

**The Honourable Rob Hulls MP
Minister for Racing**

**A REPORT ON BETTING ACTIVITIES
OF STEPHEN ALLANSON,
FORMER CHIEF EXECUTIVE OFFICER,
RACING VICTORIA LIMITED
AND RELATED ISSUES**

**OFFICE OF RACING
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1. BACKGROUND AND CHRONOLOGY

Racing Victoria Limited (RVL) is a private company established under the Corporations Law with accountability to its stakeholders. RVL gains its authority to govern Victorian thoroughbred racing by recognition of that role in the *Racing Act 1958*. In this way it differs from both Harness Racing Victoria (HRV) and Greyhound Racing Victoria (GRV), which are established as statutory bodies with reporting obligations to the Minister for Racing and Parliament.

The Minister has requested a report from the Office of Racing (the Department) on investigations into the betting activities of former Racing Victoria Limited (RVL) Chief Executive Officer, Mr Stephen Allanson. On 14 February 2008 Mr Allanson resigned from his position following revelations that he had provided false information to the RVL Chairman, Mr Michael Duffy and the Director of Integrity Services, Mr Des Gleeson in relation to a series of credit bets Mr Allanson had placed with a Victorian licensed bookmaker.

It was acknowledged by Mr Allanson that he had placed a number of credit bets with bookmaker Mr Rod Cleary using the assumed name of “Jack Hindon” in breach of race betting rules under which Mr Cleary is licensed to operate by RVL.

Mr Allanson initially admitted making five bets over the 2007 Spring Racing Carnival, under the assumed name of Hindon. According to Mr Allanson this was due to his being in the Committee Room and unable to place a cash bet in the betting ring while at the same time wanting to “protect his privacy”. Mr Allanson assured RVL Chairman, Michael Duffy and Director of Integrity Services, Des Gleeson that it involved only a handful of bets and that it would not happen again.

In responding to a request from this Office, on behalf of the Minister, into the matter, further investigations by RVL uncovered evidence of a larger, although still relatively small number of bets and Mr Allanson subsequently offered his resignation, which was accepted by the Board. Following his resignation, further investigations by RVL have revealed a deliberate and systematic approach by Mr Allanson to betting with Mr Cleary under the pseudonym “Jack Hindon” during the period from 2003 and 2007.

The Department has been provided with a detailed summary of the investigations conducted by RVL and has also consulted the Victorian Government Solicitors Office (VGSO) in the preparation of this Report.

The information provided to the Department by RVL included the results of investigations by RVL’s Integrity Services Division, including an analysis of betting records conducted independently by PricewaterhouseCoopers (PWC). It also included the results of interviews conducted by Calibre International, within RVL Betting Services to determine how and when individuals first became aware of the situation, what response was put in place, and whether any undue influence was exerted by Mr Allanson or any other person to withhold or suppress information in relation to the betting transactions.

A “potted” summary of events follows – a more complete chronology forms part of the RVL Investigation Report:

8 October 2003	Allanson makes an arrangement with Cleary to bet under the assumed name “Jack Hindon”.
17 October 2007	Betting Supervisor A becomes aware that “Jack Hindon” may be Stephen Allanson.
20 October 2007	Betting Supervisor A becomes convinced that “Jack Hindon” is Allanson
26 October 2007	Betting Supervisor B becomes aware that Allanson is betting under the name of “Jack Hindon”.
10 November 2007	Last recorded bet by Allanson under the name of “Jack Hindon”.
12 November 2007	Betting Supervisor A reports to Manager, Betting Compliance and Regulation. Matter discussed with Allanson, Manager decides not to escalate the matter and takes no further action.
8 January 2008	Telephone call to RVL investigator alleging that RVL CEO is betting under an assumed name. Discussion with Manager, Betting Compliance and Regulation in relation to events of November.
10 January 2008	Investigator informs Des Gleeson, Director of Integrity Services.
14 January 2008	Gleeson reviews Cleary betting records and finds five bets over Spring Carnival.
17 January 2008	Gleeson speaks with Allanson who confirms actions and claims there were only five bets.
19 January 2008	RVL investigator conducts recorded interview with Cleary who confirms that: <ul style="list-style-type: none"> • He accepted five bets from Allanson under the name “Jack Hindon” • His actions were done on Allanson’s request for reasons of privacy • Clearly states it was only five bets; and • Apologises for conduct
20 January 2008	Duffy receives information from a party outside RVL alleging that Allanson has been betting under an assumed name.
21 January 2008	Duffy seeks full explanation from Allanson who confirms his actions and that there were only five bets. Duffy accepts Allanson’s word and agrees that details will be disclosed in the event of anticipated media inquiries together with relevant facts and Allanson to publicly acknowledge his mistake.
9 February 2008	Gleeson speaks to Cleary at Caulfield Racecourse in the presence of the Stewards Panel. Cleary is reminded of his obligation to accurately record customer’s name, is warned and no further action is taken.
11 February 2008	In response to media inquiries from journalists, Gleeson provides them with information in relation to five bets placed under the name of “Jack Hindon” during last year’s Spring Carnival.
12 February 2008	Office of Racing, on behalf of the Minister, seeks a detailed report from RVL on the matters reported in the media.
13 February 2008	Further review of betting sheets in the process of preparing a report to the Office of Racing reveals an additional 13 bets by Allanson under name of “Jack Hindon”.
14 February 2008	Allanson resignation is accepted by RVL Board.

2. FINDINGS – BETTING ACTIVITIES OF STEPHEN ALLANSON

Between 2003 and 2007 evidence has been found of 692 bets placed by Mr Allanson with Mr Cleary under the assumed name of “Jack Hindon”.

As to why the betting activities of Mr Allanson were not identified prior to October 2007 RVL offers the following information:

- Full time “live” monitoring only commenced in 2006 and the majority of bets were placed during the period from 2003 until 2006.
- Prior to March 2005 Allanson was betting using a phone number that bypassed the RVL recording system.
- Up to 5,000 calls can be made to bookmakers on a Saturday metropolitan meeting. While there is some random monitoring, attention is primarily focussed on larger bets. In the case of Allanson betting as “Jack Hindon” no bet exceeded \$400 in total value; and the average of all bets recorded between October 2003 and December 2008 was \$84.50.

The majority of bets that were analysed by PWC were provided to Mr Allanson at the top betting fluctuation (known as “top fluc”). However, on a significant number of occasions Mr Allanson was provided with slightly more generous odds than other punters betting at the same time on the same runner.

Evidence indicates that all bets were properly recorded by the bookmaker and settled at their recorded values.

COMMENT

Mr Allanson has publicly claimed that his decision to place bets under a false name was done to protect his privacy, however this in no way mitigates the significance of his actions. While the number and value of identified bets may be considered by some to be relatively minor in quantum (two or three bets a week and an average bet of \$84.50) Mr Allanson’s betting activities demonstrate a systematic practice of concealing his wagering under an assumed name in clear breach of betting rules. This would suggest that he clearly understood his actions to be inappropriate at best and as a former Betting Supervisor himself, it is inconceivable that Mr Allanson was not aware that his actions required Mr Cleary to breach the rules of betting.

It does not appear that Mr Allanson received any material financial advantage from his betting transactions with Mr Cleary.

The majority of bets were placed at “top fluctuation”, which is a common betting transaction where a punter can receive the best odds offered by a bookie during the course of betting on a particular event. Those occasions where Mr Allanson received better than “top fluctuation” the “overs” (receiving higher odds than were offered to other punters at the same time on the same runner) were marginal and may well have been offered to any other regular customer by Mr Cleary or any other bookie.

The focus of the initial RVL stewards investigation centred on breaches or otherwise of the Rules of Betting rather than the integrity implications arising from the fact that the CEO of RVL was betting under an assumed name and had prevailed on a licenced person to facilitate that practice.

Given the relationship between RVL as the industry regulator and bookmakers as licensed persons, the Department considers that real or perceived integrity failures can arise if Directors or employees of RVL transact betting with bookmakers.

Similarly any staff engaged in integrity services or a role that could influence the result of a race ought not to be permitted to bet with a bookmaker or the totalisator.

Calls for an amnesty to enable bookmakers to provide information

There have been suggestions in the media that other matters ought be investigated and that bookmakers should be provided with an amnesty to enable them to come forward without fear of reprisals or consequences. The Victorian Bookmakers Association has publicly distanced itself from these comments and called on any bookmaker who is aware of instances of inappropriate behaviour to come forward as part of the RVL investigations.

Subsequent analysis of Stephen Allanson's telephone records reveal that in the five years from 2003 until 2007 Allanson made only 4 calls to other bookmakers on course, while making well over 500 calls to Cleary. In addition, on 26 February 2008 RVL Integrity Services staff interviewed all 18 Victorian rails bookmakers who confirmed that none had ever had a credit bet with Allanson, none had ever accepted a bet from Allanson under any false name, none had any further knowledge of Allanson betting as Jack Hindon and none had any knowledge of any improper conduct from Betting Services at any time.

3.FINDINGS – INTEGRITY PROCESSES OF RACING VICTORIA LIMITED

Two RVL Betting Supervisors became separately aware of the betting activities of Stephen Allanson and his use of the assumed name "Jack Hindon" between 17 and 26 October 2007. However, the matter was not initially escalated within RVL other than through a discussion between the Manager, Betting Compliance and Regulation and Mr Allanson, as CEO.

The matter was not brought to the attention of RVL Integrity Services until 8 January 2008, and, even then it was initiated by a punter who made a telephone call to RVL investigator, Mr Jim Monaghan, who subsequently discussed the issue with the Manager, Betting Compliance and Regulation and reported to Mr Gleeson. Gleeson subsequently reviewed Cleary's betting records, spoke with Allanson directly and conducted a formal interview with Cleary.

The matter was not raised with the RVL Chairman, Michael Duffy until Sunday 20 January 2008, and at that time it was raised by someone from outside RVL. Mr Duffy called a meeting with Gleeson, Allanson and RVL Legal Counsel Simon Barrile at which he sought a full explanation from Allanson of his behaviour. At this time Allanson continued his assertion that there were only five bets involved and that his behaviour would not be repeated in the future.

It was considered at that time that, as a non-licensed person Allanson had not breached any rules and that his explanation had revealed no corrupt motivation by Allanson. Gleeson also explained that, in the circumstances he did not think there was any prospect of a successful prosecution against the bookmaker.

It was also determined at this meeting that details of Allanson's name and his betting activities would be provided to the media in the event of any inquiries.

It was not until 11 February 2008, and in response to media enquiries from journalists, that details of the incident were made public. RVL has advised that information was not made public earlier as it was waiting for Mr Gleeson to complete his investigations which concluded on 9 February 2008. Further investigations of betting sheets by RVL on 13 February 2008 uncovered a further 13 bets and led to Mr Allanson's resignation the following day.

COMMENT

If not for the involvement of two unrelated parties outside RVL it is unclear how this matter would have been further escalated within RVL and the actions of Mr Allanson and Mr Cleary may not have been made public.

While there is no suggestion of inappropriate behaviour apart from that identified to have been undertaken by Allanson and Cleary, it is clear that the delays in reporting the matter at appropriate levels within the RVL governance structure were unacceptable, as was the delay in escalating the issue to the attention of the Chairman.

The RVL Investigation Report does not indicate whether and to what extent the matter was conveyed to other Board Members in a formal or informal manner at or around the time of the meeting of 21 January 2008 and it is not clear why the Chairman as opposed to the Board, was responsible for dealing with the conduct of RVL's Chief Executive Officer.

It is generally acknowledged that directors act collectively as a board and the function of an individual director is to participate in decisions of the board. Given the serious nature of the allegations against Allanson and their potential impact on the reputation of RVL (and the racing industry generally), it is arguable that the Chairman should have considered convening a formal board meeting, for the purposes of fully disclosing the matter to the board and determining what action, if any, was to be taken by RVL.

It may be the case that the nature of the Chairman's role was such that he had express or implied authority to deal with the Allanson matter. However, the source of his authority has not been clarified in the Report.

It is noted that even once the matters under investigation were made public the earlier recognition of betting by Allanson under the alias of Hindon as early as October 2007 was not drawn to the attention of Integrity Services staff by Betting Supervisors.

Indeed, had the Minister not sought a detailed report from RVL in response to press reports on 12 February it is questionable whether the full extent of Mr Allanson's covert betting activities would have been revealed.

RVL has acknowledged in its advice to the Department that there are shortcomings in its procedures for dealing with internal issues of this nature, particularly where the conduct involves a senior executive.

The Department is of the view that the initial, and subsequent responses by RVL raise concerns about the structural capacity of RVL to escalate matters to appropriate levels of governance regardless of the seniority of those involved.

4. OPPORTUNITIES FOR IMPROVEMENTS IN INTEGRITY ASSURANCE

This issue has clearly been a difficult one for RVL and its recently appointed Board. However, it also serves to highlight opportunities for both RVL and the Government to review current integrity assurance processes and systems and to ensure that the highest standards are observed within Victoria's racing industry.

Actions being initiated by RVL

The RVL Investigation Report acknowledges that the Allanson matter has damaged its reputation as an organisation of integrity. By extension this goes to the public perception of the integrity of racing as a whole.

A comprehensive range of initiatives have been formally adopted by the RVL Board in response and are detailed in the Investigation Report. Those initiatives are focussed on:

- Strengthening the betting rules in respect of client identification
- Implementing a betting accounts register for Executives and Directors
- Strengthening the code of conduct in respect of compliance with the Rules of Racing and Betting
- Continue the development of an organisational culture aligned to articulated values and ethical behaviours
- Strengthening the RVL Whistleblowers Policy and ensuring that all staff are trained in the appropriate protocols for raising issues
- Continuing the previously approved and announced review into the structure, functions and efficiency of the Integrity Services Division
- Reviewing work practices in Betting Services
- Continuing and promoting the RVL Employee Assistance Program

Having regard to the comments noted in Part 3 of this Report, it would also be prudent for RVL to undertake a review of its existing corporate governance practices.

In particular, clarification may be required as to the respective roles and responsibilities of individual board members. RVL should ensure that it has clear processes in place for escalating matters to the board as appropriate.

Notwithstanding the fact that RVL is not a listed entity, given the degree of public scrutiny to which it is subjected, it would be advisable for it to review the recommendations of the ASX

Corporate Governance Councils' *Principles of Good Corporate Governance and Best Practice* for their possible applicability to RVL.

Actions for consideration by Government

The issues arising from these investigations provide an opportunity for the Government to consider improvements in organisational arrangements for integrity assurance across the broader Victorian racing industry.

Indeed, the Department included this issue as part of the 2006 Racing Industry Review for which Ernst and Young was commissioned and canvassed views on whether integrity services should be excised from the individual controlling bodies of the three racing codes and separately provided by an independent body for the industry as a whole.

The proposition did not attract significant support at the time and it became overshadowed by the strong momentum towards the establishment of a fully independent governance body for thoroughbred racing which was achieved late last year.

Options for consideration in Victoria could include the Racing and Wagering Western Australia (RWWA) model. However, it should be noted that RWWA combines the commercial and integrity functions of the three codes and also operates the Western Australian TAB.

Under any organisational option, a key consideration needs to be whether integrity issues can be escalated unimpeded to the appropriate levels of governance regardless of the seniority of the individuals concerned.

A series of recommendations follow which include terms of reference for an independent review of racing industry integrity assurance services and systems across all three racing codes with the objective of achieving worlds best practice.

5. RECOMMENDATIONS

That existing and proposed integrity assurance services and systems within and across each code of racing be reviewed with the objective of ensuring worlds best practice; and

For this purpose an eminent independent person with an appropriate legal background be engaged to lead dialogue with industry controlling bodies and stakeholders with the following terms of reference:

To review integrity assurance services and systems within and across the three codes of racing in order to identify opportunities for improvement to “world best practice” standards including, but not limited to:

- i. whether integrity services should remain a function alongside the commercial and developmental roles of the Controlling Bodies or be separately provided independent of those roles

- ii. if a case can be made for a separation of functions, whether they should be delivered individually for each code or across all three codes
- iii. ensuring that adequate pathways exist for the escalation of integrity issues to the appropriate levels of governance regardless of the seniority or influence of any individuals concerned
- iv. developing an integrity assurance structure and culture that is fully transparent, accountable and incapable of undue influence by external interests
- v. any other aspects of the provision of integrity services and systems that the Reviewer deems to be appropriate

Definition: For the purposes of the Review “integrity services and systems” are deemed to include

- overall stewardship and associated investigations
- raceday operations
- betting compliance and regulation
- veterinary services
- drug control
- licensing and registration