

Statement of Robert James Lette

ROBERT JAMES LETTE of [REDACTED], in the State of Queensland, Solicitor and Company Director states on oath (in respect of Queensland Racing Limited and Queensland Race Product Co Limited) as follows:

Contract Management and Financial Accountability

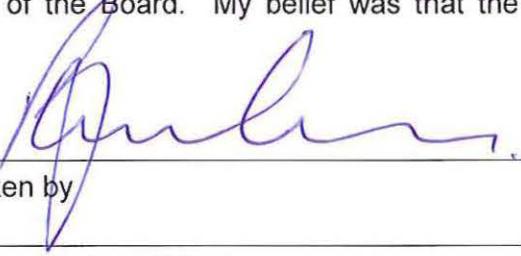
1 In respect of the procurement, contract management and financial accountability of Racing Queensland Limited during the period 1 January 2007 to 30 April 2012 ("the relevant period") I say that I became a Director of Racing Queensland Limited on 25 March 2010 and ceased as a Director on 29 March 2012. In respect of my period of time as a Director I say:

1.1 Policies came up to Board meetings for initial approval. There was a policy of reviewing policies so that policies came for annual review by the Board. In fact, one of the policies which was developed was "a policy on policy". The program for annual review of policies was set by the company secretary. Policies were vetted by the internal auditors as part of the internal audit process. If shown the written policies, I would be in a position to recognise them and identify them. Unlike the policies of Queensland Harness Racing Limited which went on for approval by Government through the Office of Racing, Racing Queensland Limited policies did not (as far as I am aware) require Government approval.

1.2 Processes in Racing Queensland Limited were all documented and approved by the Board. Many of these processes emanate from policies were the responsibility of management. The Board did not see them. The appropriate thing was that management had to have these management processes in place. The process was that anything outside the approved delegations required Board approval. Outside of the delegations (that were documented within policy) management had to seek the approval of the Board. My belief was that the



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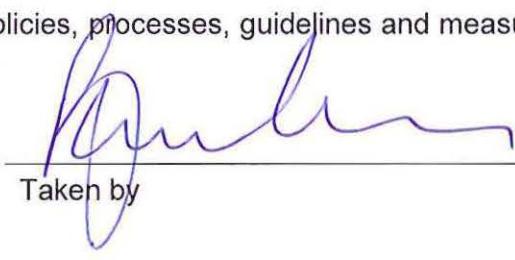
STATEMENT OF ROBERT JAMES LETTE

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- setting of delegation levels within policy required Board approval for matters which fell outside the level of delegation.
- 1.3 Financial policies were again approved by the Board. Beyond policy it was for management to put in place the appropriate processes which were a management function and did not come to the Board for approval. Again, levels of financial delegations were documented within Board approved policy and where matters fell outside the limits of approved delegation, it was necessary for management to seek Board approval. Full management accounts were presented to Board meetings, along with financial reports from the CFO. At each meeting there was an opportunity for questions to be put to the CFO and the CFO attended all Board meetings. From my observation, the accounts presented to Board meetings and the financial reports so presented, were subjected to serious scrutiny of those who attended the Board meetings.
- 1.4 In addition, Queensland Racing Limited had a risk and audit committee. I was on that Committee. Brad Ryan was the Chair of that Committee and it met at least three (3) to four (4) times a year and probably more regularly, in particular to deal with the half yearly and yearly accounts, and risk management. Racing Queensland Limited had an external auditor and the Risk and Audit Committee met with the auditor, firstly to set the terms and parameters of the audit, and also to consider the draft audited accounts and reports and with risk management.
- 1.5 Racing Queensland Limited also had an internal audit function. It had an internal auditor appointed and this was Deloitte. Deloitte set a program with the Risk and Audit Committee. In relation to reports from Deloitte concerning the internal audit function, these reports went to the Risk and Audit Committee for consideration and if required, then to the Board for further consideration. Normal areas for scrutiny through the internal audit process included various financial indicators and measures, fraud and negligence. So there was a proper program of internal audit with reporting being made to the Risk and Audit Committee and then onto the Board as required.
- 1.6 There were significant statutory requirements and in my experience the internal audit process was very thorough. It was a quite significant internal audit process and it included, for example, the internal audit of various projects carried out by management. In my opinion, the policies, processes, guidelines and measures I



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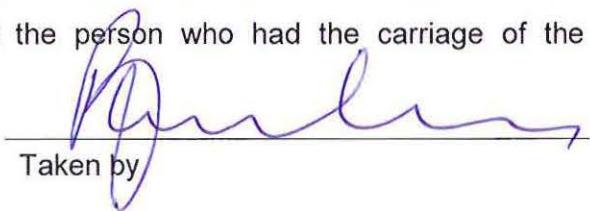
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have referred to were adhered to by Board and management. A particularly important role in that respect was played by the Risk and Audit Committee, and the internal auditors Deloitte. If there were deficiencies discovered in policy or processes then a recommendation was made by the internal auditor as to whether the risk was high, medium or low risk. Then, management would report to a later meeting on proposed actions to obviate the risk identified.

- 1.7 In relation to events surrounding all contractual arrangements between Racing Queensland Limited and Contour Consulting Engineers Pty Ltd ("Contour"), the only reference I can find in the Board papers or notes of Racing Queensland Limited (held by me) was in relation to an agreement for infrastructure works around November 2011. This was on the recommendation of management.
- 1.8 My inquiry at the time, and my own experience, suggested that Racing Queensland Limited needed a Project Manager in respect of its infrastructure plan. It was for that reason that I agreed to the engagement of Contour. I agreed to it, but on the basis that every project would need to be tendered. I said that at a Board meeting and I recollect that that was agreed to by the Board as well as being confirmed by management present at the meeting. At the time I was a Director of a major national construction company and so I knew that government preference in relation to construction contracts was that there be a separate project manager appointed to manage the construction project. My recollection was that fees for the various categories of works were in the order of \$7 million or thereabouts (maximum), so it was a significant deal. I made some enquiries at the time to satisfy myself as to the quantum of the contract of the management fees for the work proposed. The Board was told by management that Contour had been doing work for Queensland Racing Limited prior to the merger and that the work had continued on, such that they were familiar with Racing Queensland's projects. Contour was recommended to the Board by management.
- 1.9 There was no formal due diligence carried out to check out Contour but Contour was recommended to the Board by company management and management said that they were "well known to them". I asked through my sources at the national construction company of which I was then a Director, if they had heard of Contour and I was told that they had not used them. I have since become aware (via the Courier Mail) that the person who had the carriage of the



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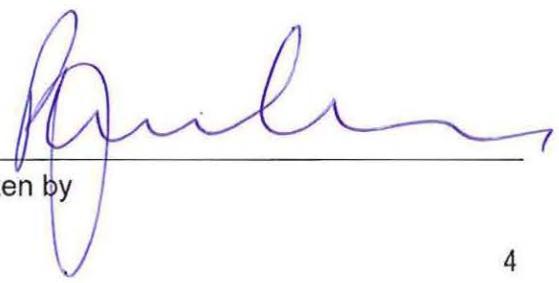
implementation of the infrastructure plan at Racing Queensland (Paul Brennan) had a relative who worked at Contour. I have also subsequently become aware (via the Courier Mail) that Paul Brennan and Malcolm Tuttle subsequently went to work at Contour.

1.10 In respect to contracts which were entered into between Racing Queensland and Contour:

- (a) My understanding is that each contract was underpinned by procurement practices but that these were a management function so that I have no detailed knowledge of those procurement practices and processes and whether they were adhered to at the time each such contract was let. There may have been some checking of this through the internal audit function but I have no particular recall of that.
- (b) I understand that for each contract payment, policies and processes were implemented and adhered to but I have no detailed personal knowledge of this as again, it was a management function. The exception to this was the contract in relation to the Mackay race track. I am fairly sure the Mackay race track contract was subject to a full Board approval, but I cannot find that in my copies of the Board papers or in my notes.
- (c) I had a conflict due to my directorship in Queensland Harness Racing Limited. Because of that conflict, there were certain Board meetings concerning infrastructure projects which I did not attend and certain parts of Board meetings where I have absented myself when infrastructure projects were being considered. Accordingly, progress reports on projects may have been given when I was not in the Board room. In Board minutes and other papers provided to me, there were sometimes blanks so that I did not receive reports or minutes of discussions of infrastructure projects or their progress. In other words, on most occasions when I did not attend meetings or parts of meetings, (as far as I am aware) I was not provided with the minutes of those meetings or parts of meetings which I did not attend by reason of the conflict position.



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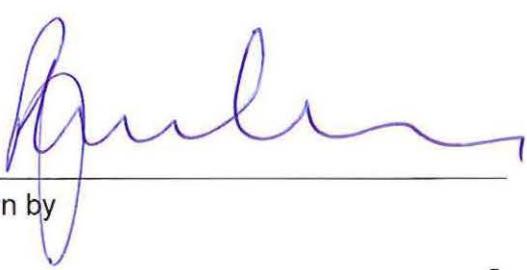
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Management

- 2 During the relevant period there appeared to me to be in place at Racing Queensland Limited, management policies, management processes, management guidelines and workplace culture and practices. Not only were they in place, it appeared to me that they tended to ensure integrity and that they were adhered to as far as I could tell. I relied on my personal judgement as to the integrity of management and on the strong internal audit function. I had no reason to doubt the integrity of senior management, including the CEO and legal counsel and company secretary.
- 3 As a member of the Board myself, I played no part in the exercise of functions of the executive management team. My observation was that the Chairman attended at the office on a very regular basis. I had no idea what he did when he attended at the company's offices. In my experience as a Company Director, it is unusual for the Chair of a company to be at the company offices as regularly as he apparently was.
- 4 I am experienced as a Company Chair myself and in my experience one usually meets or at least speaks on a regular basis with the Chief Executive and/or CFO and/or Managing Director at least weekly. At Board meetings and at meetings of Risk and Audit Committee there was a normal level of interaction between the Board members and the executive. I think there was quite an appropriate level of discussion between company's directors and various members of the management team. For example, Shara Murray (Reid) who was in-house counsel/company secretary of the company was very particular in her reporting and it seemed to me she had a good handle on what she was doing. She would regularly attend meetings of the Risk and Audit Committee and there was an appropriate level of interaction between her and Board members. My recollection is that Shara Murray would (in these meetings) often ask me my opinion about a legal issue. It was my firm practice to preface my answer by saying that my opinion was my personal opinion as a Director and not a legal opinion. I mention this by way of example.
- 5 In respect of corporate governance arrangements for Racing Queensland Limited in the relevant period, I considered these arrangements were quite appropriate. Board papers were properly prepared as well as financial statements and financial reports.



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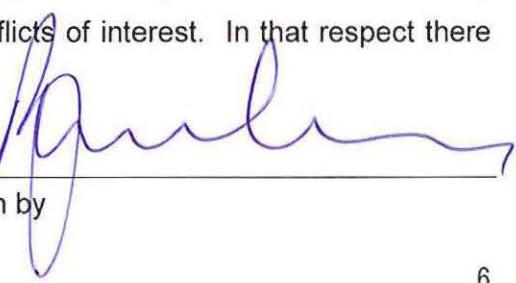


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- 6 Certainly the Risk and Audit Committee structure was an important feature in corporate governance arrangements. All these measures appeared to me to be proper and appropriate.
- 7 I say that Racing Queensland Limited and its officers operated and acted:
- 7.1 With integrity. I was never given any reason to believe that anyone was doing anything inappropriate. Nothing to that effect came to my attention during my time on the Board. As far as I can tell and so far as I know, Racing Queensland Limited and its officers operated and acted with integrity.
- 7.2 My general observation was that Racing Queensland Limited and its officers operated in accordance with the company's Constitution. The six (6) or seven (7) members were also the Directors of the company. I was therefore a member. However I was appointed, as other members, by the Minister. Effectively though I was the nominee of Queensland Harness Racing Limited as I was the Chair of that company. Effectively, I was a nominee but in reality under the Constitution I was a member the same as all other members as well as being a Director.
- 7.3 In my opinion, Racing Queensland Limited and its officers operated and acted in the best interest of the company.
- 7.4 In my opinion, Racing Queensland Limited and its officers operated and acted in the best interest of the racing industry.
- 7.5 I am asked to comment concerning whether Racing Queensland Limited and its officers operated and acted 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. Confining my answer to Racing Queensland Limited and Queensland Race Product Co Ltd, I am of the belief that they did.
- 7.6 I am asked to comment concerning whether Racing Queensland Limited and its officers operated and acted consistently with legislation including the Racing Act 2000 and the Corporations Act 2001. Confining my answer to Racing Queensland Limited and Queensland Race Product Co Ltd, I am of the belief that they did.
- 8 In the relevant period there were in place policies, rules and procedures within Racing Queensland Limited to identify and manage conflicts of interest. In that respect there



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was a conflicts of interest register. There was an agenda item in each meeting noting any potential conflicts of interest but there were also standing conflicts of interest. I was in the position where I had a standing conflict of interest in relation to the redevelopment or sale of Albion Park Harness Racing facilities on account of my being the Chair of Queensland Harness Racing Limited.

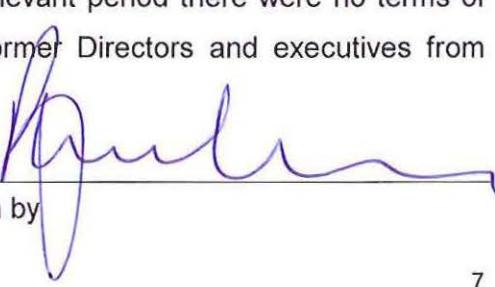
- 9 Further, Queensland Harness Racing Limited was in a Supreme Court action against Racing Queensland Limited and Robert Bentley and this also presented a conflict of interest for me. At the time I commenced as a Director and member of company I gave the company a full listing of my directorships.
- 10 If a conflict of interest arose on an ad hoc basis I would declare it. Robert Bentley himself was subject to a conflict of interest in relation to his membership of the Board of the Tatts Group and so, Mr Bentley would leave the room whenever there was mention or discussion of matters involving the Tatts Group and Mr Bentley never attended meetings of Product Co Limited.
- 11 He physically absented himself from any discussions concerning the Tatts Group and he did not attend Racing Queensland Limited meetings during which authorities under the Act for corporate bookmakers, were discussed and considered. He did not attend these meetings because he was conflicted as a Director of the Tatts Group.
- 12 My observation of the policies and procedures in place to identify and deal with conflicts of interest was that they operated effectively within Racing Queensland Limited. In my experience these policies and procedures were not different to any other public company of which I have been a director.
- 13 I am asked to comment about whether or not there were policies, rules and procedures in place within Racing Queensland Limited to minimise the risk of Directors and executives improperly using their position and information for personal or financial gain. I do not recall a specific policy about that but it is basic to one's fiduciary duty as a director or as an employee.

Employment Contracts

- 14 Within Racing Queensland Limited during the relevant period there were no terms of employment in place in contracts restraining former Directors and executives from



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seeking employment with Racing Queensland's contractors and suppliers so far as I am aware. I have not seen the Senior Executives' Employment Contracts, that is the CEO and CFO's contracts. In my experience as a company Director and Chair, it is usual to have the Board delegate that role and function to the Chair of the Board and/or the Remuneration Committee. Further, I was not a member of the Remuneration Committee.

- 15 When the issue arose about the senior executive team resigning, I sent an email to Brad Ryan (Chair of the Risk and Audit Committee) and said to him:

"Subject: Re: Termination Payments for Executives

Brad

I am concerned that the agreements gave them the right to terminate without having to work out a notice period. I certainly was aware that a change of govt was a trigger to give notice but not to walk out and get paid without working out the notice period.

Clearly all calculations need to be checked and double checked. I then require the whole process to be audited by BDOs and their sign off before I would consider agreeing to any payments being made.

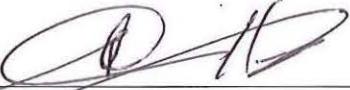
Regards

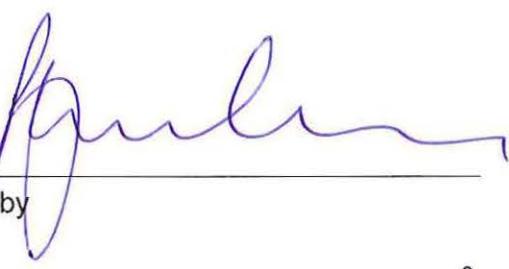
Bob Lette"

- 16 I know that Brad Ryan had BDO check the contracts. The Board could not make them work out their period of notice because they could resign and the Board was still obligated to pay them out the balance of the notice period.

Oversight by Executive Government

- 17 With respect to oversight by the Minister, the Executive Government and the Chief Executive, I can say that from Racing Queensland Limited's perspective, I would expect that the Chair would meet regularly with the Minister and Mr Mike Kelly as the delegate of the Minister and share information extensively with them. I would consider such exchange of information to be appropriate. I did not attend any meetings with the Minister or Mr Kelly as a Director of Racing Queensland Limited. I cannot really say (because I do not really know) the extent (if any) of oversight by the Minister, the Executive Government or the Chief Executive over the affairs of Racing Queensland Limited.


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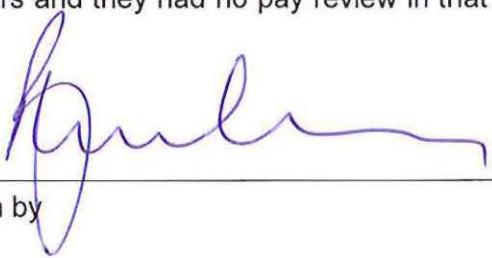

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Employment Contracts: Tuttle, Orchard, Brennan, Reid

- 18 Apart from what is in the Board's papers, I was not involved in any negotiations so I do not know anything about events surrounding the renegotiation of employment contracts in 2011 with the senior executives of Racing Queensland Limited, namely Mr Tuttle, Mr Orchard, Mr Brennan and Ms Reid (Murray).
- 19 In relation to the events surrounding the payouts made under the said contracts on the voluntary termination in March 2012 of the employment of Mr Tuttle, Mr Orchard, Mr Brennan and Ms Reid, I know the details of which I am aware from the interview with the Auditor General, the submission by Mr David Grace to the Auditor General, the Auditor General's Report, David Grace's submission to ASIC and the notes of David Grace's meeting with ASIC.
- 20 In addition to that, there were oral reports at the Board meeting by the Chairman. The Board papers only went to the Board members and no executive members were present for these discussions. My understanding is that originally nine (9) or so staff were threatening to resign but Mr Bentley settled issues with five (5) of them.
- 21 My understanding is that the Remuneration Committee met to discuss the matter and then reported on matters to the Board. In Mr Bentley's written note or oral report to the Board, he mentioned that he was also Chairman of the National peak body for thoroughbred racing (Australian Racing Board) and he informed the Board what others, in comparable positions in other States, were paid. This was particularly in relation to Mr Tuttle's position.
- 22 I was aware of the sort of salary level and benefits paid to Mr Peter V'landys in New South Wales and the person who was in a similar position with the gallops in Victoria. These were both well in excess of Mr Tuttle who was (I think) in a range of \$190,000 to \$210,000. In my opinion, Shara Murray (Reid) was being paid at the bottom of the scale for in-house legal counsel.
- 23 Mr Jamie Orchard would have been making much more if he was in practice at the Bar and both Ms Reid and Mr Orchard were paid well and truly at the bottom of the scale in my opinion. In fact, I think all of them were underpaid and my understanding is that they had not had a pay rise for some two (2) years and they had no pay review in that period.



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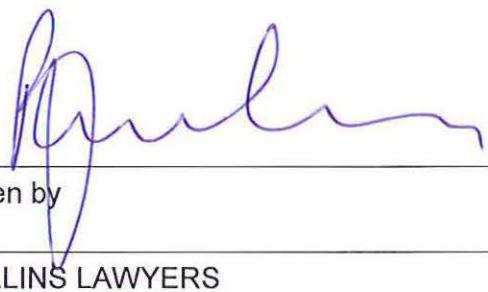
- 24 In my opinion, they needed to be brought up to the bottom of the market. I had no problem about the reasonableness of giving them a 30% pay rise. It was a question of the need to retain them. If they all left, it would have cost Racing Queensland Limited hundreds of thousands of dollars to secure alternative employees to replace them. There would also have been a significant loss of corporate memory.
- 25 My recall is that after the Board agreed to the basis of the terminations, the finer details were left to the Remuneration Committee.

Queensland Race Product Co Limited and Tatts Group

- 26 In relation to Queensland Race Product Co Limited (of which I was a Director from 4 September 2006 until 29 March 2012) and Tatts Group, I have handed all Minutes and Board papers to the Inquiry for Queensland Racing Product Co Limited and Queensland Harness Racing Limited and I have not had a full opportunity to review these. Accordingly, I have no detailed recall of these issues. They pre-dated my time as a Director of Racing Queensland Limited. A deal was made in 2009. I do not recall if any legal opinions were tabled.
- 27 I am aware that there were arrangements between Queensland Race Product Co Limited and Tatts Group (formerly Unitab) concerning fees paid by the Tatts Group for Queensland wagering on interstate races through Tatts Bet ("fee arrangements"). However, I do not have detailed recall now of the precise operations of Queensland Race Product Co Limited concerning those arrangements. To be more specific in my comments I would need to have access to Board papers which I have provided already to the Inquiry.
- 28 To be precise now in stating how Queensland Race Product Co Limited responded to the introduction of Race Information Fees, again I would need to have access to the Board papers which I have already provided to the Inquiry.



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- 29 I am aware that there was a legal opinion on this issue but I cannot recall now its contents without reference to the Board papers to which I have referred.
- 30 I do recall that there was legal or other expert advice obtained by the Board of Queensland Race Product Co Limited 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. I do not now recall whether this advice was simply from David Grace or whether he had a Silk's opinion. I will need access to the Board papers which I have already provided to the Inquiry to be more specific about this matter.
- 31 To be specific about any action taken or not taken as a consequence of the legal or other expert advice and whether there were reasons for taking or not taking action in accordance with that advice, I will need to have access to the Board papers which I have already provided to the Commission.
- 32 When Race Information Fees were introduced I can certainly say that I acted in good faith consistent with my responsibilities and consistently with my duties and legal obligations. Further, I acted in the interests of the company, Queensland Race Product Co Limited and Racing Queensland Limited and Queensland Harness Racing Limited of which I was a Director.
- 33 Further, I say that my own actions relating to the fee arrangements were not influenced by any conflict of interest when Race Information Fees were introduced or at any other time.
- 34 Further, I have no information which causes me to believe that any of the other Directors or senior executives of the relevant entities were influenced by such a conflict of interest either when Race Information Fees were introduced, or at any time.
- 35 In that regard, Robert Bentley never attended meetings of Queensland Race Product Co Limited which I attended.
- 36 I never discussed the issues with Robert Bentley and he never discussed the issues with me. In fact, as a general rule I never spoke to him between Board meetings of Racing Queensland Limited.



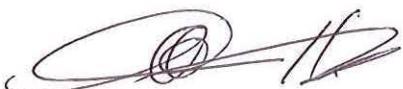
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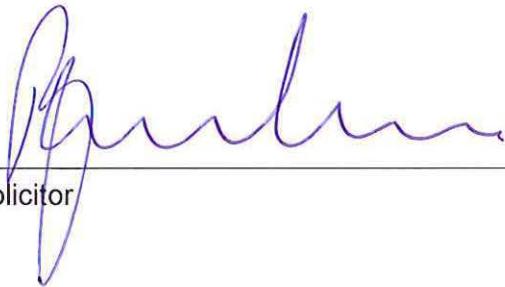
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- 37 Further, I did not know then and I still do not know anything that might suggest that in relation to the fee arrangements the Directors and senior executives of the relevant entities used their position to gain a personal advantage when the Race Information Fees were introduced or at any other time in the relevant period.
- 38 I have no knowledge concerning events surrounding the approved transfer of funds by the Queensland Government to Racing Queensland Limited infrastructure trust account in February 2012.
- 39 I have no knowledge of the basis upon which the transfer of funds was made.
- 40 I have no knowledge as to any influence exercised by Directors of Racing Queensland Limited in relation to having the transfer made.
- 41 I have no other matter relevant to the Commission's terms of reference on which I can make any useful comment concerning Racing Queensland Limited.

SWORN by **ROBERT JAMES LETTE**
on 30 July 2013 at Brisbane
in the presence of:



Deponent



Solicitor