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An Coiste um Chuntais Phoiblí

Scrúdú ar Ráitis Airgeadais Rásaíocht Capall Éireann do 2019
agus do 2020, agus ar nithe airgeadais gaolmhara

Eanáir 2023

Committee of Public Accounts

Examination of the 2019 and 2020 Financial Statements for
Horse Racing Ireland, and related financial matters

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Horse Racing Ireland

Meeting Dates:

- [23 February 2021](#)
- [22 September 2022](#)

Matters for Examination:

- [Financial Statements 2019](#)
- [Financial Statements 2020](#)

Introduction

This report identifies the key issues arising from the Committee's engagements with Horse Racing Ireland (HRI) in February 2021 and September 2022, and makes eight corresponding recommendations.

HRI was formally established in December 2001 under the Horse and Greyhound Racing Act 2001. The body succeeded the Irish Horseracing Authority, and its predecessor, the Racing Board, and operates under a statutory basis for the control, regulation, and development of the horseracing industry in Ireland. Its functions include racing and betting activities through eight subsidiaries.

HRI operates under the aegis of the Department of Agriculture, Food and Marine, and receives Exchequer funding through the Horse and Greyhound Racing Fund.

Key financial information contained in the Financial Statements under examination is set out below.

Financial Statements 2019

In 2019, HRI recorded a deficit of €1.05 million, representing an improvement from the deficit of €3.45 million reported in 2018. However, the reduction in the deficit in 2019 was concurrent with an increase in Exchequer funding to HRI. The group

received €67.2 million in Exchequer funding through the Horse and Greyhound Racing Fund, a rise of €3.2 million from the previous year.

While the group generated a surplus of €900,000 from its operating activities in 2019, the deficit arose from its share of an operating loss in its associate, Curragh Racecourse Limited (CRL), of €2.06 million. HRI reported a net income of €104 million, while expenditure amounted to €103.1 million.

The Comptroller and Auditor General (C&AG) issued a clear audit opinion for HRI's 2019 Financial Statements. However, attention was drawn to two disclosures made by HRI, which related to HRI's loss of over €2 million during 2019 relating to its investment in CRL, bringing its cumulative loss in this investment to €4.5 million at the end of 2019. In addition, the C&AG highlighted the group's loss of €389,000 arising from the liquidation of a cash-in-transit service provider in 2019.

Financial Statements 2020

In 2020, HRI reported a surplus of €13.8 million. The main factor contributing to the significant increase, when compared with the deficit of €1 million recorded the previous year, arose from the disposal of land at Leopardstown to the Department of Education for over €10 million. The Department of Public Expenditure and Reform (DPER) sanctioned the sale on the basis that €1 million was paid to the Exchequer¹.

In 2020, net income for HRI amounted to €93.9 million, with expenditure of €86.7 million, resulting in a surplus of €7.2m from its operating activities.

Exchequer funding for HRI amounted to €67.2 million in 2020, identical to the funding received in 2019.

Contributions to prize money from HRI reduced to €35.3 million in 2020 compared with €44.2 million in 2019. A reduction was also seen in contributions to prize money from owners and sponsors, falling from €23.5 million in 2019 to €16.3 million in 2020.

¹ See [note 14 \(i\)](#) to HRI's 2020 Financial Statements.

In total, the prize money pool amounted to €51.6 million, a decrease of €16 million from the 2019 pool. HRI state that 'prizemoney was reduced due to the impact of COVID-19 resulting in the cessation of racing from March 26th to June 12th, 2020'².

The C&AG issued a clear audit opinion for HRI's 2020 Financial Statements. However, attention was drawn to two matters: HRI's continuing loss relating to its investment in CRL, which amounted to €6.4 million cumulatively to end-2020 is highlighted, along with HRI's agreement to provide a convertible loan facility to CRL in addition to its investment to date.

Secondly, the C&AG drew attention to the HRI group's loss of €105,000 on the disposal of land through a land swap deal undertaken by its subsidiary, the Tipperary Race Company, in 2020.

Furthermore, the Committee noted a delay in certifying the 2020 Financial Statements, as the C&AG awaited information from HRI on the valuation of its investment in CRL. The C&AG certified HRI's 2020 group financial statements on 28 April 2022, 21 months subsequent to the certification of HRI's 2019 group financial statements.

HRI's accounts, and those of its subsidiaries, were not laid before the Dáil until 12 September 2022 by the Department of Agriculture, Food and the Marine.

² Finance Review, HRI Annual Report 2020, [page 8](#).

Issues identified and recommendations made by the Committee of Public Accounts

Based on its analysis of its examination of Horse Racing Ireland's 2019 and 2020 financial statements, the Committee highlights the following four issues arising, and makes eight corresponding recommendations: -

Issue One – Distribution of prize money in horseracing

According to Horse Racing Ireland's 2020 Financial Statements, the total prize money pool for horse racing dropped from €67.6 million in 2019 to €51.6 million in 2020, a reduction in the order of €16 million. This fall was attributed to the COVID-19 pandemic, during which racing was suspended between late March and mid-June 2020.

A significant proportion of prize money is won by horses trained by the top twenty horse trainers in both national hunt and flat racing³. The top six trainers, by prize money earned by horses, were as follows:

- €13 million during the 2019/2020 national hunt racing season, and
- €12.5 million during the 2020 flat racing season.

Before deductions to industry and charitable bodies, trainers are allocated 10% of gross prize money, earning 6.8% net of total prize money. Using 2019 statistics provided by HRI, horse breeders collectively received 0.5% of the total prize money pool⁴.

Currently, there is no detailed breakdown of where prize money ends up in any HRI publications. Rather, the yearly factbook provides a list of prize money won by trainers during both the National Hunt racing season and the Flat racing season.

As up to 80% of Exchequer funding of HRI can be used towards prize money, the total pool of which is significant, it is important there is transparency for the taxpayer regarding the distribution of prize money. As things stand, it is not possible to evaluate the current system of prize money distribution.

³ R1581 PAC33

⁴ R0423 PAC33

The Committee heard that HRI receive State support via the Horse and Greyhound Racing Fund, of which HRI receives 80%, with Rásaíocht Con Éireann receiving the remaining 20%. The Comptroller and Auditor General confirmed that he was unaware of any other circumstance where funds to two distinct organisations were distributed ‘as rigidly’ on a pro rata basis. The Committee believes that pro rata distribution is not an appropriate funding mechanism for both the horseracing and greyhound racing sectors.

The Committee is also concerned that the regulatory body, the Irish Horseracing Regulatory Board (IHRB), is almost entirely dependent on the sectoral body, HRI, whose sport it governs for funding.

Recommendations:

1. The Committee recommends that Horse Racing Ireland includes a detailed breakdown in its annual report of the distribution of the total prize money pool each year, commencing from its 2022 Annual Report.
2. The Committee recommends that the Department of Agriculture, Food and the Marine conducts a full review of Exchequer funding to the Horse and Greyhound Racing Fund, and reports to the Committee by May 2023, with a view to examining:
 - the social and economic impact of the fund, including the efficacy of the fund in supporting the development of both sectors, the broadest cohort of those involved in both sectors, and rural communities;
 - whether the use of the fund to subsidise prize funds represents best value for money;
 - the efficacy of the fund in ensuring the highest levels of animal welfare standards; and
 - the appropriateness of pro rata distribution as a funding mechanism for both the horseracing and greyhound racing sectors.

Issue Two – Installation of CCTV cameras at racecourses

Funding for the installation of CCTV cameras at racecourses was initially allocated in the Irish Horseracing Regulatory Board's (IHRB) budget in 2018. €60,000 was allocated for the installation of CCTV cameras at four racecourses in 2018, and €80,000 was allocated to the Horse Racing Ireland budget in 2019 for CCTV installation.

Neither allocation was spent for the purposes intended, with the former funding going back to the Exchequer, and the latter funding reallocated to fund the introduction of online licensing.

An invitation to tender was published in May 2021, and at the time of the Committee's engagement with HRI and IHRB in September 2022, CCTV cameras had been installed at two of 22 tracks nationwide. A number of timelines for the completion of the project have been provided to the Committee. The Committee is concerned at the delays which indicate a lack of focus on completing the project.

The Committee believes the lack of progress made on this project is unsatisfactory, given the importance of CCTV cameras to the provision of integrity services by IHRB, for which funding is provided by HRI. Taking into account the current timelines, it is likely that over five years will have passed from the initial budgeted allocation for CCTV cameras in 2018 to the full rollout of CCTV at racecourses.

The Committee notes the high priority recommendation of the Independent Review of the IHRB Equine Anti-Doping Programme⁵ by Dr. Craig Suann, that the presence of CCTV at racecourses be expanded beyond that envisaged in this initial rollout.

The Committee also questions the level of oversight by the Department of Agriculture, Food and the Marine to ensure that these projects - which are crucial to the integrity of horseracing - are completed in a timely fashion.

⁵ Independent Review of the Irish Horseracing Regulatory Board Equine Anti-Doping Programme, [page 13](#).

Given that HRI receives extensive funding from the Exchequer (70.5% of HRI's income in 2020), the Committee wishes to see funded projects completed without undue delay.

Recommendations:

3. The Committee recommends that the installation of CCTV cameras at racecourses nationwide is completed by the Irish Horseracing Regulatory Board without further delay, and that a progress report is provided to the Committee by April 2023.
4. The Committee recommends that the Department of Agriculture, Food and the Marine:
 - improves its oversight of the public bodies funded by the Exchequer in this area to ensure integrity within the horseracing industry,
 - undertakes a review of the project to install CCTV cameras at racecourses in the State, and
 - reports to the Committee on the above by May 2023.
5. The Committee recommends that both Horse Racing Ireland and the Irish Horseracing Regulatory Board include a note in their financial statements regarding decisions to re-allocate funding, and to provide the rationale for same, commencing from their 2022 Financial Statements.
6. The Committee recommends that the Irish Horseracing Regulatory Board reports to the Committee by April 2023 on Dr. Suann's recommendation in relation to the rollout of CCTV at racecourses.

Issue Three – Investments in racecourses and associated land

Horse Racing Ireland entered into an agreement in 2020 to provide a convertible loan of up to €9 million to Curragh Racecourse Limited (CRL). Any liability to HRI at the loan maturity date of 31 January 2024 will be converted to shares in CRL. At the time of the Committee's engagement with HRI in September 2022, HRI confirmed €7.6 million had been drawn down.

This investment is in addition to funding in excess of €36 million provided to CRL by HRI up to the end of 2019. Therefore, the total investment by HRI in CRL from the redevelopment funding and the convertible loan could amount to €45 million if the full loan amount is drawn down.

HRI's total equity investment to date in CRL was €23m at the end of 2020. While the company returned a cash profit in 2021, the carrying value of HRI's share in CRL at the end of 31 December 2020 was €16.6m. This represents a cumulative loss of €6.4m at the end of 2020.

The Committee is concerned that, as CRL's accounts are not audited by the C&AG, HRI's investment in CRL is not subject to public accounting scrutiny. Furthermore, the Committee is not satisfied with the performance of HRI's investment in CRL. The Committee notes that the value of HRI's shares in the company has dropped by approximately 28%. The Committee is concerned as it cannot evaluate the performance of CRL, as the company is not audited by the C&AG.

The Committee heard further evidence in its engagement with HRI in September 2022 that several investments in recent years made by HRI in racecourses and associated land have not provided value-for-money for the taxpayer. HRI recorded a loss of €105,000 in its 2020 accounts arising from the disposal of seven acres of land through a land swap deal undertaken by its subsidiary, the Tipperary Race Company plc, trading as Tipperary Races.

Tipperary Races obtained an independent valuation for 12 acres of land in order to redevelop the racecourse. HRI's board was notified of the proposal to purchase this land in March 2018. The land was purchased at a cost of €25,000 per acre. However, further correspondence from HRI states that its Board were made aware that the asking price of the land exceeded market rates and valuation at the time⁶. Given that the land was valued at €17,500 per acre, the transaction exceeded the market valuation by €90,000 in total.

⁶ R1581 PAC33

When the land swap deal was undertaken by Tipperary Races in 2021, the same independent valuer from whom a valuation was sought for the 12 acres of land in 2018 valued the 7 acres to be swapped at €10,000 per acre. Therefore, there was a write-down of approximately €15,000 per acre in the carrying value⁷ of the 7 acres disposed of as part of the land swap deal.

While the Committee accepts that the initial purchase of 12 acres by Tipperary Races in 2019 was conducted as per the rules stated in the Code of Practice for the Governance of State Bodies⁸, it is concerned that HRI did not view the swap of land in 2021 as a disposal of land and notify the Department of the transaction. The Department stated during the Committee's engagement in September 2022 that the C&AG's report on HRI's 2020 Financial Statements 'was the first time it became visible to us [the Department] that this swap had actually taken place with a loss of money'.

HRI advised the Committee that the land swap deal did not result in a cash loss; rather, it was a loss to Tipperary Races, which amounted to approximately 12% of the company's annual turnover. However, as the company is an indirect subsidiary of the HRI Group, who have a 97.56% shareholding in the company, the Committee believes that HRI should have used its oversight of Tipperary Races to ensure the company did not book a loss of this magnitude.

Recommendations:

7. The Committee recommends that Horse Racing Ireland reviews its investment strategies with a view to achieving better outcomes for the Exchequer, and sends a detailed report to the Committee by April 2023 on:
 - the performance of its investment in CRL, and
 - an update on the status of the convertible loan provided to the company.

⁷ The carrying value, or booked value, is an asset value based on the company's balance sheet, which takes the cost of the asset and subtracts its depreciation over time.

⁸ [Code of Practice for the Governance of State Bodies: Chapter 8](#)

8. The Committee recommends that the Department conducts a review of the State's investment in CRL, taking into account:
 - the fuller breadth of public interest projects in receipt of State monies and support outside of direct Exchequer supports; and
 - any reforms that can be undertaken in that regard.
9. The Committee recommends that, in light of Tipperary Races' write-down of land disposed, Horse Racing Ireland:
 - informs the Department of Agriculture, Food and the Marine of any disposals of land by the HRI group or its subsidiaries, and
 - reports to the Committee on the progress of the redevelopment of Tipperary Racecourse by April 2023.

Issue Four – Procurement of cash-in-transit services

Horse Racing Ireland reported a cash loss of €389,000 in 2019 in relation to the liquidation of Senaca, which provided it with cash-in-transit services.

While this was not reported as a loss to the Horse and Greyhound Racing Fund, the extent of this cash loss calls into question the due diligence by HRI in its procurement of cash-in-transit services.

The Committee first discussed the matter with HRI in February 2021. HRI confirmed that the Garda National Economic Crime Bureau was investigating the liquidation of Senaca. HRI informed the Committee in September 2022 that the investigation was ongoing. Correspondence received from HRI indicates this is still the case as of November 2022, and that a Detective Garda of the Serious Economic Crime Investigation Unit is leading this investigation.

Upon finalising a settlement with the liquidator, HRI recovered €120,000 after fees, which totalled approximately €30,000⁹. However, this still results in a loss of €269,000 to HRI, which is of concern to the Committee given the extent to which HRI is funded by the Exchequer.

⁹ R1581 PAC33

Recommendations:

10. The Committee recommends that Horse Racing Ireland incorporates learnings from the significant loss of money through cash-in-transit services in 2019 into its procurement processes.
11. The Committee recommends that Horse Racing Ireland keeps the Committee apprised of the progress made in the An Garda Síochána investigation into the liquidation of Senaca in 2019, and provides the Committee with an update on the investigation in April 2023, and further updates every six months until its conclusion.

Appendix 1 Committee Membership

The following Deputies were members of the Committee of Public Accounts when the report was agreed:

Colm Burke	Fine Gael
Matt Carthy	Sinn Féin
Cormac Devlin	Fianna Fáil
Alan Dillon	Fine Gael
Neasa Hourigan	Green Party
Alan Kelly	Labour
Paul McAuliffe	Fianna Fáil
Imelda Munster	Sinn Féin
Catherine Murphy	Social Democrats
Verona Murphy	Independent
James O'Connor	Fianna Fáil
Brian Stanley (Cathaoirleach)	Sinn Féin

Appendix 2 Committee Orders of Reference

Dáil Standing Order 218 – Committee of Public Accounts

218. (1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—

- (a) the accounts showing the appropriation of the sums granted by the Dáil each year to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil on an annual basis, together with any reports by the Comptroller and Auditor General thereon;
- (b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and
- (c) other reports carried out by the Comptroller and Auditor General under the Act.

(2) In considering particular accounts pursuant to paragraph (1)(a), the Committee shall examine whether, having regard to changes in—

- (a) the volume or quality of services or other outputs delivered, and
- (b) associated expenditure,

over time, it can be demonstrated that value for money has or has not been achieved.

(3) The Committee shall bring conclusions and recommendations reported to the Dáil pursuant to paragraph (1)(a) in relation to particular accounts to the attention of the relevant Committee established pursuant to Standing Order 95.

(4) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil and shall bring any such suggestions as reported to the Dáil to the attention of the Committee on Budgetary Oversight.

(5) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.

(6) The Committee shall have the power to send for persons, papers and records.

(7) Paragraphs (4) to (9) inclusive of Standing Order 96 shall not apply to the Committee.

(8) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be empowered to print and publish such report together with such related documents as it thinks fit.

(9) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.

(10) Notwithstanding the provisions of paragraph (1) of this Standing Order, the Committee shall have the power to examine and report upon a specific matter of general public interest relating to the appropriation of public moneys, which is not comprehended by appropriation accounts or reports of the Comptroller and Auditor General within the meaning of paragraph (1), subject to—

- (a) a positive determination having been made by the Committee on Remit Oversight under Standing Order 93A pursuant to a request by the Committee of Public Accounts under Standing Order 93B for an extension to its orders of reference for the purpose of examining the matter; and
- (b) the approval of the Dáil by way of an appropriate motion under Standing Order 93B to instruct the Committee in conducting its examination of the matter.

(11) The Committee shall refrain from—

- (a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; or
- (b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.

(12) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.

(13) The Committee shall consist of thirteen members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

Appendix 3 Witnesses

The Comptroller and Auditor General Mr. Seamus McCarthy is a permanent witness to the Committee and attends all of its engagements.

The following table contains the names of witnesses who provided information to the Committee during its meeting on 23 February 2021:

Horse Racing Ireland	
Mr. Brian Kavanagh	Chief Executive
Ms Suzanne Eade	Chief Financial Officer

The following tables contain the names of witnesses who provided information to the Committee during its meeting on 22 September 2022:

Horse Racing Ireland	
Ms Suzanne Eade	Chief Executive
Mr. Roger Casey	Chief Financial Officer
Mr. Jason Morris	Director of Racing and Strategic Projects
Ms Claire Rudd	Head of Risk and Compliance

Department of Agriculture, Food and the Marine	
Mr. Martin Blake	Assistant Secretary
Ms Caroline Ball	Principal Officer

Department of Agriculture, Food and the Marine	
Ms Louise McAlavey	Assistant Principal

Irish Horseracing Regulatory Board	
Mr. Darragh O'Loughlin	Chief Executive
Mr. Donal O'Shea	Head of Finance
Mr. Niall Cronin	Communications Manager

Appendix 4 References

Information from the following sources informed the Committee's recommendations: -

References
Meeting Transcript - 23 February 2021
Meeting Transcript - 22 September 2022
2019 Financial Statements
2020 Financial Statements
Code of Practice for the Governance of State Bodies: Chapter 8
R0423 PAC33
R1581 PAC33
Independent Review of the Irish Horseracing Regulatory Board Equine Anti-Doping Programme

Houses of the Oireachtas

Leinster House

Kildare Street

Dublin 2

D02 XR20

www.oireachtas.ie

Tel: +353 (0)1 6183000 or 076 1001700

Twitter: @OireachtasNews

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