONTOUR Consulting Engineers Pty Ltd



CONTOUR Consulting Engineers Pty Ltd
Phone **(07) 5493 9777** Fax **(07) 5493 6888**
Email david@ContourCE.com.au
PO Box 474, Buddina 4575, Qld.
Bldg A Level 1,6 Innovation Parkway
Birtinya 4575, Sunshine Coast, Qld.

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Email #1C

From: Wes Austin <Wes@integralconstruction.com.au>
Sent: Tuesday, 21 June 2011 2:50 PM
Subject: RE: Mooloolah House

Hi Paul & Tracey

Looking at option 1 I would work on around \$17,000 to \$20,000+GST. The total costs here will depend on the re-use of the existing timber. \$20,000 should cover you either way. Contour will need to look at the existing external walls to determine if there are any load bearing members that will need to be dealt with.

Option 2 is actually fairly similar in cost, so again I think \$20,000 is a good number to work on. This makes no allowance for making-good the new floors to receive carpet. Perhaps allow a further \$1,500 to build the slab 'up' to a level finish as it most likely currently falls to an external area.

The most economical way of doing the work maybe to engage a 2man carpentry crew and pay them direct on hourly rate. They will also be able to source the materials for you. If we are comfortable with the carpentry crew that you run with, you can use our license and buy the materials, insurances etc at cost on our account.

Hope this helps, let me know if you would like me to look at anything else.

Regards
 Wes

File Ref:

From: Paul Brennan [<mailto:pbrennan@racingqueensland.com.au>]
Sent: Thursday, 16 June 2011 11:16 AM
To: Justin Costanzo; Wes Austin
Cc: Tracey.Brennan@seaside realestate.com.au
Subject: Mooloolah House

Justin & Wes

As discussed on Tuesday please find attached some photographs of the house I am looking at in Mooloolah.

As mentioned the house is a little small and if I was to purchase I would be required to build in two areas.

Are you able to give me an indicative cost on the following options..

Option 1

The option is to extend both bedrooms out to incorporate the veranda. This should be achievable as I believe this has already occurred at the house with the kitchen and dining room areas, as per attached photo's.

18977066 2 Kitchen
 18977066 8 Dining area

I would like a similar finish to the bedrooms with vj timber walls and ceiling. I would also like timber floorboards in this area.

This area is 7.2m long by 2.5m wide.

I suspect that it would be possible to reuse the existing windows and potentially some of the timber that would be required to be cut out on the side of the house.

I have included the following photo's

778 Under roof area
 770 Bedroom 2 wall
 771 Bedroom 1 wall
 788 Area to be enclosed
 786 Concrete posts
 787 Structural supports

Option 2

This option is to enclose a carport area. The carport was added as part of an extension that added an additional bedroom, bathroom and laundry area. The carport has a fully lined roof and I hope that this would simply require the placement of internal and external walls to this area and the inclusion of some power outlets. I would like the external wall to match the wall of the adjoining extension (as per photo), but the internal wall could just be gyprock. As far as doors and windows went, I would like windows on both sides in similar style to the windows on the adjoining extension and we would just need to install an external door into this room. This area is about 7m x 5m.

I would manage the installation of carpet separately.

I have included the following photo's

803 Carport
 804 Carport Supports
 805 Carport Ceiling
 785 External wall to adjoining extension

Without being too much of a nuisance would you be able to give me an indication what the cost of each option would be, I have outlined bands below. I would like to have a rough idea below entering into a contract.

Option 1

\$20k to \$25k
 \$25k to \$30k
 \$30k to \$35k
 \$35k to \$40k

Option 2

\$10k to \$15k
 \$15k to \$20k
 \$20k to \$25k
 \$25k to \$30k

Thank you for your assistance
 Regards
 Paul

Paul Brennan

Director of Product Development
 PO Box 63, Sandgate QLD 4017
 P +61 7 3869 9721
 F +61 7 3269 6715

_____ M 0408 985 797
E pbrennan@racingqueensland.com.au
W www.racingqueensland.com.au

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Email #2

From: Malcolm Tuttle <mtuttle@racingqueensland.com.au>
Sent: Thursday, 27 October 2011 9:39 AM
Subject: RE: Contour Board Paper

Mark

I understand this. I am also acutely aware of the audit committees position and the current mood of government. Whilst you are managing this I strongly suggest that you make an arrangement for the Board to deal with this as soon as possible. An outsider might form the view that we put ourselves in a position where we left ourselves with no option but to sign a belated contract for services.

Regards

Malcolm Tuttle

Chief Executive Officer



PO Box 63, Sandgate QLD 4017

P +61 7 3869 9730

F +61 7 3269 9043

M +61 419 759 457

E mtuttle@racingqueensland.com.au

W www.racingqueensland.com.au

From: Mark Snowdon
Sent: Thursday, 27 October 2011 9:34 AM
To: Malcolm Tuttle
Cc: Paul Brennan; Shara Murray; Debbie Toohey
Subject: Contour Board Paper

Mal

I've tried a few times to get hold of Bob without success.

We have a few issues with the Contour contract for services and Warren had raised a few more project issues that should definitely be resolved prior to signing off on their role so it would be best to pull it from the board agenda.

This will not affect the work progress on the projects and I am mindful of your concerns in relation to the audit committee so we will sort this out as a priority.

Mark Snowdon

Project Director



PO Box 63, Sandgate QLD 4017

P +61 7 38699402

F +61 7 32699043

M 0409 582613

E msnowdon@racingqueensland.com.au

W www.racingqueensland.com.au

Email #3

From: Paul Brennan <pbrennan@contource.com.au>
Sent: Thursday, 29 March 2012 6:36 AM
Subject: Business Case Agreement

Adam & Mark

After discussing the contract with Chris and Brett late yesterday afternoon, I offer the following in relation to the required agreement.

A fee proposal was sent to Racing Queensland on 31 August 2011, which included all of the relevant projects, except Ipswich.

The proposal was very clear that its aim was to provide RQL with rigorous scientific/engineering information to enable RQL to provide adequate levels of information to government in support of the business case funding applications. The proposal also provides a thorough scope of works.

The below table highlights the proposed fee schedule and the value of the fees invoiced by Contour (as provided by Mark – which was included in the Government's contribution to RQL for business case formation).

Project	Fee Budget	Total Invoiced (as provided by Mark)	Variance
Cairns	\$130,000	\$71,326	\$58,674
Townsville	\$100,000	\$47,514	\$52,486
Rockhampton	\$80,000	\$71,476	\$8,524
Deagon	\$1,650,000	\$411,203	\$1,238,797
Beaudesert	\$650,000	\$647,898	\$2,102
Gold Coast	\$150,000	\$390,787	-\$240,787

Contour is of the belief that Racing Queensland should accept this fee proposal as it forms that basis of a binding contract, which was factually provided in August 2011.

In relation to the increased expenditure on the Gold Coast and the inclusion of \$47,099 for the Ipswich project, Contour is happy to provide a further fee proposal dated March 2012 to cover these projects.

Due to the level of scrutiny that this issue may receive, Contour believes the best option is to utilise the proposal that was provided some 7 months ago and to treat the two outstanding issues by exception.

We will await your response to this email before undertaking any further work on this issue.

Regards,

Paul Brennan

CEO

For and on behalf of:

CONTOUR Consulting Engineers Pty Ltd

Phone **(07) 5493 9777** Fax **(07) 5493 6888**

Email pbrennan@ContourCE.com.au

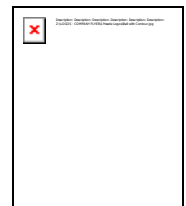
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6 Innovation Parkway, Birtinya 4575, Sunshine Coast, Qld.

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Email #4

From: Malcolm Tuttle <mtuttle@racingqueensland.com.au>
Sent: Monday, 7 November 2011 3:36 PM
Subject: RE: Delivery of industry infrastructure plan

Tks Mark

I suggest that you also discuss with Shara and Adam on his return and provide a Board report to the next Board meeting so that the Board is comfortable with all probity and compliance approaches.

Regards

Malcolm Tuttle

Chief Executive Officer



PO Box 63, Sandgate QLD 4017

P +61 7 3869 9730

F +61 7 3269 9043

M +61 419 759 457

E mtuttle@racingqueensland.com.au

W www.racingqueensland.com.au

From: Mark Snowdon
Sent: Monday, 7 November 2011 11:53 AM
To: Malcolm Tuttle
Cc: Robert Bentley; Paul Brennan; Shara Murray
Subject: RE: Delivery of industry infrastructure plan

Mal

Further to your email and our meeting this morning my comments are as follows:

1. I agree re the IP & copyright, this will be the first item that needs to be addressed with Contour. I suggest that if ownership is to remain with Contour (as per the disclosure on their plans) then they provide us with full freedom to with the information as we please.
2. Letter to government is complete and has been sent off. I intend to do a note to the board along the following lines and will forward to you in draft when available.
3. When we meet with Contour we will deal with the IP (above) and their contract on Mackay. The contract will require additional content such as a clear description of their role and responsibilities on the project.
4. The limit of Contours work on the business cases has been made clear in the past and can be reaffirmed. As most business cases are complete they will only be required to carry out additional work if Office of Racing or Treasury require anything else on the business cases.
5. This has been made clear in the past and can be done again.
6. This will be carried out subject to what response Bob gets on Beaudesert and Cairns.
7. This will be done unless Beaudesert and Cairns are fast tracked like Mackay. If fast tracked probity will be compromised.
8. Probity standards as per the "Internal Financial Process". I assume this has gone to the board, and as I mentioned this morning today is the first time I have seen this version (19th September update).
9. Agreed and has been my recommendation to have independent Project Management. Other disciplines can be by the same consultant as long as they are procured through the appropriate process.
10. Agreed and is currently being implemented.
11. I can prepare something for the board once I know the direction of Beaudesert and Cairns. If they are to be fast tracked they will be dealt with in the same way as Mackay.
12. This can be done and will require the input of Paul as the impact on race dates will be the most significant.

In summary Mal, before proceeding much further I need a direction of how we are to proceed with Beaudesert and Cairns and some direction on how we are to structure Project Management on all projects.

Thanks.

Mark Snowdon

Project Director



PO Box 63, Sandgate QLD 4017

P +61 7 38699402

F +61 7 32699043

M 0409 582613

E msnowdon@racingqueensland.com.au

W www.racingqueensland.com.au

From: Malcolm Tuttle

Sent: Saturday, November 05, 2011 10:17 AM

To: Mark Snowdon

Cc: RQL Board; Paul Brennan; Shara Murray

Subject: Delivery of industry infrastructure plan

Mark

Following on from your presentation yesterday to the Board there are a number of matters to be addressed as a matter of urgency. We spoke about these this morning and I undertook to get the process started with this email so we have some material to review on Monday morning. The following is in no particular order but reflect the matters that need to be attended to.

1. IP and copyright – Not negotiable this is the property of RQL (To be outlined to all consultants as a matter of urgency)
2. Write to Government advising what has occurred to date re the engagement of consultants to satisfy Government timelines (re Mackay) also advising how we have satisfied ourselves in terms of value for money and probity. Provide document to RQL Board ensuring Board is aware of what has occurred.
3. Engagement of Contour for Mackay (dealing with IP ownership)
4. Confirm work by Contour for the development of business cases is minimal and nothing further is required in terms of engagement
5. Re-confirm with all relevant consultants (including Contour) No work without engagement
6. Pair out all work subsequent to the business cases (This is not just a roll over for Contour – competitive tender to apply)
7. Competitive tender processes required as per RQL purchasing standards and compliant with any/all requirements of Government
8. Settle with RQL Board probity standards required re the engagement of consultants (Ensure probity standards are applied, met, and satisfy Government as required)
9. Ensure appropriate separation of disciplines with the engagement of consultants (ie project management, civil engineering, structural engineering, environmental etc)

10. Deal with tender process on a project by project basis (If this is not the case there needs to be an open, transparent, justifiable and competitive process highlighting why projects have been conjoined)
11. Evaluate and report to the Board on the competitive engagement of a quantity surveyor highlighting the value that will be brought to the projects
12. Re-evaluate project timelines and impact on commitments already given

Mark, I look forward to meeting with you, Paul and Shara on Monday morning. In the meantime, as we discussed, pls prepare a draft of the material for the Government and the Board.

Regards Mal.

Malcolm Tuttle
Chief Executive Officer

PO Box 63, Sandgate QLD 4017

P +61 7 3869 9730

F +61 7 3269 9043

M +61 419 759 457

E mtuttle@racingqueensland.com.au

W www.racingqueensland.com.au

Email #5

From: Malcolm Tuttle <mtuttle@racingqueensland.com.au>
Sent: Monday, 7 November 2011 8:08 AM
Subject: RE: Delivery of industry infrastructure plan

Tks Tony
 Regards

Malcolm Tuttle

Chief Executive Officer



PO Box 63, Sandgate QLD 4017

P +61 7 3869 9730

F +61 7 3269 9043

M +61 419 759 457

E mtuttle@racingqueensland.com.au

W www.racingqueensland.com.au

From: Tony Hanmer [<mailto:tonyhanmer@hotmail.com>]
Sent: Sunday, 6 November 2011 3:01 PM
To: Malcolm Tuttle; Mark Snowdon
Cc: RQL Board; Paul Brennan; Shara Murray
Subject: RE: Delivery of industry infrastructure plan

Mal, thanks for your comprehensive note on steps taken to ensure we are following best practice on not just appointment of our consulting engineers but also best practice for any subsidiary who we may employ during the implementation of the industry infrastructure plan.

At the audit, finance and risk committee meeting 10th October, I tabled 2 items, one of which was ensuring that all RQ suppliers comply with several fairly simple criteria. This was born out of a concern that the board needed comfort in the suppliers our consulting engineers were subcontracting as well as having confidence that the consulting engineers we chose would be in a position to deliver on their contractual arrangements.

In essence this suggestion was that RQ needs to have reassurance on:

Company structure and ultimate ownership

Disaster recovery plans

A statement of governance

policies in place to comply with statutory guidelines

some reassurance of financial stability

where deemed necessary an independent assessment of the organisation (probably via a process similar to racefield information provenance)

I also suggested that if this was deemed too complicated, then whatever measures were required by the QG Audit office or the Office of Racing would be adequate. This was driven by my continual concern that we are spending taxpayers money and that even with a benevolent administration, we must comply not only with our own purchasing policy but with whatever policy the civil administration of the day requires.

Risk is the major issue all boards have to manage, the infrastructure plan is an issue of major order, and consequently our exposure is high. We must minimise our exposure to criticism and your note of yesterday will go a long way towards ensuring an acceptable outcome for the racing industry and taxpayers but, I would urge that any contract documentation is at least passed -by the Board.

Tony Hanmer

Non-Executive Board Director

Board Advisor, Corporate Strategy & Marketing

mob: 0411 193 582

phone: (61) 7 5446 4018

fax: (61) 7 5446 4012

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From: mtuttle@racingqueensland.com.au
 To: msnowdon@racingqueensland.com.au
 CC: RQLBoard@racingqueensland.com.au; pbrennan@racingqueensland.com.au;
smurray@racingqueensland.com.au
 Subject: Delivery of industry infrastructure plan
 Date: Sat, 5 Nov 2011 00:16:52 +0000

Mark

Following on from your presentation yesterday to the Board there are a number of matters to be addressed as a matter of urgency. We spoke about these this morning and I undertook to get the process started with this email so we have some material to review on Monday morning. The following is in no particular order but reflect the matters that need to be attended to.

IP and copyright – Not negotiable this is the property of RQL (To be outlined to all consultants as a matter of urgency)

Write to Government advising what has occurred to date re the engagement of consultants to satisfy Government timelines (re Mackay) also advising how we have satisfied ourselves in terms of value for money and probity. Provide document to RQL Board ensuring Board is aware of what has occurred.

Engagement of Contour for Mackay (dealing with IP ownership)

Confirm work by Contour for the development of business cases is minimal and nothing further is required in terms of engagement

Re-confirm with all relevant consultants (including Contour) No work without engagement

Pair out all work subsequent to the business cases (This is not just a roll over for Contour – competitive tender to apply)

Competitive tender processes required as per RQL purchasing standards and compliant with any/all requirements of Government

Settle with RQL Board probity standards required re the engagement of consultants (Ensure probity standards are applied, met, and satisfy Government as required)

Ensure appropriate separation of disciplines with the engagement of consultants (ie project management, civil engineering, structural engineering, environmental etc)

Deal with tender process on a project by project basis (If this is not the case there needs to be an open, transparent, justifiable and competitive process highlighting why projects have been conjoined)

Evaluate and report to the Board on the competitive engagement of a quantity surveyor highlighting the value that will be brought to the projects

Re-evaluate project timelines and impact on commitments already given

Mark, I look forward to meeting with you, Paul and Shara on Monday morning. In the meantime, as we discussed, pls prepare a draft of the material for the Government and the Board.

Regards Mal.

Malcolm Tuttle
 Chief Executive Officer
 PO Box 63, Sandgate QLD 4017
 P +61 7 3869 9730
 F +61 7 3269 9043
 M +61 419 759 457
 E mtuttle@racingqueensland.com.au
 W www.racingqueensland.com.au

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Email #6

From: Brett Thomson <Brett@contource.com.au>
Sent: Monday, 12 December 2011 12:01 PM
Subject: RE: Cairns Procurement
Attachments: GOVERNMENT PROCUREMENT - CAIRNS.DOCX; img-Z12100030.pdf; img-Z12111558.pdf

PB/MS,

With regard to Paul's email below, we would consider the situation to fall well within the auspices of the "SOLE SUPPLIER" criteria of the State Government Procurement Policy, especially in the context of the "critical" nature of the sub-project, the relationship between customer and supplier and the 3 Foundation Concepts of the State Procurement Policy and the limited risk and relative low cost of this component of this sub-project.

Following on from our meeting regarding procurement policy, please take the time to review the attached "Government Procurement - Cairns.Docx". We supply this as information for your consideration.

The part of the document describes the PROCESS FOR APPLICATION FOR "SOLE SUPPLIER" that may be used to introduce the concept to the Board. This information has been generally taken from the State Government website

The Second part of the document is application of the Sole Supplier process to the specifics of the Cairns Sub-Project

The third part is an example application to Government.

(The other two attachments are supporting info from the State Government Purchasing Policy).

Note, we will be in RQL offices this afternoon at 2.30 on other matters, and would be pleased to discuss this further at that time.

Regards,

Brett Thomson
BE AdvDipBus CPEng RPEQ CEnvP CPESC
MIEAust MEIANZ MQELA GAICD
Director

For and on behalf of:
CONTOUR Consulting Engineers Pty Ltd
Mobile 0437 933 321
Phone (07) 5493 9777
Fax (07) 5493 6888

Email brett@ContourCE.com.au
PO Box 474, Buddina Qld 4575.

Bldg A Level 1, 6 Innovation Parkway,
Birtinya 4575, Sunshine Coast, Qld.

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Please consider the environment before printing this message

From all of the team at Contour we wish you a very Merry Christmas and Happy New Year.
Please note our office will be closed from 5:00pm on Thursday 22nd December, 2011 and will reopen at 8:30am on Tuesday 3rd January, 2012.

-----Original Message-----

From: Paul Brennan [<mailto:pbrennan@racingqueensland.com.au>]

Sent: Tuesday, 6 December 2011 9:31 AM

To: Chris Fulcher

Cc: Brett Thomson; Mark Snowdon

Subject: RE: Cairns

Chris

Sorry for the delayed response I had an ordinary week last week and didn't get an opportunity to respond to your email and fee proposal for Cairns. When I spoke to Brett last week I wasn't aware of the value of work still required to be undertaken to finalise the detail design and development of a full scope of works and bill of quantities.

Following receipt of your fee proposal I have discussed this internally, but unfortunately due to the costs associated with finalising the detail design this will require Government approval, which will dictate one of the below approaches:

- a. RQL to proceed with Contour to undertake the detail design without going to the market and prior to Government approval of the business case;
- b. RQL to go to the market for the detailed design, prior to the Government approval of the business case;
- c. RQL to await business case approval and then engage Contour to have the work undertaken; or
- d. RQL to await business case approval and then go to market to have the work undertaken.

As the release of funds is contingent upon RQL meeting all Government probity requirements it is imperative that RQL has Government approval if there is to be any deviation from agreed protocols. Bob met with

Government last Friday and we are awaiting a response in relation to the approach we are able to take on Cairns.

Mark and I will keep you briefed as information comes to hand.

Thanks
Paul

-----Original Message-----

From: Chris Fulcher [<mailto:Chris@contource.com.au>]
Sent: Tuesday, 29 November 2011 5:23 AM
To: Paul Brennan
Cc: Brett Thomson
Subject: Cairns

Paul,

just speaking with Thommo yesterday, if we are to finalize the track design on Cairns in quick time, I'd suggest a meeting this week between Warren & myself to review the current plans/approach. I have a meeting with Snowy around lunchtime Thursday at your office, and am also in Brisbane Friday afternoon, so I could meet with Woz either of these days.

Regards,

Chris Fulcher
Director
For and on behalf of
CONTOUR Consulting Engineers Pty Ltd
Mobile 0437 939 777
Ph (07) 5493 9777
Fax (07) 5493 6888
Email chris@ContourCE.com.au
www.contource.com.au

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Email #7A

From: Mark Snowdon <msnowdon@racingqueensland.com.au>
Sent: Thursday, 13 October 2011 6:33 AM
Subject: Re: Large Tree Directly Behind Existing Swab Stall - Now To Be Removed

Yes, I intended to raise it again Friday.

Mark Snowdon
Project Director
Racing Queensland Limited
(07) 3869 9402
0409 582613

On 13/10/2011, at 6:30 AM, "Paul Brennan" <pbrennan@racingqueensland.com.au> wrote:

Mark

Good email, I think it clearly highlights the necessity of more day to day involvement in Mackay by Contour.

We should follow this up again on Friday.

Thanks
Paul

Paul Brennan

Director of Product Development

<image002.png> PO Box 63, Sandgate QLD 4017

P +61 7 3869 9721

F +61 7 3269 6715

M 0408 985 797

E pbrennan@racingqueensland.com.au

W www.racingqueensland.com.au

From: Mark Snowdon
Sent: Thursday, 13 October 2011 6:18 AM
To: Russell Thompson; Brett Thomson; Chris Fulcher
Cc: Paul Brennan; Warren Williams; Malcolm Tuttle
Subject: Fwd: Large Tree Directly Behind Existing Swab Stall - Now To Be Removed

Gents

Whilst I agree with Russell that Strath Ayr should not be taking instructions from Pete Birch, it is this sort of situation that we highlighted with you on Monday when we expressed our concerns about Contours lack of time on site.

Contour needs to provide sufficient site supervision on this project. Any variations of this nature on site need to be referred to RQL for approval.

Mark Snowdon
Project Director
Racing Queensland Limited
(07) 3869 9402
0409 582613

Begin forwarded message:

From: Morris Terzo <Morris@strathayr.com.au>
Date: 12 October 2011 5:08:59 PM GMT+10:00
To: Russell Thompson <russell@contource.com.au>
Cc: Warren Williams <wwilliams@racingqueensland.com.au>, "Mark Snowdon (msnowdon@racingqueensland.com.au)" (msnowdon@racingqueensland.com.au)" <msnowdon@racingqueensland.com.au>, Brett Thomson <Brett@contource.com.au>, Joe McCullagh <Joe@strathayr.com.au>
Subject: RE: Large Tree Directly Behind Existing Swab Stall - Now To Be Removed

Hi Russell,

Please be advised that unless Contour is willing to be on site at all times to make these decisions on works Contour has brought forward (Building Pad Works), then I have no choice but to take directions from those who are on site or to make an assessment myself, particularly when it comes to safety concerns and the works are already underway.

Yes, there will be an extra cost as this particular tree was the largest of all. There are many other additional smaller trees which I have been directed to remove as well because they are in the way of the new works, but I hope to absorb these extra costs.

Please also confirm the date the builder is expecting to start on site given that the building pads must have 750mm removed and replaced under Level 1 supervision and I am still waiting on approval to book a Geotechnical Engineer.

Regards,

Morris Terzo
 Consulting Engineer
 StrathAyr Turf Systems Pty Ltd
 Mob: 0407 363 952
 Email: morris@strathayr.com.au
www.strathayr.com

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From: Russell Thompson [<mailto:russell@contource.com.au>]
Sent: Wednesday, 12 October 2011 12:50 PM
To: Morris Terzo
Cc: Warren Williams; Mark Snowdon (msnowdon@racingqueensland.com.au) (msnowdon@racingqueensland.com.au); Brett Thomson
Subject: RE: Large Tree Directly Behind Existing Swab Stall - Now To Be Removed

Hi Morris,

Please be advised that Peter Birch has no authority in relation to this contract and we cannot approve any variations that arise from his instructions.

However to keep things moving, can you please advise if there is any extra cost involved to remove this tree.

Regards,

Russell Thompson

Senior Project Manager

<(null)>

For and on behalf of:

CONTOUR Consulting Engineers Pty Ltd

Phone **(07) 5493 9777** Fax **(07) 5493 6888** Mob **0488380004**

Email russell@ContourCE.com.au

PO Box 474, Buddina 4575, Qld.

Suite 2 Level 1, 6 Innovation Parkway,

Birtinya 4575, Sunshine Coast, Qld.

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From: Morris Terzo [<mailto:Morris@strathayr.com.au>]

Sent: Wednesday, 12 October 2011 9:10 AM

To: Russell Thompson

Cc: Mike Lavery; Joe McCullagh

Subject: Large Tree Directly Behind Existing Swab Stall - Now To Be Removed

Hi Russell,

I confirm that Peter Birch has instructed us to remove the large tree directly behind the existing swab stall as part of our demolition this morning because it poses a safety hazard due to falling limbs etc.

This tree is currently shown on your plans as to remain but he has instructed us to proceed with its removal.

Regards,

Morris Terzo

Consulting Engineer

StrathAyr Turf Systems Pty Ltd

Mob: 0407 363 952

Email: morris@strathayr.com.au

www.strathayr.com

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Email #7B

From: Martin Waters <mwaters@arben.com.au>
Sent: Saturday, 2 February 2008 11:10 AM
Subject: RE: Synthetic Track SCTC
Attachments: RE: Cushion Track (51.6 KB)

Reid

I have not been able to get emails whilst in QLD, so I have only received the below this morning.

Like you, I too am disappointed that again drainage material is being removed from site, however, I completely refute your claims that this along with some other issues are due to a lack of Supervision on my behalf. I note the following;

Drainage Material

As you are fully aware, since the discovery of fines under the surface previously, Contour Civil Engineers has maintained a site presence and has been Supervising the rectification works to ensure that these were being carried out in accordance with their specification, as well as monitoring and inspecting the new drainage material that was being bought in. They have also been reviewing and inspecting the drainage layer as Blacklaw's had deemed it to be completed and prior to the hand over to Equestrian Surfaces (in addition to being present during inspections and handovers to Equestrian Surfaces). This process has been working successfully from the 1600m mark to the 400m mark, whereby, any isolated areas of fines discovered were being identified and replaced. In fact, I understand that Equestrian Surfaces had inspected and accepted the drainage material from the 400m mark to the 200m mark which has subsequently been defected.

I spoke with Paul Harper on Tuesday and at that time, whilst more extensive fines had been discovered from the 400m mark, the same process of removing these isolated cases was continuing. Paul was concerned at the extent of fines, however, at that stage the same system of replacement was agreed to be followed. I received an email from you at 10.38pm on Tuesday, regarding this, to which I immediately responded informing you of the process being followed (see attached). This process continued on Wednesday and it was only on Thursday morning whilst on my way to site that I was informed by Blacklaw's of their intention to replace the entire length of rock from the 400m as the extent of fines was becoming too extensive with final trimming of the rock. You state that you are of the opinion that this problem should have been rectified prior to today. I remind you that rectification was being carried out as per my advice to you.

Acceleration

I have verbally instructed Blacklaw's to accelerate and will issue a formal instruction shortly.

Other issues

I disagree with you that other issues are a result of a lack of supervision by myself. I have been to QLD and the site 3 times since returning from holidays 3 weeks ago. I also note that Contours have been on site extensively to ensure that works are being carried out in accordance with their documentation and I have been in continual contact with them, Blacklaw's and Equestrian Surfaces. I will be back on site next Monday and will continue to push the contractor to get the project completed.

With regard to items such as the rubber surface, I fail to see how this is due to a lack of supervision on my behalf. We all agreed to a product of which we were shown a sample. The product was installed, however, I was concerned at the lack of consistency of the finish and accordingly had the contractor apply more product. There was some concern at that time as to the non slip qualities of the product and it was agreed to see how this turns out after the additional material was applied. As it has now turned out, the product is now more consistent, however, Murray, Mick and yourself believe that this is slippery and does not provide the a non slip result for horses (which seems to just be an opinion as to what is slippery to a horse or not). Irrespective, I addressed the slipperiness with the contractor on Thursday and he is preparing another sample which I will inspect next week.

Similarly, the set out issue has come as a complete surprise to all of us. Blacklaw's are contracted to construct to a set of drawings which it seems that they have not with regard to set out. We have all been to site many times over the past few months (including Contours, Murray, Mick and yourself) and not once has it ever been evident or obvious that the set out may have been incorrect. To the contrary, all discussions with Blacklaw's have focussed on the winning posts lining up. Irrespective, Blacklaw's are required to rectify this as a matter of urgency.

Finally, I too am disappointed that there has been problems on site, however, I am more disappointed in your accusation that this is a result of a lack of supervision on my behalf. As you know, Contours have been on site extensively and I have been attending site approximately once a week since the start of the project. The exception to this was during the Christmas period to which I was away for one week longer than the shut down period. I have and will continue to do all I can to assist QRL with achieving their desired outcomes, however, I would request that the next time you feel the need to send me such an email, please refrain from emailing this to others.

It is my intention to visit the site twice weekly over the next couple of weeks. Please elaborate if you do not think that this will meet your instruction of "more direct supervision", until the project is finished.

Martin waters

From: Kwan Wolsey [<mailto:kwolsey@queenslandracing.com.au>] **On Behalf Of** Reid Sanders
Sent: Thursday, 31 January 2008 5:04 PM
To: Martin Waters
Cc: Robert Bentley; R Bentley; Malcolm Tuttle
Subject: Re: Synthetic Track SCTC

Dear Martin,

Following our site inspection today, let me express the following disappointment.

Again, that we have to replace 400m of rock. I am of the opinion that this problem should have been rectified well prior to today.

Given the number of concerned calls and emails you have received from both myself and Paul Harper regarding the amount of fines in the drainage layer.

Can you ensure that you issue an instruction to Blacklaw Civil to accelerate their program and if required, work nights.

Regarding a number of other problems discussed today, i.e. headwalls, rubber walkway, measuring of distances, I believe this has come about as a result of a lack of direct supervision from yourself as the project manager.

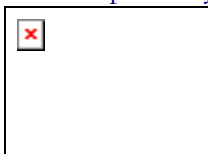
You have only visited the construction site on one occasion prior to today in 2008. The contractors returned to work on 7 December 2007, yet you were on annual leave for another week and difficult to contact. It is not easy to have problems rectified by telephone only.

I require that you provide more direct supervision of the project between now and its completion no later than 20 February 2008.

QRL require that the project be completed to allow horses to commence work on 20 February 2008.

Reid Sanders

Chief Stipendiary Steward



PO Box 63, Sandgate QLD 4017

P +61 7 3869 9755

F +61 7 3269 8268

M 0411 601 930

E rsanders@queenslandracing.com.au

W www.queenslandracing.com.au

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