



Government  
of South Australia

Report  
of the  
Auditor-General

February 2014

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of the *Adelaide Oval Redevelopment and Management Act 2011*

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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 July 2013 to 31 December 2013

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Dear President and Speaker

**Report of the Auditor-General: February 2014: Report on the  
Adelaide Oval redevelopment pursuant to section 9 of the  
Adelaide Oval Redevelopment and Management Act 2011 for  
the designated period 1 July 2013 to 31 December 2013**

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 report - 'Report of the Auditor-General: February 2013: Report on the Adelaide Oval redevelopment pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* for the designated period 1 July 2013 to 31 December 2013'.

As Parliament is not sitting this week, section 9(8) of the Act provides that this report will be taken to have been published under section 9(6)(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



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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 July 2013 to 31 December 2013**

## **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 fifth Report to the Parliament in discharge of the requirements of the Act and follows my Reports of 29 February 2012, 31 August 2012, 28 February 2013 and 31 August 2013.

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 for 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 of State Government money 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 Act limits the appropriation of monies to be made available and expended with respect to the project to \$535 million during the period from 1 December 2009 to 1 December 2019. The Commonwealth Government and the Australian Football League (AFL) have also made available funds for application to the project as discussed in section 5.3 of this Report.

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 previous Reports 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 to explain 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 on the financial management of the Adelaide Oval redevelopment incorporate certain unique provisions.

The Auditor-General is required by the Act to report on the extent to which money appropriated has been made available or expended on the Adelaide Oval Redevelopment project 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 for the redevelopment project in the current designated six month period ended 31 December 2013 and before the commencement of the period.

While not required by the Act to do so, for completeness of accountability, I also report on the money received from the Commonwealth Government and the AFL and made available or expended on the project.

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 that 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 obliges the 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 that 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 to this task 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, as 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 previous Reports, subsequent reviews 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 30.06.13 \$’000	01.07.13 to 31.12.13 \$’000	Total to 31.12.13 \$’000
Money made available	438 149	96 851	535 000
Money expended	370 289	139 985	510 274

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 matters detailed in sections 4.2.2, 4.2.3 and 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 on:

*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 about the Adelaide Oval redevelopment from the financial records and accounts of both public authorities and other entities. 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 is 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 unaudited financial statements of AOSMA up to the year ended 31 October 2013 and financial information obtained from AOSMA for the period from 1 November 2013 to 31 December 2013 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 31 December 2013

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 30.06.13 \$'000	01.07.13 to 31.12.13 \$'000	Total to 31.12.13 \$'000
Money made available	438 149	96 851	535 000
Money expended	370 289	139 985	510 274

The Appendix to this Report provides a more detailed analysis of money made available and expended within the \$535 million limit to 31 December 2013.

### 2.2.1 Main items of expenditure

The following briefly describes the principal items of expenditure incurred on the Adelaide Oval redevelopment for the periods 1 December 2009 to 30 June 2012, 1 July 2012 to 31 December 2012, 1 January 2013 to 30 June 2013 and 1 July 2013 to 31 December 2013.

#### *Period 1 December 2009 to 30 June 2012*

- Payments to extinguish the South Australian Cricket Association Incorporated (SACA) loan facility with the Treasurer – \$85 million.
- Grant to AOSMA to undertake preliminary design work – \$5 million.
- Payments to the principal construction contractor – \$55 million.
- Payments to utility company – \$2.6 million.
- Ex-gratia payments to SACA and the South Australian National Football League (SANFL) – \$2 million.

#### *Period 1 July 2012 to 31 December 2012*

- Payments to the principal contractor – \$82 million.

The payments to the principal contractor during the period were mainly with respect to works on the Northern Mound, the South Stand (now referred to as the Riverbank Stand), the East Stand, other internal and external works and the procurement of off-site materials including:

- completion of the Northern Mound and Ancillary Works which was handed over to SACA in October 2012 for the 2012-13 cricket season
- reinstatement of the four light towers that were commissioned for use for the 2012-13 cricket season

- progression of works on the South Stand including piling works, installation of retaining wall pre-cast panels and works on the concrete structure for levels one, two, three and four
- completion of piling, the substructure and in-ground services for the East Stand
- progression of works on the floor slabs for the ground and upper levels and installation of pre-cast retaining walls for the East Stand
- commencement of works on the outlet to the River Torrens embankment
- procurement of off-site materials including pre-cast concrete and structural steel for the South Stand and East Stand.

***Period 1 January 2013 to 30 June 2013***

- Payments to the contractor undertaking Western Grandstand upgrade works – \$3.5 million.
- Payments to the principal construction contractor – \$106 million.

The payments to the principal construction contractor during the period were mainly with respect to works on the South Stand, the East Stand, other internal and external works and the procurement of materials including:

- practical completion and handover to the AOSMA of Main Oval works
- progression of works on the South Stand including completion of the concrete superstructure and ongoing works on the façade, steel roof fabrication and the fit out including wall framing and sheeting
- progression of works on the East Stand including the concrete superstructure, floor slabs for the various levels and works on steel structures and first fix services
- work on the southern plaza including completion of the floor slab
- procurement of materials including structural steel, precast panels/plats and plant and equipment.

***Period 1 July 2013 to 31 December 2013***

- Payments to the contractor undertaking Western Grandstand upgrade works – \$7 million.
- Payments to the principal construction contractor – \$124 million. Payments to the contractor included a \$2.5 million bonus payment for meeting revised project milestones enabling the second 2013 Ashes Test match to be played at the Adelaide Oval from 5 December 2013 to 9 December 2013.

The payments to the principal construction contractor during the period were mainly for works on the South Stand, the East Stand, other internal and external works and the procurement of materials including:

- practical completion and handover to AOSMA of the South Stand and the southern plaza which allowed the Ashes Test match to be played at the Adelaide Oval
- progression of works on the East Stand including the completion of roof steelwork, installation of escalators, progression of works on the roof fabric, ceiling, partitions, wall framing, joinery and the façade
- progression of works relating to the indoor cricket centre including pouring the mezzanine slab, steel works, roof sheeting, framing for glazing and completion of lift and stair shafts
- procurement of off-site materials including structural steel, cladding material, joinery, aluminium and glass.

## **2.2.2 Overview of the project funding, expenditure and contingency**

### **2.2.2.1 Status of money available to complete the project**

The table below summarises the position status of money available to complete the project as at 31 December 2013.

	\$'000
Money made available	<u>535 000</u>
Money expended	<u>510 274</u>
Money available to complete the project	<u>24 726</u>

### **2.2.2.2 Status of the project contingency**

My previous Reports have included commentary on reporting and monitoring of project development costs. The contracted cost consultant has a principal responsibility of preparing relevant financial information on the project development for the Project Control Group.

The financial statement report prepared by the cost consultant, and included in the Project Control Group report for the period ending 11 December 2013, provides a status of the project contingency. The report notes that the contingency for the project is \$29.623 million of which \$8.922 million remains uncommitted. In the report the cost consultant also notes that the contingency will need to be carefully managed and that no further unfunded additional scope be committed.

Audit supports the cost consultant's observation that the contingency needs to be carefully managed, particularly as the project development approaches practical completion.

### 3. Term of reference two

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

*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 that 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. I have also considered whether the public accounts have been operated in a way that supports my reporting on the extent that:

- money was made available or expended within the \$535 million limit
- 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 on 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 that 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 July 2013 to 31 December 2013 were the:

- Consolidated Account
- Adelaide Oval Redevelopment special deposit account.

As noted in my first Report the usage of the accounts changed for the redevelopment project as responsibility for governance of the redevelopment was amended and DPTI assumed primary responsibility for the redevelopment. The Adelaide Oval Redevelopment special deposit account was established in June 2012 as a result of an Audit recommendation made in my first Report.

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.

As outlined in my fourth (previous) Report, Audit completed a focused review of management reporting of project costs. While the review did not identify any major shortcomings some matters for improvement were raised with DPTI and a detailed response was received. Audit review for the current period gave focus to following up action taken by DPTI to address certain matters identified for improvement. This follow-up is discussed in section 3.2.2 of this Report.

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

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 that were processed as urgent payments outside of the established accounts payable system (which is automatically integrated with the DPTI general ledger) caused 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 that focused 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.

Audit inquiry in preparing this Report confirmed that DPTI procedures have, with immaterial exceptions, ensured expenditure on the Adelaide Oval redevelopment was recognised in the nominated project ledger account.

### **3.2.2 Management reporting of project costs**

#### **3.2.2.1 Introduction**

The obligation for DPTI to ensure rigorous cost supervision over the Adelaide Oval Redevelopment project (including in recognition of the statutory expenditure limit of \$535 million), requires quality cost management arrangements. Further, it is noted that these arrangements should include the reporting of timely, complete and relevant costing information. This imperative has higher emphasis as the project progresses to completion, as the project funding/budget limit is committed and spent, and DPTI's capacity to implement action to address any cost pressures is reduced.

#### **3.2.2.2 Review of project reporting arrangements**

In August 2013 Audit finalised a review of project reporting arrangements established to monitor the progress, key deliverables and costs of the project. The review considered aspects of the reporting arrangements between the main parties for the project including DPTI, the Project Control Group, project manager, principal construction contractor and cost consultant. The scope and findings of the review were communicated in my previous Report to Parliament.

While the review did not reveal any notable shortcomings, certain matters that were identified for improvement and communicated to DPTI were followed up for the current designated reporting period.

#### **3.2.2.3 Reliability of information used to monitor the project**

One area for improvement attention related to the processes in place to ensure the reliability of information used to monitor the project. This involved the reconciliation of project cost information between the records of DPTI and the cost consultant.

Audit review for the current period noted that the project cost information as recorded in DPTI's job cost ledger is now provided monthly to the cost consultant and following instruction by DPTI, the cost consultant was in the process of completing a reconciliation of all project expenditure.

In finalising my review for the current period Audit sought an update on the status of the project expenditure reconciliation. DPTI advised that the cost consultant is being provided with expenditure reports on a regular basis and has performed a reconciliation. DPTI also advised that it is currently reviewing anomalies highlighted in the reconciliation to ensure they are appropriately reconciled against the budgeted commitments.

As DPTI was in the process of following up matters associated with the reconciliation, Audit has yet to review the reconciliation. I am of the view that DPTI should collaborate closely with the cost consultant to bring to early completion the review of the reconciliation anomalies.

#### 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 my first four Reports and this fifth Report are DTF, DPTI and AOSMA.

The Appendix to this Report (summary of money made available and expended within the \$535 million limit to 31 December 2013) shows that DPTI was the only entity that incurred material expenditure, from public monies, during the period from 1 July 2013 to 31 December 2013. 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. Section 5 of this Report includes comment on expenditure by AOSMA from Commonwealth sourced funds, which, as discussed later, do not meet the definition of public money and therefore were not included as funds made available or expended within the \$535 million limit provided for in the Act.

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 that 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 for 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 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 to term of reference three, on the basis of information obtained and reviewed to date, except for the matters detailed in sections 4.2.2, 4.2.3 and 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 Project governance arrangements**

My previous Reports have included comment on the project governance arrangements implemented by DPTI. 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 and construction phases 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.

In preparing this Report Audit has reviewed the minutes of the Project Control Group and has confirmed that the Group has met regularly and has received detailed reports from the contracted project manager, the principal construction contractor and the cost consultant detailing progress in implementing the project.

#### **4.2.2 Procurement and payment of consultants**

Previous Reports have observed that the cost of professional service contractors, engaged to provide various services, are a significant component of overall project costs, with an initial budget of \$27 million. The use of single source offers to procure services was also noted along with the DPTI rationale for this approach to procurement.

The third Report advised that Audit would formally communicate to DPTI certain matters noted from a review of engagement and contract arrangements for professional service contractors.

The matters were communicated to DPTI in April 2013 and a response was received in June 2013. These matters were followed up by Audit in finalising my previous Report and in preparing this Report for the current designated period. Relevant audit comments are summarised below.

##### **4.2.2.1 Contract documentation and approvals**

The review of engagement and contract management arrangements has considered aspects of contract documentation and management. Audit noted that, in some instances, payments to professional service providers were made:

- before contract documentation was completed and contract approvals were obtained
- for amounts that exceeded the approved contract amount
- before extensions to contract scope were confirmed in correspondence between DPTI and the service provider.

The review also identified areas for improvement in contract documentation. The matters noted were communicated to DPTI in April 2013.

In response to the audit findings DPTI advised that in some instances DPTI officers had departed from accepted practice to pay amounts due to service providers before all formal contract documentation and approvals were settled. DPTI indicated that there were delays in providing documentation to DPTI officers but that payments were for work that was performed in accordance with instructions. The delays in provision of documentation to DPTI officers, detailing the instructions to service providers, had contributed to delays in preparing formal contract documentation and obtaining formal approval for the contract arrangements. DPTI also advised it had prepared a memorandum to DPTI officers reminding them of accepted contract administration practices.

In my previous Report it was noted that follow-up of this matter by Audit revealed that the memorandum had not been approved and distributed to staff and that DPTI should give urgent attention to this matter.

Audit review in the current period found that the memorandum still had not been approved and distributed to staff.

The need for urgent attention to address this matter was further communicated to DPTI in February 2014. In response, DPTI advised that once practical completion is reached in 2014 this matter would be considered alongside other lessons that can be learnt from the project.

I remain of the view that remedial action to ensure DPTI staff employ appropriate contract approval and administration practices should be implemented as a matter of priority by issuing immediately the intended memorandum to staff. Such action should be seen as an important remedial practice measure directed to not only the Adelaide Oval Redevelopment project but for all other infrastructure developments under the administrative responsibility of DPTI.

Audit procedures again identified payments made to a contractor that exceeded the approved contract amount. This matter is further discussed in section 4.2.4 of this Report.

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

##### **4.2.3.1 *Introduction***

My previous Report provided details of Audit's review of the procurement and contracting arrangements for the principal construction contractor of the Adelaide Oval Redevelopment project. In brief the review raised a number of shortcomings in the procurement and contract formation process and concluded that sufficient regard was not given to the effective implementation of appropriate probity standards throughout the entire process.

In the current designated period Audit noted that in September 2013 the responsible Minister's representative and the principal construction contractor executed a Variation Deed to the construction contract. Relevant audit observations, comments and responses to matters raised with DPTI concerning this matter are outlined below.

##### **4.2.3.2 *Principal construction contractor Variation Deed***

###### **4.2.3.2.1 *Background***

In October 2011, Cabinet approved a submission from the responsible Minister to enter into a construction contract with the principal construction contractor for the Adelaide Oval redevelopment contract. The Cabinet submission noted that the contract included fixed completion dates of 18 October 2013 to allow the December 2013 Australia and England Ashes Test match to be played at the Oval and 24 March 2014 to allow commencement of the 2014 AFL football season matches at the Oval. It further noted that the principal construction contractor would secure a \$5 million additional payment to achieve key project milestones for the Ashes Test (\$2.5 million additional payment) and commencement of the 2014 AFL season matches (\$2.5 million additional payment).

The construction contract between the Minister (the Principal) and the principal construction contractor (the Contractor) required certain works (Separable Portion 4) to be significantly completed by a specified date (18 October 2013). The contract provided that, if significant completion of Separable Portion 4 occurred on or before 18 October 2013, the Principal shall pay the Contractor a bonus of \$2.5 million. This was consistent with information provided in the approved Cabinet submission.

#### 4.2.3.2.2 Execution of Variation Deed

In response to inquiry regarding the nature of the variation arrangements, DPTI advised Audit that it became evident to both DPTI and the Contractor that significant completion of Separable Portion 4 on or before 18 October 2013 would not be achieved. As a result the Minister's representative and the Contractor entered into negotiations and on 16 September 2013 signed a Variation Deed to the construction contract (the Principal Agreement). The Variation Deed provided that:

*The Principal has agreed to amend the requirements under the Principal Agreement that relates to the bonus payment, and amend the Date for Practical Completion of Separable Portion 4 under the Principal Agreement, as consideration for the Contractor releasing the Principal from all claims for costs, delays and extensions of time that arose under the Principal Agreement prior to the date of this Deed.*

The Variation Deed also made a number of other related variations to the Principal Agreement including a revision of the contract sum to include existing variations to the contract.

The Variation Deed provided that the Principal would pay the Contractor a bonus of \$2.5 million if the timely significant completion of Separable Portion 4 occurs and the Contractor satisfies all of the additional Ashes Test match obligations. Under the Variation Deed timely significant completion of Separable Portion 4 incorporates:

- practical completion of certain defined works on or prior to 18 October 2013
- practical completion of certain defined works on or prior to 23 November 2013
- practical completion of the entirety of the work comprised in Separable Portion 4 by 30 November 2013 or earlier.

The Variation Deed also adjusted the scope of works in Separable Portion 4 by removing some work from Separable Portion 4 and including this work within Separable Portion 6 and a newly created Separable Portion 7. Separable Portion 6 mainly relates to completing the Eastern Stand, Eastern Parklands and the balance of remaining works and, Separable Portion 7 relates to completing the South Stand SANFL and SACA offices.

DPTI advised that timely significant completion of Separable Portion 4 occurred on 30 November 2013 and the Contractor was paid the bonus of \$2.5 million in December 2013.

#### *4.2.3.2.3 Audit observations*

Audit review of the contractual approval processes associated with the Variation Deed noted that the Variation Deed was executed on behalf of the Minister by the Minister's principal representative under the contract (an executive officer of DPTI) consistent with the Minister's delegation instrument that authorises specific officers to affix the common seal of the Minister for a range of documents. Audit review of the Principal Agreement noted, however, that while the Minister's representative under specific delegations under the contract could waive any term of the contract, prior written consent of the Minister was required for the functions of consenting to a term of the contract being varied, discharged or released. DPTI was not able to provide Audit with documentation to evidence the Minister's prior written consent to vary the contract.

DPTI advised Audit that the Minister was kept up to date throughout the contract variation process through verbal updates. Further, DPTI provided a written briefing to the Minister after the Variation Deed was executed. The briefing document indicates that the Contractor agreed to release the State from any potential extension of time and related delay cost claims and settle contaminated soil claims in return for the State extending the practical completion date for the South Stand, which provided the Contractor greater certainty of achieving the \$2.5 million bonus. It was noted, however, the briefing document did not describe the nature and quantify the potential delay cost claims.

DPTI also advised that, although not documented, a risk based analysis was undertaken by the project management team which considered matters such as financial risk, weather-related risks and status of work on site. Further, Audit understands that specific financial analysis of the expected claims for costs, delays and extensions of time was not documented for the Variation Deed.

In addition, it was noted that, while variations have been issued through the course of the contract, at the time the Variation Deed was executed the Contractor did not make any cost claims under the contract.

#### *4.2.3.2.4 DPTI response*

Audit's observations were formally communicated to DPTI to confirm Audit's understanding of the matters identified. The response indicated the period from July 2013 to December 2013 marked the achievement of significant milestones including hosting the second Ashes Test in December 2013. DPTI also noted that significant contributors to this achievement were timely information sharing and the maintenance of a collaborative approach to contract administration. The following commentary summarises DPTI's response to specific matters raised by Audit.

On the matter of the approval of the Variation Deed, DPTI noted that the officer executing the Deed had been advised that the Minister's views had been canvassed by the Chief Executive and had acted on the understanding that no objection had been raised.

On the issue of a documented risk-based and financial analysis to underpin the Variation Deed, DPTI confirmed that, although not documented, a risk based analysis was performed which considered a number of factors, including:

- the status of work on site as reported by the Contractor

- the incentives in place under the design and construct contract for the Contractor to meet the key contractual milestones
- the weather-related risks retained by the Contractor
- the sharing of financial risks associated with addressing soil contamination issues with the Contractor
- the financial risks associated with scope changes retained by DPTI, which, until settled, had the potential to include claims for delay-related costs
- the degree of risk to all parties, and the risk to the State's reputation, had the uncertainty of the achievement of the Ashes milestone been only mitigated by reliance on the adequacy of incentive payments included in the Contract
- opportunities to reduce that uncertainty through better utilisation of the period between 18 October and 30 November 2013 for staged handover of the South Stand.

DPTI acknowledged that, at the time the Variation Deed was prepared, none of the cost claims received included specific 'delay costs'. However, DPTI noted that, in executing the Variation Deed, a significant number of outstanding variations were settled. DPTI considered that this represents significant progress in reducing financial and program risk for the project, and provided certainty with respect to planning for the December 2013 Ashes Test.

#### *4.2.3.2.5 Concluding Audit comment*

My Reports on the Adelaide Oval Redevelopment project (including at this section and the next section of this Report) have highlighted deficiencies in contract approval and contract administration practice.

As indicated in my 2012-13 Annual Auditor-General's Report to Parliament tabled in October 2013, high standards of procurement and contract management are required to ensure upmost probity and value for money and that there is demonstrated evidence of satisfactory performance under contractual arrangements and management of potential disputes.

In this section of the Report, Audit has highlighted that a significant Variation Deed to the principal construction contract was executed without obtaining prior formal documented approval of the Minister. Further, a risk and financial analysis that was advised as undertaken by DPTI was not supported by formal documentation to evidence the basis for varying the terms of the principal construction contract. I consider that to meet proper standards of contract administration, the variation (and any similar variation to the contract terms that may arise), should be underpinned by prior documented approval and the rationale and analysis supporting the variation should also be appropriately performed and documented.

The next section of this Report highlights that significant payments were made to a contractor in excess of the initially approved contract amount. Although appropriate approval was subsequently provided, proper process demands that approval should be obtained before payments are made.

I am of the view that these matters reflected insufficient regard given by DPTI to achieving expected proper standards for contract approval processes and administration.

#### **4.2.4 Review of the Western Grandstand upgrade contractor arrangements**

##### **4.2.4.1 Payments made to the contractor in excess of the approved contract amount**

In December 2012 the then responsible Minister approved an upper limit contract sum for the upgrade of the Adelaide Oval Western Grandstand.

The Adelaide Oval Western Grandstand Upgrade project forms part of the Adelaide Oval redevelopment. The scope included works on weather protection, food and beverage facilities, waste management facilities, coaches' boxes, media facilities, interchange benches and medical areas.

Audit review for the current designated period noted that DPTI made payments to the contractor (totalling approximately \$981 000 GST inclusive) in excess of the upper limit contract sum prior to obtaining appropriate approval for the increase of the upper limit.

In December 2013 Cabinet subsequently approved an increase to the upper limit contract sum to meet additional expenditure for the contract works including the abovementioned expenditure.

This matter of deficiency in contract payment approval process was communicated to DPTI in February 2014.

DPTI responded that the administration of the contract, within the limited construction window available for these works to be performed, required expeditious attention to latent conditions as they related to the existing Western Grandstand structure. DPTI further commented that all decisions were taken with due diligence and due regard to their impact on the total project expenditure and reported on in the monthly financial statements.

DPTI also noted that lessons learnt from the Western Grandstand upgrade will be considered alongside other lessons that can be learnt from the project.

As noted in section 4.2.2.1 and the previous section of this Report, Audit has raised deficiencies in contract payment approval processes. This matter is another example of contract approval and administration practice deficiency identified in relation to this project development. It demonstrates that priority attention should be given to issuing the intended memorandum to DPTI staff addressing the application of appropriate contract administration practices for infrastructure projects.

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

My previous Reports have included comments and recommended actions on certain expenditure by DPTI that was aligned to the operations of AOSMA and not directly associated with the Adelaide Oval redevelopment.

The following provides relevant Audit comments on previously reported issues and follow-up review and current status of certain matters.

#### **4.2.5.1 Request for Treasurer's approval**

As discussed in my second Report, Audit identified two payments by DPTI of a material nature in February 2012 to the SANFL (approximately \$960 000 excluding GST) and SACA (approximately \$1 009 000 excluding GST).

As these payments related to AOSMA and not the Adelaide Oval redevelopment, 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.

In preparing my third Report Audit followed up DPTI expenditure against the Treasurer's approval of up to \$300 000 of further expenditure on behalf of AOSMA. The review and third Report noted payments totalling approximately \$466 000, which appeared to be aligned with the operations of AOSMA and exceeded the \$300 000 limit approved by the Treasurer in June 2012. Audit recommended that DPTI seek the Treasurer's approval for any expenditure in excess of the previously approved amount.

This matter was followed up in preparing my previous Report. In that Report it was noted that DPTI had not obtained the Treasurer's approval to treat further expenditure as ex-gratia contributions to AOSMA and I expressed the view that urgent attention should be given by DPTI management to finalise this matter.

Audit review performed for the current period noted that in January 2014 the Treasurer retrospectively ratified a list of additional payments totalling approximately \$318 000 relating to AOSMA as ex-gratia payments. At the time of finalising this Report, the total value of payments approved by the Treasurer as ex-gratia contributions to AOSMA is approximately \$618 000 (excluding the \$960 000 and \$1 009 000 paid to the SANFL and SACA respectively).

Further, Audit review in the current period identified certain payments which may be aligned with the operations of AOSMA. These payments are not material in nature and total approximately \$109 000. These payments were referred to DPTI for comment in February 2014. In response DPTI provided background and context and expressed a view that the nature of these payments was not aligned with the operations of AOSMA. At the time of finalising this Report, Audit was still considering certain matters included in the DPTI response. Any outstanding matters will be summarised in the next Report.

#### **4.2.5.2 Recovery of professional service provider costs from AOSMA**

My third Report mentioned the identification of professional service provider contract payments that were, in part, directly related to the Adelaide Oval redevelopment and other services that were predominantly related to the operations of AOSMA.

Audit noted certain costs of professional services provided by the contract project manager and cost consultant to AOSMA in management support for an \$18 million grant provided by the State Government to AOSMA to procure certain works and assets for the Adelaide Oval redevelopment. The \$18 million was provided to AOSMA under an executed Deed of Grant. It represented a significant component of the overall \$30 million funding provided to the State Government by the Commonwealth Government in June 2012 towards the Adelaide Oval redevelopment.

As communicated in my previous Report, in August 2013 Cabinet considered and approved DPTI meeting, from the overall project professional services budget, the costs of engaging the project manager and cost consultant to support AOSMA in procuring the works funded from Commonwealth money. The Cabinet submission also provided that any future funding that may be granted to AOSMA from the \$12 million balance of the \$30 million Commonwealth funding would be subject to supplementary legal arrangements, and require AOSMA to make appropriate allocations for any professional services costs and clarify any matters regarding ownership of procured assets.

The status of the balance of the \$30 million Commonwealth funding and related arrangements are discussed in section 5.4.

## **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 my 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 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 sublease and licences to both Houses of Parliament.

My first Report highlighted that the:

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

As was recorded in my second Report, a follow-up found the licences between the Minister and SACA and the SANFL were tabled in Parliament on 1 May 2012.

Audit follow-up in preparing the third, fourth and this Report has confirmed that the Adelaide Oval Licence Area sublicense between the Minister and AOSMA still had not been finalised. Audit sought an update from DPTI on the status of the sublicense. In response, DPTI advised that AOSMA, SACA and the SANFL have requested establishing additional Licence Area sublicences for ancillary uses associated with staging events in the Core Area. These sublicences are close to finalisation and the agreements will be presented to the responsible Minister at the earliest practical opportunity.

Audit understands that the Adelaide Oval Licence Area sublicense between the Minister and AOSMA will be finalised at the same time these sublicences for ancillary uses are finalised.

## **5.2 Establishment of a sinking fund**

The Act provides for the establishment and operation of a sinking fund by AOSMA to receive and disburse monies to meet non-recurrent expenditure associated with the lease of the Oval. The Act also provides for:

- the Treasurer, acting with the advice and after consulting with AOSMA, to approve or determine the amount of money to be paid into the sinking fund during each financial year by AOSMA
- the Auditor-General to audit the accounts of the sinking fund and examine certain matters provided for in the Act.

My previous Report communicated the status of the sinking fund. The Report indicated that AOSMA advised it had obtained a report from the project cost consultant that provides an estimate of the total forecast capital expenditure, over a 20 year period, and the required annual sinking fund contribution. AOSMA further advised that it had established a bank account to hold sinking fund monies.

In preparing for this Report, Audit followed up the status of the sinking fund. Audit review noted that in November 2013 the Minister wrote to the Treasurer seeking approval for proposed arrangements for the Adelaide Oval Redevelopment sinking fund.

In January 2014 the Treasurer responded to the Minister's request and advised that he:

- considered the proposed arrangements for the sinking fund to be satisfactory at the present time
- authorises DPTI to inform AOSMA that it should budget for the proposed arrangements in its forward program
- notes that AOSMA proposes to make its first contribution of approximately \$2.7 million to the sinking fund in 2016-17 and AOSMA will notify him of this proposed contribution for approval prior to 1 September 2016
- will approve or make a determination of the amount to be paid into the sinking fund at that time.

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

The prospect of obtaining funding for the Adelaide Oval Redevelopment project 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 Public Works Committee (PWC) on the Adelaide Oval Redevelopment project tabled in Parliament in November 2011. Both documents acknowledged the potential to attract funding from sources external to the State Government, including from the Commonwealth Government and the AFL, that could be applied to the project development.

As conveyed in my first Report, Audit was provided with documentation that outlined funding commitments from both the Commonwealth Government and the AFL.

Correspondence from the Commonwealth Government indicated that it agreed to contribute \$30 million towards costs associated with constructing car parking and developing planned wetlands. The funding committed by the Commonwealth Government was received and deposited in the Adelaide Oval Redevelopment special deposit account in June 2012. The status of the \$30 million in funds provided by the Commonwealth Government is discussed in the following section of this Report.

In June 2013 the Minister wrote to the Commonwealth Minister for Sport seeking approval to vary the terms of agreement for the advance of monies by the Commonwealth. The variations agreed by the State and Commonwealth Ministers included changes to the timing of completion of works and to the scope of works to enhance the parklands adjacent to the stadium.

As communicated in my previous Reports 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.

Audit review for the current period noted that in August 2013 the AFL Chief Executive Officer confirmed in written communication that the AFL Commission formally approved, subject to meeting a number of conditions, an amount of \$5 million towards the capital costs of the Adelaide Oval redevelopment. Further, an amount of \$2.5 million from the funds committed by the AFL was received by DPTI and deposited in the Adelaide Oval Redevelopment special deposit account in January 2014.

### **5.4 Status of Commonwealth funding arrangements**

As discussed above the Commonwealth Government has contributed \$30 million towards the Adelaide Oval redevelopment, involving:

- costs associated with the Adelaide Oval Redevelopment project (\$18 million)
- certain works on adjacent parklands (\$12 million).

DPTI has transferred \$18 million funding relating to the Adelaide Oval redevelopment to AOSMA pursuant to a Deed of Grant between the Minister and AOSMA. Details regarding the status of this funding are discussed in the following section of this Report.

The project agreement between the State and the Commonwealth, which was revised in June 2013, provides that \$12 million is to be expended on parklands adjacent to the stadium. Specifically:

- \$4.5 million for Northern Parklands upgrade works
- \$2 million for the Creswell/Pennington Gardens West upgrade works
- \$4 million for other works in the Northern Parklands Licence Area
- \$1.5 million for other precinct works for the northern side of the Torrens.

At the time of finalising this Report DPTI advised that it was in the process of finalising arrangements with AOSMA to procure certain works specified in the project agreement between the State and Commonwealth. Audit was also advised that DPTI was still finalising another Deed of Grant and with the exception of reimbursement of preliminary consultancy costs of \$80 000, no funds had been provided to AOSMA.

The arrangements and the funding provided to AOSMA for the procurement of works are being subject to review by Audit to ensure transparency and accountability for all funds made available and expended on the project. Any significant matters identified from the review will be reported in subsequent Reports to Parliament.

As at 31 December 2013 DPTI expended a total of \$447 000 from the \$12 million balance of Commonwealth funds (including the abovementioned \$80 000 in reimbursement costs to AOSMA).

## **5.5 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 followed the receipt of funding from the Commonwealth Government 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 have previous operational experience. The funding and procuring of the certain works are to be managed and controlled through a Deed of Grant.

My previous Reports noted that DPTI transferred \$18 million to AOSMA pursuant to the Deed of Grant between the then responsible Minister and AOSMA. AOSMA has advised Audit that, as at 31 December 2013, approximately \$12 million has been expended from the funds provided by the Minister.

Funding to AOSMA and expenditure by AOSMA to procure certain works will continue to 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. Any significant matters noted will be reported in subsequent Reports to Parliament.

## **5.6 Consideration of expenditure by AOSMA in determining expenditure against the \$535 million limit**

As communicated in my third Report, following the completion of arrangements to advance funds to AOSMA to enable it to procure works for the redevelopment project, I wrote to DPTI recommending it seek confirmatory advice from the Crown Solicitor that the money advanced to AOSMA should be excluded from the total of public money made available and expended with respect to the \$535 million limit. DPTI sought and obtained confirmation from the Crown Solicitor that funding from the Commonwealth Government was not public money for the purposes of determining the application of the limit and that expenditure of the Commonwealth or AFL funds should not be included in assessing expenditure against the limit.

Consistent with the Crown Solicitor's advice the funding provided to AOSMA, and expenditure by AOSMA of the Commonwealth funds, have not been included in the amount of public money made available and expended with respect to the \$535 million limit as required by term of reference one.

## **5.7 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 the Adelaide Oval Redevelopment project. 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.

The audited DPTI financial statements for the year ended 30 June 2013 record the following assets associated with the project development:

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

Since 30 June 2013 DPTI has recognised further expenditure of approximately \$140 million against the statutory expenditure cap, as is reflected in the Appendix to this Report, which has been recognised within the DPTI balance sheet as capital works in progress.

The arrangements for accounting for the expenditure of monies received from the Commonwealth Government, including those advanced to AOSMA, have been considered by DPTI, AOSMA and Audit.

As communicated in my previous Report, in August 2013 Cabinet considered and approved a proposal that specified assets, procured by AOSMA using Commonwealth money, which were in essence fixtures and fittings, would be recognised as assets owned by AOSMA. The approved proposal also acknowledged that other AOSMA procured fixed assets were assets of the Minister and would be recognised in the DPTI financial statements.

#### **5.8 Project reporting to the PWC**

The final Report of the 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. DPTI officers have advised that, at the time of preparing this Report, DPTI had provided quarterly reports to the PWC with respect to the redevelopment project, for each quarter up to and including September 2013.

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

The introduction to this Report discussed the Auditor-General's different obligations and responsibilities under 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 31 December 2013

<b>Extent to which the \$535 million has been made available</b>	\$'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 30 June 2013	5 970
Monies appropriated to DTF during the period 1 July 2013 to 31 December 2013:	
Appropriation to DTF	-
<i>Less:</i> Monies transferred to DPTI from Contingency	-
<b>Total monies appropriated to DTF less amounts transferred to DPTI to 31 December 2013</b>	5 970
<b>Monies appropriated to DPTI:</b>	
Monies appropriated to DPTI/received from DTF to 30 June 2013	432 179
Monies appropriated to DPTI/received from DTF during the period 1 July 2013 to 31 December 2013:	
Appropriation to DPTI	96 851
Monies received from DTF from Contingency	-
<b>Total monies appropriated to DPTI/received from DTF to 31 December 2013</b>	529 030
<b>Total amount which has been made available for the project to 31 December 2013</b>	535 000
<b>Total amount of State Government funding still to be made available for the project</b>	-
 <b>Extent to which the \$535 million has been expended</b>	
	\$'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 30 June 2013	5 970
Expenditure by DTF during the period to 1 July 2013 to 31 December 2013:	
Expenditure by DTF	-
<b>Total expenditure by DTF to 31 December 2013</b>	5 970
<b>Monies expended on the project by DPTI:</b>	
Expenditure by DPTI prior to 30 June 2013	364 319
Expenditure by DPTI during the period 1 July 2013 to 31 December 2013:	
Expenditure by DPTI	139 985
<b>Total expenditure by DPTI to 31 December 2013</b>	504 304
<b>Total expenditure on the project to 31 December 2013</b>	510 274
<b>Balance of State Government funding still to be expended</b>	24 726