



Government  
of South Australia

Report  
of the  
Auditor-General

August 2012

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Second Session, Fifty-Second Parliament

Report on the Adelaide Oval redevelopment pursuant  
to section 9 of the *Adelaide Oval Redevelopment  
and Management Act 2011* for the designated  
period 1 January 2012 to 30 June 2012

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Dear President and Speaker

**Report of the Auditor-General: August 2012: Report on the  
Adelaide Oval redevelopment pursuant to section 9 of the  
Adelaide Oval Redevelopment and Management Act 2011 for  
the designated period 1 January 2012 to 30 June 2012**

On 29 February 2012 my first report on the Adelaide Oval redevelopment was tabled in Parliament.

Pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* (the Act), I herewith provide to each of you a copy of my second report - 'Report of the Auditor-General: August 2012: Report on the Adelaide Oval redevelopment pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* for the designated period 1 January 2012 to 30 June 2012'.

As Parliament is not sitting this week, subsection 6(10) of the Act provides that this report will be taken to have been published under subsection 6(8)(a) of the Act at the expiration of one clear day after the day of receipt of this report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill'.

S O'Neill  
Auditor-General



**Report on the Adelaide Oval redevelopment pursuant to  
section 9 of the *Adelaide Oval Redevelopment and  
Management Act 2011* for the designated  
period 1 January 2012 to 30 June 2012**

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# **Report on the Adelaide Oval redevelopment pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* for the designated period 1 January 2012 to 30 June 2012**

## **1. Executive summary**

### **1.1 Introduction**

On 29 September 2011 the *Adelaide Oval Redevelopment and Management Act 2011* (the Act) came into operation. It incorporates requirements for the financial management of the Adelaide Oval Redevelopment project and requires financial supervision of the project by the Auditor-General. This is the second Report to the Parliament in discharge of the requirements of the Act. My first Report was tabled in Parliament on 29 February 2012.

In addition to the specific reporting obligations of the Auditor-General pursuant to section 9 of the Act, the Auditor-General must undertake certain other principal responsibilities under the Act. These include:

- pursuant to section 9(3) of the Act, to audit the accounts of the Adelaide Oval SMA Limited (AOSMA) and include a report on that audit in the Auditor-General's Annual Report
- pursuant to section 6 of the Act, to audit the accounts of the sinking fund established by AOSMA and report if necessary on its operations.

The Auditor-General's obligations and responsibilities under the Act are additional to the Auditor-General's responsibilities pursuant to the *Public Finance and Audit Act 1987* (PFAA) to audit the financial operations of the public authorities that have or had involvement in progressing the Adelaide Oval Redevelopment project. These include the Department of Planning, Transport and Infrastructure (DPTI), the Department of Treasury and Finance (DTF) and the South Australian Government Financing Authority (SAFA).

### **1.2 Structure of the Report**

This Report provides an executive summary of the matters arising from the audit with respect to the three reporting terms of reference provided for in the Act.

Following this executive summary, I have provided my substantive Report in three sections which correspond to the three terms of reference. In addressing each term of reference I have provided an overview of my understanding of and the approach taken to address each term of reference and the outcome of my audit. I have also provided comment on matters that I consider should appropriately be brought to the attention of the Parliament.

### **1.3 Requirements of the Act relevant to this Report**

The Act incorporates provisions that limit the amount that may be made available or expended by the responsible Minister, or other entity acting on behalf of the State, on the

Adelaide Oval Redevelopment project. The scope of the project is defined by the Act which limits expenditure with respect to the project to \$535 million during the period from 1 December 2009 to 1 December 2019.

Section 9 of the Act provides for financial supervision of the Adelaide Oval Redevelopment project by the Auditor-General. It requires the Auditor-General to report to the Parliament on what I consider are three terms of reference for each six month period beginning on 1 January and 1 July in each year.

My first Report to Parliament included specific comment and analysis on the reporting terms of reference for the Auditor-General under the Act. I repeat below certain aspects of that commentary as it explains the audit approach that I have taken in addressing the particular terms of reference and reporting on them.

#### **1.4 Comment on the terms of reference**

The terms of reference for the Auditor-General's supervision and reporting of the financial management of the Adelaide Oval redevelopment incorporate certain unique provisions.

The Auditor-General is required to report upon the extent to which money has been made available or expended within the \$535 million limit specified by the Act.

In considering this term of reference I note that, within the South Australian jurisdiction, public money may only be made available through an appropriation process which provides Parliamentary authorisation for the application of money from the Consolidated Account. While it is a necessary first step, the appropriation process in itself does not make funds available to agencies. Indeed money will only be available for expenditure by agencies when agencies draw down appropriation funding from the Consolidated Account and both agencies and officers of DTF exercise some discretion in determining if and when appropriation funding is drawn down.

For this reason, in considering and reporting on this matter, money has been recognised as made available when it has been paid from the Consolidated Account to relevant agencies' special deposit accounts. Money has been considered to be expended when the entity holding the money has disbursed the money and not on an accrual basis. This basis of recognising money expended reflects a common definition of expended as paid out, disbursed or spent.

To determine the funds that have been made available and expended within the approved limit as at the end of the current designated period consideration is given to both the financial activity with respect to the redevelopment project in the current designated six month period ended 30 June 2012 and before the commencement of the period.

The terms of reference are also unusual because they require the Auditor-General to both prepare and review financial information, for relevant reporting, from financial and accounting records maintained by agencies and other entities. This contrasts with the established audit process reflected in the PFAA which requires agencies to prepare financial reports, which conform with the Treasurer's Accounting Policy Statements and Australian Accounting Standards, and requires the Auditor-General to perform audits and provide Independent Auditor's Reports with respect to the agencies' financial reports.

The Auditor-General’s capacity to respond to the requirements of the Act is supported by the provisions of the PFAA which empower the Auditor-General to require parties to provide information and explanations and oblige those parties to respond to the Auditor-General’s requests. Notwithstanding these powers, it is important to emphasise that in preparing the financial information for this Report the Auditor-General places reliance on financial systems and records which are designed and managed by agencies for their own purposes and which may not, in all respects, align with the Auditor-General’s requirements in responding to the Act. It is also important to acknowledge that Audit is not engaged in the day-to-day management of the Adelaide Oval redevelopment and, consequently, is not able to bring the immediate level of corporate knowledge that agency staff bring to the preparation of financial information for audit.

**1.5 Approach to the review and preparing this Report**

In preparing this Report required by section 9 of the Act Audit has sought to identify relevant documentation and other information and subject this documentation and other information to review. Where appropriate, and as required, further documentation and information has been sought to enable Audit to address the requirements of the Act.

It is important to acknowledge that, consistent with established audit practice, this review has considered a sample of transactions and associated documentation and other information. The matters addressed in this Report, reflect Audit’s understanding of the documentation and other information considered at the time of preparation of this Report. As noted in my first Report subsequent reviews will both build on the knowledge and understanding gained in preparing these Reports and the follow up of matters arising from completed Reports.

**1.6 Executive summary of response to the terms of reference**

With respect to the first term of reference, on the basis of information obtained and reviewed to date, the money made available and expended against the authorised limit of \$535 million was:

	01.12.09 to 31.12.11 \$’000	01.01.12 to 30.06.12 \$’000	Total to 30.06.12 \$’000
Money made available	167 011	3 980	170 991
Money expended	145 067	27 538	172 605

The excess of expenditure over funds available at 30 June 2012 of \$1.614 million has been temporarily financed from operating cash holdings of DPTI through the DPTI operating account and is subject to recoupment.

With respect to the second term of reference, on the basis of information obtained and reviewed to date, the state of the public accounts that are relevant to the redevelopment of Adelaide Oval envisaged by the Act was satisfactory.

With respect to the third term of reference, on the basis of information obtained and reviewed to date, except for the matter detailed in section 4.2.4 of this Report, Audit has not identified any other matters that would indicate the public money made available and expended for the purpose of and in connection with the redevelopment of Adelaide Oval envisaged by the Act was not managed and used properly and efficiently.

## 2. Term of reference one

Section 9 (1) (a) of the Act requires the Auditor-General to report upon:

*the extent to which money has been made available or expended within the \$535 million limit specified by this Part during the designated period.*

This term of reference requires the Auditor-General to obtain information from the financial records and accounts of both public authorities and other entities with respect to the Adelaide Oval redevelopment. When read in the context of section 8 of the Act the term of reference requires consideration of whether public money, which in the context of the South Australian public sector is money, appropriated from the Consolidated Account, has been made available and has been expended on the redevelopment of Adelaide Oval.

As discussed in section 1.4 of this Report money is considered to be made available when it has been appropriated and has been drawn down from the Consolidated Account.

As further discussed in section 1.4 money has been considered to be expended when the entity holding the money has disbursed the money and not on an accrual basis. This basis of recognising money expended reflects a common definition of expended as paid out, disbursed or spent.

### 2.1 Approach to preparing information for the Report

When preparing the financial information required to respond to this term of reference consideration was given to authoritative documentation including the Treasurer's budget papers, Cabinet submissions and relevant agencies' financial records and accounts.

Audit has also considered the audited financial statements of AOSMA for the year ended 30 June 2011 and financial information obtained from AOSMA for the period from 1 July 2011 to 30 June 2012 in performing the external audit of AOSMA. The Auditor-General assumed responsibility for the audit of the operations and accounts of AOSMA from 1 July 2011 on proclamation of the Act.

Information prepared by Audit was confirmed through discussion with relevant agency staff and by seeking written confirmation from relevant agency chief executives.

### 2.2 Summary of money made available and expended within the \$535 million limit to 30 June 2012

With respect to the first term of reference, on the basis of information obtained and reviewed to date, the money made available and expended against the authorised limit of \$535 million was:

	01.12.09 to 31.12.11 \$'000	01.01.12 to 30.06.12 \$'000	Total to 30.06.12 \$'000
Money made available	167 011	3 980	170 991
Money expended	145 067	27 538	172 605

This summary shows that, as at 30 June 2012, the money expended with respect to the Adelaide Oval Redevelopment project exceeded the money made available by appropriation from the Consolidated Account. The excess of funds expended over funds available at 30 June 2012 of \$1.614 million has been met from DPTI operating cash holdings in the DPTI operating account and is to be recouped from future appropriation funding draw downs for the Adelaide Oval redevelopment from the Consolidated Account.

The appendix to this Report provides a more detailed summary analysis of money made available and expended within the \$535 million limit to 30 June 2012.

### **2.2.1 Main items of expenditure**

The following briefly describes the principal items of expenditure incurred for the period 1 December 2009 to 31 December 2011 and the period 1 January 2012 to 30 June 2012 in relation to the Adelaide Oval redevelopment.

#### ***Period 1 December 2009 to 31 December 2011***

- Payments to extinguish the South Australian Cricket Association Incorporated (SACA) loan facility with the Treasurer - \$85 million
- Prepayment to the principal construction contractor - \$35 million
- Grant to AOSMA to undertake preliminary design work - \$5 million.

#### ***Period 1 January 2012 to 30 June 2012***

- Payments to the principal construction contractor - \$18.3 million
- Payments to utility company - \$2.6 million
- Ex gratia payments to SACA and South Australian National Football League (SANFL) - \$2 million.

### **2.2.2 Project reporting to the Public Works Committee**

The final Report of the Public Works Committee (PWC) for the Adelaide Oval Redevelopment project was tabled in Parliament on 9 November 2011. The Report included a requirement for DPTI to provide quarterly reports to the PWC on the progress of construction. It is noted that DPTI has provided one quarterly report to the PWC, notably for the quarter ending December 2011.

## **3. Term of reference two**

Section 9(1)(b) of the Act requires the Auditor-General to report upon:

*the state of the public accounts that are relevant to the redevelopment of Adelaide Oval envisaged by this Act.*

This term of reference requires the Auditor-General to evaluate the state of the public accounts which are relevant to the Adelaide Oval redevelopment. The Act defines public accounts in the same terms as the PFAA:

**public accounts** means the Consolidated Account, special deposit accounts, deposit accounts, accounts of money deposited by the Treasurer with SAFA, imprest accounts and all other accounts shown in the general ledger.

In this context the general ledger is the Treasurer's ledger.

In evaluating the state of the public accounts I have understood the term 'state' to mean both the financial position and condition, circumstances or attributes of the public accounts. Specific matters considered in evaluating the state of the public accounts have included whether the public accounts have been operated lawfully, that is in accordance with the requirements of the PFAA and associated Treasurer's Instructions. Consideration has also been given to whether the public accounts have been operated in a way which supports my reporting on the extent:

- money was made available or expended within the \$535 million limit
- that public authorities have properly and efficiently managed and used money made available within the \$535 million limit.

### **3.1 Approach to evaluating the state of public accounts relevant to the Adelaide Oval redevelopment**

As I have indicated in my response to the first term of reference, Audit has sought, by inquiry directed to relevant agency staff, to identify the accounts through which public money has been made available or expended within the \$535 million limit authorised by the Act.

Having identified the public accounts relevant to the redevelopment of the Adelaide Oval Audit has ascertained an understanding of the financial systems, records and controls used by the agencies to process and control the expenditure of money in connection with the redevelopment of the Adelaide Oval. In evaluating the state of the public accounts Audit has considered whether the:

- purpose of the agency accounts, which are special deposit accounts established pursuant to section 8 of the PFAA, was consistent with their use to record and control expenditure with respect to the redevelopment of the Adelaide Oval
- detailed records used by the agencies supported both my reporting pursuant to the Act and the agencies' effective management and control of the activity.

In evaluating the public accounts Audit has also considered matters which were identified by ongoing audit of the agencies' financial systems and records and the impact of these matters on the assessment of the state of the public accounts required by the Act.

### **3.2 Findings with respect to term of reference two**

My first Report communicated that the financial activity associated with the Adelaide Oval redevelopment from 1 December 2009 to 31 December 2011 involved the public authorities of DTF, SAFA and DPTI. During the period 1 January 2012 to 30 June 2012 SAFA's substantive involvement ceased.

Audit inquiries have confirmed that the public accounts relevant to the designated review period 1 January 2012 to 30 June 2012 redevelopment were the:

- Consolidated Account
- Department of Treasury and Finance Administered Items Operating Account
- Department of Planning, Transport and Infrastructure Operating Account
- Adelaide Oval Redevelopment special deposit account.

As noted in my first Report the usage of the accounts has changed as responsibility for governance of the redevelopment was amended and DPTI assumed primary responsibility for the redevelopment. The last mentioned account was established in June 2012 as a result of an Audit recommendation made in my first Report. This is further commented in section 3.2.2 below.

With respect to term of reference two, on the basis of information obtained and reviewed to date Audit has not identified any matters that would indicate the state of the public accounts was not satisfactory.

#### **3.2.1 Maintenance of DPTI's detailed project ledger**

As mentioned, DPTI (the public authority responsible to the Minister for Transport and Infrastructure) has project governance authority and responsibility for the Adelaide Oval redevelopment. As such DPTI has a responsibility to maintain adequate records of project expenditure including a detailed project ledger.

My first Report noted certain matters associated with records maintenance by DPTI. Significant expenditure was recorded outside the project ledger and only recognised in the project ledger after the designated period cut-off date. In addition, some payments with respect to the redevelopment project which were processed as urgent payments outside of the established accounts payable system (which is automatically integrated with the DPTI general ledger) also resulted in delays in recording the payments within the project ledger.

These matters were the subject of communication with DPTI in April 2012. Audit recommended the development of policies and procedures specific to the redevelopment project and focussed on providing appropriate assurance to both DPTI and Audit that all expenditure, relevant to the Adelaide Oval redevelopment, is captured within a nominated project ledger account within the correct period.

DPTI's response of May 2012 to the Audit recommendation outlined proposed action. DPTI advised that it would establish a project specific process to provide assurance that the project ledger is a complete and accurate record of expenditure at the end of each designated period. This process was implemented.

The information that is used as a basis for Audit in reporting on expenditure with respect to the Adelaide Oval redevelopment is most relevant to the effective management of the project by DPTI, the Project Control Group and their professional advisers. As part of my ongoing responsibility to review and report on the Adelaide Oval Redevelopment project, Audit will consider any scope for improvement in process and procedure, relevant to the arrangements (and changes in arrangements) implemented by DPTI, the contracted cost consultants, the principal construction contractor and the project manager to record and report on project costs.

### **3.2.2 *Mandating the use of a designated special deposit account to control and record money made available and expended for the Adelaide Oval redevelopment***

It was also conveyed in my first Report that I would recommend to the Under Treasurer that he seek the Treasurer's approval to implement arrangements which mandate that all public and other money made available to the Adelaide Oval redevelopment are paid into a nominated special deposit account and that all expenditure is controlled and recorded through that account.

In June 2012 the Treasurer approved the establishment of a non-interest bearing special deposit account titled 'Adelaide Oval Redevelopment' with the approved purpose 'to record and identify all money made available and expended for the Adelaide Oval redevelopment'.

## **4. Term of reference three**

Section 9(1)(c) of the Act requires the Auditor-General to report on:

*the extent to which it appears that public money made available to any entity, including an entity that is not a public authority, for the purposes of, or in connection with, the redevelopment of Adelaide Oval envisaged by this Act has been properly and efficiently managed and used during the designated period.*

This term of reference requires the Auditor-General to express an opinion on whether the management and use of public money by an entity and for the purposes of, or in connection with, the redevelopment of Adelaide Oval was proper and efficient.

In responding to this term of reference, the entities identified and considered by Audit for review in preparing both my first Report and this second Report are DTF, DPTI and AOSMA.

The appendix of this Report (summary of money made available and expended for the Adelaide Oval redevelopment) shows that DPTI was the only entity that incurred material expenditure during the period from 1 January 2012 to 30 June 2012. Consequently this Report focuses on the management and use of money by DPTI for the purposes of, or in connection with, the redevelopment of Adelaide Oval.

In responding to this term of reference the term 'managed' is understood to mean the way money is handled, directed, governed or controlled and the term 'used' is understood to mean the way money is consumed or expended.

Assessing whether money has been ‘properly’ managed and used is understood to require an assessment whether that management and use conforms to established standards of financial management practice and behaviour. In the context of the Act the established standards of practice and behaviour reflect:

- relevant authoritative documentation, which is specific to this project, including Cabinet approvals and contractual documentation
- authoritative regulations and guidelines such as the Treasurer’s Instructions and Premier and Cabinet Circulars
- the context of the specific arrangements implemented by relevant entities
- generally accepted standards of financial management practice and behaviour.

Implicit in this discussion is an acknowledgement that, in the context of the Act, the standards of what is proper may differ for entities that are public authorities, such as DPTI which is governed by the Treasurer’s Instructions and the Premier and Cabinet Circulars, and AOSMA, which is not a public authority.

Assessing whether money has been ‘efficiently’ managed and used is understood to require an assessment of whether money was used to progress the Adelaide Oval redevelopment and, more particularly, whether the use of money was:

- necessary in completing the project
- managed to minimise the amount of money committed to achieving the project outcome.

Specific focus is also required to evaluate whether procurement processes, particularly with respect to procurement of contracted service providers, were consistent with established public sector standards.

#### **4.1 Approach to evaluating whether the management and use of money in connection with the Adelaide Oval redevelopment was proper and efficient**

In responding to this term of reference Audit has sought to identify expenditure by DPTI in the designated period and to understand the nature of that expenditure including its purpose and the parties to whom money has been paid. Specific matters considered in responding to this term of reference included the arrangements implemented to procure, contract with and manage the service providers who have been engaged to progress the redevelopment.

Consistent with established audit practice this review has considered a sample of transactions and associated documentation and other information. Consequently the matters addressed in my Reports reflect Audit’s understanding at a point in time based on the documentation and other information considered to that point. Subsequent reviews will both build on the knowledge and understanding gained in preparing these Reports and follow up matters arising from completed Reports.

## **4.2 Findings with respect to term of reference three**

With respect term of reference three, on the basis of information obtained and reviewed to date, except for the matter detailed in section 4.2.4 below, Audit has not identified any other matters that would indicate the public money made available and expended for the purpose of and in connection with the redevelopment of Adelaide Oval envisaged by the Act was not managed and used properly and efficiently.

### **4.2.1 Procurement of consultants**

My first Report included specific comment arising from a review of payments to professional service contractors engaged to provide technical and design services in developing the design of the Adelaide Oval redevelopment.

It was conveyed that the contractors were engaged initially by AOSMA when that entity was responsible for the redevelopment design and then by DPTI following transfer of the redevelopment project governance responsibility to the responsible Minister.

The specific commentary noted that the procurement method adopted for engaging service contractors by DPTI involved single source offers from contractors. It was explained that this was consistent with DPTI's established procedures because public calls were not feasible if the project objective of completing the redevelopment by early 2014 was to be achieved. It also noted that the professional service contractors had been involved in the project from its inception and it was considered ineffective and uneconomic to engage new providers because to do so would require the re-creation of the intellectual property which then existed.

Audit is undertaking a further review of the nature of procurement and contract management arrangements for consultant service providers in recognition that construction activity on the project development commenced in March 2012.

### **4.2.2 Review of the principal construction contractor arrangements**

I communicated in my first Report that Cabinet approved in October 2011 the engagement of the principal construction contractor as a result of a competitive tender process. The contract with the principal construction contractor was finalised in November 2011.

As mentioned, in March 2012 construction commenced on the Adelaide Oval Redevelopment project. Audit is giving focussed attention to the review of the procurement and contracting arrangements for the principal contractor, and the management of those arrangements.

### **4.2.3 Project governance arrangements**

My first Report provided comment on the project governance arrangements implemented by DPTI. To recap, it involved the establishment of a project control group and a dedicated project office which was administered by the contracted project manager. These arrangements were implemented to manage and coordinate the input of the various professional service contractors, the project architect, the contracted builder, DPTI officers and AOSMA into the design phase of the project.

It was conveyed in my first Report that I would recommend to DPTI that it prepare documentation, possibly in the form of a memorandum of understanding between DPTI officers with executive responsibility for the redevelopment, the representatives of AOSMA and the project manager, that records the respective roles, responsibilities and limits of authority for members of the project control group.

This recommendation was communicated to DPTI in April 2012. DPTI's response of May 2012 advised it had prepared Guidelines for the Operation of the Project Control Group incorporating principles relating to governance of the project during construction. Audit was provided with a copy of the guidelines signed in June 2012 by the Chief Executive, DPTI as Project Director, the Chief Executive, AOSMA, the Chief Executive, SACA and the Chief Executive, SANFL.

The operation of these guidelines is to be subject to review.

#### **4.2.4 *Payments by DPTI related to operations of AOSMA***

My first Report included comment that Audit was in the process of reviewing expenditure made by DPTI that related to costs that seemed more aligned to the operations of AOSMA and not the Adelaide Oval redevelopment. The first Report conveyed that any notable matter arising from the review would be communicated in this Report.

The review confirmed certain expenditure made by DPTI that was aligned to the operations of AOSMA and not directly associated with the Adelaide Oval redevelopment.

Two payments of a material nature that were identified were subject to formal audit communication with DPTI. The payments were made in February 2012 to the SANFL (\$959 837 excluding GST) and SACA (\$1 009 281 excluding GST) .

The payments to the SANFL and SACA were made on the basis of invoices and supporting documentation provided by the two bodies and relate to the cost of legal and public relations services and reimbursement of salary costs for SANFL and SACA staff. The payment to the SANFL was authorised by the Chief Executive, DPTI and noted by the Minister for Transport and Infrastructure while the payment to the SACA was authorised by the Minister for Transport and Infrastructure on the recommendation of the Chief Executive.

Following the presentation of my first Report I wrote to the Chief Executive, DPTI noting my view that these payments appeared to relate to AOSMA and not the Adelaide Oval redevelopment. In response DPTI advised that it would seek the Treasurer's approval for the payments to be approved as ex gratia payments under the provisions of Treasurer's Instruction 14 'Ex gratia payments'. In June 2012 the Treasurer retrospectively ratified these payments and up to \$300 000 of further expenditure by DPTI on behalf of AOSMA.

The DPTI request to the Treasurer seeking approval of these payments advised that they would be funded from the contingency provisions approved by Cabinet and this expenditure has been included in the expenditure against the \$535 million limit approved by the Act.

It is evident to Audit that AOSMA received support and that there should be adequate transparency and accountability associated with that support in the financial accounts of AOSMA.

As part of the audit of AOSMA and their financial statements for the year ended 30 June 2012, Audit recommended and assisted AOSMA in ensuring that the value of support provided by the State Government (DPTI) to AOSMA would be appropriately brought to account in AOSMA's financial statements.

## **5. Other matters of importance**

### **5.1 Lease and licence arrangements**

The Act provides for the execution of a number of leases and licences between relevant parties. The licensing and leasing arrangements underpin the Adelaide Oval Redevelopment project and the ongoing care, control and management of the oval and precinct.

In preparing the first Report Audit requested and received the following leases and licences:

- lease over the Adelaide Oval Core Area between the then Minister for Infrastructure (the Minister) and the Corporation of the City of Adelaide (ACC) – executed 17 November 2011
- sublease over the Adelaide Oval Core Area between the Minister and AOSMA – executed 17 November 2011
- licence between the Minister and the SACA – executed 17 November 2011
- licence between the Minister and the SANFL – executed 17 November 2011
- licence over the Adelaide Oval Licence Area between the Minister and the ACC – execution date not recorded.

The Act requires the Minister to provide copies of the sub-lease and licences to both Houses of Parliament.

The first Report highlighted that the:

- Adelaide Oval Licence Area sublicense between the Minister and AOSMA had not been finalised
- licences between the Minister and the SACA and the SANFL had not been provided to both Houses of Parliament.

A follow up review undertaken in preparing this Report found the licences between the Minister and the SACA and the SANFL were tabled in Parliament on 1 May 2012. It also found, however, that the Adelaide Oval Licence Area sublicense between the Minister and AOSMA still had not been finalised.

### **5.2 Financial reporting recognition of the Adelaide Oval Redevelopment project**

The rights and obligations detailed in the Act and the lease and licence agreements, as detailed above, are relevant to determining the recognition of the asset that is being created through Adelaide Oval Redevelopment project.

At the time of finalisation of this Report Audit is in the process of auditing the financial statements of DPTI and AOSMA for the year ended 30 June 2012.

The Act and the associated lease and licence agreements provide effective control of the redeveloped Adelaide Oval asset to DPTI on behalf of the responsible Minister. As such, consistent with the recognition criteria of Australian Accounting Standards (including the significant matter of control) the value of the redeveloped Adelaide Oval is being appropriately recognised as an infrastructure asset in the accounts of DPTI and not AOSMA.

DPTI financial statements for the year ended 30 June 2012 which are currently being audited record the following assets associated with the project development:

- value of the land on which the redeveloped Adelaide Oval is constructed
- value of the Western Grandstand which was transferred to the Minister as part of the arrangements with SACA to commence the project
- cost of work to date met by DPTI since the Minister became responsible for the redevelopment project.

### **5.3 Other funding sources and commitments**

As conveyed in my first Report, during the course of preparing that Report Audit was provided with documentation which outlined funding commitments from both the Commonwealth Government and the Australian Football League (AFL).

Correspondence from the Commonwealth Government indicated it has agreed to contribute \$30 million towards costs associated with constructing car parking and developing planned wetlands. The funding committed by the Commonwealth Government has been received and was deposited in the Adelaide Oval Redevelopment special deposit account in June 2012.

The funding agreement between the Commonwealth and State Governments provides that \$18 million of the amount provided is committed to meet the cost of developing car parking associated with the stadium construction and the balance to work associated with the development of the riverbank adjacent to the Adelaide Oval.

The prospect of obtaining funding from sources other than the State Government was considered in an approved October 2011 Cabinet submission on the Adelaide Oval Redevelopment project and in the final Report of the PWC on the Adelaide Oval Redevelopment project tabled in Parliament in November 2011. Both documents acknowledge the potential to attract funding from sources external to the State Government, including from the Commonwealth Government and the AFL, which could be applied to the project development.

As communicated in my first Report, the AFL has advised that, subject to final approval from the AFL Commission, it is prepared to contribute \$5 million to meet the cost of certain aspects of the redevelopment of the western grandstand. No funding from the AFL has been received at the time of finalisation of this Report.

#### **5.4 Funding proposal for AOSMA**

In August 2012 Cabinet received and approved a proposal from the Minister for Transport and Infrastructure and the Treasurer to advance \$18 million to AOSMA to enable it to procure works for the Adelaide Oval redevelopment.

The proposal to provide funding to AOSMA follows from the receipt of funding from the Commonwealth Government as discussed above. The Cabinet submission proposed that since the funding from the Commonwealth Government covered works already allowed for in the contract with the principal construction contractor (such as an underground car park) the \$18 million be used to procure other certain works associated with the Adelaide Oval redevelopment. The Cabinet submission further advised that AOSMA was well placed to procure the works as they related to items concerning the playing surface, oval operations and equipment with which the SANFL and SACA has previous operational experience. The funding and procuring of the certain works are to be managed and controlled through a funding deed.

The arrangements for provision of funding to AOSMA to procure certain works will be reviewed and considered in the context of my review and reporting obligations under the Act and in ensuring transparency and accountability for all funds made available and expended on the project development.

#### **6. A final matter**

The introduction to this Report discussed the Auditor-General's different obligations and responsibilities to both the Act and the PFAA. Although the Act requires the Auditor-General to report at six-monthly intervals on the Adelaide Oval Redevelopment project, I consider that should any matter arise that needs to be reported to Parliament at an earlier interval, I will report such matters in the Annual Report or a Supplementary Report to Parliament.

## Appendix

### Summary of money made available and expended within the \$535 million limit to 30 June 2012

#### Extent to which the \$535 million has been made available

	\$'000
<b>Total State Government funding available for the project</b>	535 000
<b>Monies appropriated to DTF:</b>	
Monies appropriated to DTF less amounts transferred to DPTI to 31 December 2011	5 970
Monies appropriated to DTF during the period 1 January 2012 to 30 June 2012:	
Appropriation to DTF	-
<i>Less:</i> Monies transferred to DPTI from Contingency	-
<b>Total monies appropriated to DTF less amounts transferred to DPTI to 30 June 2012</b>	5 970
<b>Monies appropriated to DPTI:</b>	
Monies appropriated to DPTI/received from DTF to 31 December 2011	161 041
Monies appropriated to DPTI/received from DTF during the period 1 January 2012 to 30 June 2012:	
Appropriation to DPTI	3 980
<i>Less:</i> Monies received from DTF from Contingency	-
<b>Total monies appropriated to DPTI/received from DTF 30 June 2012</b>	165 021
<b>Total amount which has been made available for the project</b>	170 991
<b>Total amount of State Government funding still to be made available</b>	364 009

#### Extent to which the \$535 million has been expended

	\$'000
<b>Total State Government funding available for the project</b>	535 000
<b>Monies expended on the project by DTF:</b>	
Expenditure by DTF prior to 31 December 2011	5 970
Expenditure by DTF during the period 1 January 2012 to 30 June 2012:	
Expenditure by DTF	-
<b>Total expenditure by DTF to 30 June 2012</b>	5 970
<b>Monies expended on the project by DPTI:</b>	
Expenditure by DPTI prior to 31 December 2011	139 097
Expenditure by DPTI during the period 1 January 2012 to 30 June 2012:	
Expenditure by DPTI	27 538
<b>Total expenditure by DPTI to 30 June 2012</b>	166 635
<b>Total expenditure on the project to 30 June 2012</b>	172 605
<b>Balance of State Government funding still to be expended</b>	362 395