Government
of South Australia

Report

of the

Auditor-General

February 2015

Received on 27 February 2015 and published on 2 March 2015 pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011*

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 2014 to 31 December 2014

By Authority: P. McMahon, Government Printer, South Australia

2015

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ISSN 0815-9157

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27 February 2015

The Hon R P Wortley MLC
President
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The Hon M J Atkinson MP
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House of Assembly
Parliament House
Adelaide SA 5000

Dear President and Speaker

Report of the Auditor-General: February 2015: 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 2014 to 31 December 2014

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 2015: 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 2014 to 31 December 2014'.

As Parliament is not sitting at the time of submission of this report, 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

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 2014 to 31 December 2014

1. Executive summary

1.1 Introduction

This is the seventh Report to the Parliament on the Adelaide Oval Redevelopment project.

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 the financial supervision and reporting for the project by the Auditor-General. This seventh Report, consistent with my previous Reports, discharges the requirements of the Act. It follows my Reports of:

- 29 February 2012
- 30 August 2012
- 28 February 2013
- 30 August 2013
- 28 February 2014
- 29 August 2014.

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 to Parliament
- pursuant to section 6 of the Act, to audit the accounts of the sinking fund established by AOSMA and report to the Parliament 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 2014 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 Instructions and 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. Further, agencies have a necessary role in preparing this information and providing it to the Auditor-General. 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 30.06.14 $'000	01.07.14 to 31.12.14 $'000	Total to 31.12.14 $'000
Money made available	535 000	-	535 000
Money expended	519 335	4 719	524 054

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 4.2.1, 4.2.2 and 4.2.3 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 draft financial statements of AOSMA up to the year ended 31 October 2014 and other specific financial information relevant to this designated reporting period obtained by Audit from 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 2014

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 30.06.14 $'000	01.07.14 to 31.12.14 $'000	Total to 31.12.14 $'000
Money made available	535 000	-	535 000
Money expended	519 335	4 719	524 054

The Appendix to this Report provides a more detailed analysis of money made available and expended within the $535 million limit to 31 December 2014.

2.2.1 Main items of expenditure

The following briefly describes the principal items of expenditure incurred on the Adelaide Oval redevelopment for the period from 1 December 2009 to 30 June 2012 and the six-monthly periods thereafter to 31 December 2014.

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 construction contractor – $82 million.

  The payments to the principal construction 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 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 fitout 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.

Period 1 January 2014 to 30 June 2014

- Payments to the principal construction contractor – $7.7 million. Payments to the contractor included a $2.5 million bonus payment for meeting project milestones to enable AFL matches to be held at the Adelaide Oval. The payments also included an acceleration payment of $600 000. The Minister approved this payment in February 2014 to achieve practical completion on 19 March 2014 as the preferred strategy to manage the risks associated with completion of works under the principal construction contract. This was the preferred strategy in order to stage the proposed Rolling Stones concert on 22 March 2014 and the first Adelaide Oval Showdown on 29 March 2014. The acceleration payment is further discussed in section 4.2.3.1 of this Report.

  The payments to the principal construction contractor during the period were mainly for works on the East Stand, other internal and external works and the procurement of materials, including practical completion and handover to AOSMA on 19 March 2014 and 24 March 2014 of the following works:

  — sporting lights (practical completion achieved 19 March 2014)

  — indoor cricket centre (practical completion achieved 19 March 2014)

  — East Stand including the basement and ramp, levels 1 to 5 and the seating bowls (practical completion achieved 19 March 2014)

  — Eastern Parklands and balance of works (practical completion achieved 24 March 2014).

Period 1 July 2014 to 31 December 2014

- Payments to the principal construction contractor – $3.3 million.
- Payments to AOSMA for reimbursement of construction costs – $1.3 million.

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 2014.

	$'000
Money made available	535 000
Money expended	524 054
Money available to complete the project	10 946

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 to prepare relevant financial information on the project development for the Project Control Group (PCG). The PCG comprises representatives of DPTI, AOSMA, SACA and the SANFL.

The financial statement report as at 31 December 2014 was the most recent report prepared by the cost consultant. The report provides a detailed schedule showing the status of the project contingency. The schedule notes that the contingency for the project is $29.623 million, of which $6.896 million remains uncommitted. As mentioned in my last Report there are a number of variation claims from the principal construction contractor that are under consideration.

2.2.2.3 Status of variation/final claims

In preparing my last Report, Audit obtained at August 2014 the financial status of the contract variations/claims made by the principal construction contractor and other contractors. DPTI advised that:

- since early August 2014 the project manager and cost consultant have been working through all claims from the principal construction contractor
- in total all claims submitted by the principal construction contractor are within the budget allowances included in the 20 June 2014 financial statement report prepared by the cost consultant
- no new claims have been submitted by the principal construction contractor over the past month other than for essential rectification/completion works instructed by the project manager with DPTI approval.

DPTI also indicated that it would continue to work with the principal construction contractor to complete the variation and final claims as soon as possible.

In consideration of this position status, I expressed the view in my last Report that the matter of variation and final claims resolution should receive utmost diligent attention.

Audit follow-up for this Report found that DPTI continued to work with the principal construction contractor to assess and finalise variations and the principal construction contractor had yet to submit the final claim. Further, DPTI advised that it was still in the process of assessing a number of variations.

DPTI has confirmed that the project manager and cost consultant will continue to review and assess claims for variation submitted by the principal construction contractor. In addition, it will continue to ensure claims are finalised as soon as possible.

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 2014 to 31 December 2014 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 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 subsequent reporting periods and 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.

Audit inquiry and testing performed for the current designated reporting period confirmed that DPTI procedures have generally ensured expenditure on the Adelaide Oval redevelopment was correctly recognised in the nominated project ledger account. While not material in nature, Audit review for the previous reporting period noted certain matters that may impact on DPTI's capacity to effectively monitor actual expenditure for the redevelopment against the statutory limit of $535 million. In preparing this Report, Audit followed up the matters. The main matter arising from the follow-up audit was communicated to DPTI in February 2015. The matter and DPTI's response is summarised below.

3.2.1.1 Integrity of recording and reporting of monies expended

Details of project expenditure are principally recorded and controlled through the detailed project ledger (the job cost system) maintained by DPTI. As mentioned previously, the statutory State funding limit applying to the project development is $535 million and funds have also been made available to the project development by the Commonwealth Government ($30 million) and the AFL ($5 million).

It is important that expenditure on the redevelopment project from Commonwealth and AFL sources is kept separate from DPTI's record of expenditure from State monies to which the statutory limit applies.

Audit review for the previous period found that expenditure, funded from Commonwealth funds of about $2 million, was recorded in the specific project ledger account established to record money expended on the redevelopment from State monies. The expenditure incorrectly recorded was subsequently corrected by DPTI.

Audit recommended DPTI implement a mechanism to ensure only expenditure relevant to the redevelopment funded from public monies is captured within the nominated project ledger account established to record the expenditure against the statutory limit.

DPTI responded that it undertook to ensure the correct processing of such expenditure.

Audit testing for the current designated reporting period again identified expenditure, totalling approximately $220 000 from Commonwealth Government funding, that was incorrectly recorded in the specific project ledger account established to record money expended on the redevelopment from public monies.

This matter was referred to DPTI who subsequently processed an adjustment to correct the error. In addition, DPTI advised that it will closely monitor future payments.

3.2.2 Management reporting of project costs

Previous Reports have emphasised the obligation for DPTI to ensure rigorous cost supervision over the Adelaide Oval Redevelopment project. This recognised the significance of the project and the statutory expenditure limit of $535 million applied to the project. It has also been emphasised that this obligation requires quality cost management arrangements for the reporting of timely, complete and relevant costing information and should continue as the project progresses to completion and financial close out.

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 PCG, the project manager, the principal construction contractor and the cost consultant. The scope and findings of the review were communicated in my fourth Report to Parliament.

The review identified certain matters for improvement which were communicated to DPTI. These matters have been subject to ongoing and follow-up review in prior and current designated reporting periods.

3.2.2.1 Reliability of information used to monitor the project

A particular matter that has been noted for improvement was 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.

In finalising the review for the previous designated reporting period Audit sought from DPTI an update on the status of work being undertaken by the cost consultant to complete the project expenditure reconciliation. Audit review found that the project cost information, as recorded in DPTI's job cost ledger, was being provided monthly to the cost consultant and a process was in progress to complete the reconciliation for 30 June 2014.

Audit review for the current period included follow-up of progress made by DPTI in addressing the issue. Audit was advised that project cost information recorded in the job cost ledger continued to be provided to the cost consultant. Further, Audit was advised the cost consultant had completed the reconciliation as at 30 June 2014 and that DPTI had yet to formally review the reconciliation for reasonableness, including some discrepancies that were referred to DPTI for review and clarification.

The extended time taken to address this matter was communicated to DPTI who advised that it is continuing to work with the cost consultant to reconcile any discrepancies and the financial position of the project.

Audit considers it is important for a DPTI officer with the appropriate financial skills and project knowledge to review the reconciliations prepared by the cost consultant for reasonableness.

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 six Reports and this seventh 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 2014' shows that DPTI was the only entity that incurred material expenditure, from public monies, during the period from 1 July 2014 to 31 December 2014. 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 and the balance of the Commonwealth 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 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 of 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 4.2.1, 4.2.2 and 4.2.3 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.

I recognise that as the project development life cycle nears completion there may need to be revision of the effectiveness of the governance, monitoring and reporting arrangements that have been applied during the substantive design and construction development stages of the project. This is particularly discussed in section 4.2.1.3.

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 substantive 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 PCG.

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 PCG 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. Audit has been cognisant of the guidelines in undertaking the designated six-monthly period reviews.

4.2.1.1 Project Control Group meetings

In preparing this Report Audit has reviewed the minutes of the PCG. Audit review for the current designated period found reports from the contracted project manager and the cost consultant detailing progress in implementing the project were not provided to the PCG. This matter is further discussed under sections 4.2.1.2 and 4.2.1.3.

4.2.1.2 Lack of regular financial reporting

Section 3.2.2 of this Report mentioned the importance of DPTI exercising rigorous cost management arrangements supported by reporting of timely, complete and relevant costing information for the life cycle of the project.

The external cost consultant engaged by DPTI prepares a monthly financial statement report for presentation to the PCG. The financial statement report is the primary tool used by DPTI and the PCG to manage, monitor and report on project expenditure against the $535 million limit specified by the Act.

My last Report communicated that financial statement reports were not prepared and provided to the PCG on a regular basis.

The Report further conveyed that DPTI advised that the preparation of financial statement reports and project management reports was interrupted when significant effort and resources were prioritised to process outstanding claims and to determine with a high degree of certainty the financial status of the project. In addition, DPTI was in regular contact with the project manager and cost consultant and kept up to date with the reconciliation of claims and the project's overall financial position.

Audit follow-up for the current designated period found financial statement reports by the cost consultant had been prepared for the months of September 2014, October 2014, November 2014 and December 2014. The follow-up review found however, that although the reports were provided to DPTI's Project Director they were not provided to the PCG or senior management.

Audit recommended DPTI provide monthly financial statement reports to the PCG and senior management for the remaining life of the project.

In response, DPTI advised that it works closely with the project manager and cost consultant to monitor the project's overall financial position and ensure project costs do not exceed the statutory cap. Further, monthly financial statement reports will be provided to the PCG and DPTI senior management for the life of the project.

4.2.1.3 Lack of regular reporting on the physical status of the project

Prior reviews have found the project manager prepares a project management report for presentation to the PCG. The information included in the report is extensive and includes a number of different components, notably a:

- report prepared by the project manager that includes information on the principal construction contract (including a summary of physical progress), secondary works, design matters and approvals

- report by the principal construction contractor that includes an overview of progress of works (supported with photographs), critical issues, design matters, procurement, a detailed report on the status of construction, quality matters, safety, environmental and other matters

- financial statement report (referred to in sections 2.2.2.2 and 4.2.1.2 of this Report) prepared by the cost consultant.

The report represents the primary tool used by DPTI and the PCG to monitor the physical progress, financial progress, critical issues and other matters affecting the project.

Audit review for the previous designated reporting period found that only one report (ie the report for the period ending 18 February 2014) had been prepared and presented to the PCG for that six month reporting period. As advised in my last Report DPTI indicated that it would ensure, as with financial statement reports, that project management reports are prepared in line with post construction project governance arrangements.

Audit review for the current designated period found project management reports had not been prepared. Audit was advised that matters of interest to the project are discussed at monthly PCG meetings.

As mentioned earlier, while there may be a need to review and revise existing governance, monitoring and reporting arrangements in recognition that the project development life cycle is nearing completion, it is nonetheless important that project management reporting continues and includes focus on matters such as:

- defect rectification
- status of variation orders and claims
- actual and committed expenditure to date against the statutory cap
- prioritisation, allocation and procurement arrangements for uncommitted funds
- any emerging issues and risks impacting on the project as it approaches closure
- financial and physical status of other elements of the project such as works funded from Commonwealth funding.

This important matter was raised with DPTI.

DPTI responded advising that it would provide regular project management reports to the PCG and DPTI senior management for the remaining life of 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 for the project development, are a significant component of overall project costs. These Reports have provided specific comments on certain matters noted from reviews of engagement and contract arrangements for professional service contractors.

Audit continued to review this component of project cost in the current designated period. Relevant audit comments are summarised below.

4.2.2.1 Contract documentation and approvals

Audit review in prior reporting periods identified a number of matters that highlighted the need for more rigorous project and contract management controls to be incorporated in the administration and documentation processes for the project. These matters included payments to professional service providers that were made, in some instances:

- 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.

Audit review also identified areas for improvement in contract documentation.

In my last Report mention was made that DPTI officers were reminded of accepted contract administration practices through the distribution of an internal memorandum. It was further mentioned that DPTI intended to monitor practices and would consider further mechanisms to be implemented should the action be ineffective.

Audit follow-up for the current designated period confirmed that a memorandum reminding officers of accepted contract administration practices was signed by the Chief Executive and distributed to DPTI staff. The memorandum reminded all staff involved in project management and contract administration:

- to ensure contract extensions are executed prior to the provision of those services by professional service contractors
- that appropriate approvals be obtained prior to contractors commencing work that is subject to contract extensions
- that payments should only be made in accordance with relevant approved contracts or contract extensions
- to confirm with contractors, in writing, the scope of work and the price of proposed contract extensions.

The memorandum also highlighted that the requirements are detailed more thoroughly in DPTI's Procurement Framework.

Audit testing of procedures for the current designated period identified certain instances where contract administration and management practices could be improved. Specifically, Audit review found:

- an instance where services were provided prior to DPTI obtaining contract extension approval
- two instances where payments made for works exceeded the relevant approval
- an instance where approval documentation for a procurement made by AOSMA for the project on behalf of DPTI was not available.

DPTI responded to the matters raised and provided details of actions taken to address the issues.

4.2.3 Review of the principal construction contractor arrangements

4.2.3.1 Acceleration cost sharing and reimbursement dispute

My last Report noted that in February 2014 the Minister approved the payment of $600 000 in acceleration costs to the principal construction contractor to achieve practical completion on 19 March 2014. This was the preferred strategy to manage the risks for the completion of works under the principal construction contract in order to stage the proposed Rolling Stones concert on 22 March 2014 and the first Adelaide Oval Showdown on 29 March 2014. The Minister also approved an additional contingency of $400 000 if required. The approval from the Minister also noted that AOSMA would be invoiced for 50% of the acceleration costs.

The last Report also mentioned the following particulars concerning a dispute that had arisen in regard to this matter:

- In March 2014 DPTI advised AOSMA in writing that the principal construction contractor successfully accelerated the works and achieved early completion on 19 March 2014 and DPTI would invoice AOSMA for $300 000 representing 50% of the acceleration costs.
- AOSMA responded to the correspondence in March 2014 indicating that the acceleration proved vital in enabling AOSMA to prepare for the opening round of football at Adelaide Oval. AOSMA, however, conveyed that it had never agreed to the Government cost reimbursement claim and therefore did not accept any liability for all or part of the acceleration costs.
- In June 2014 DPTI issued AOSMA an invoice for $300 000 for 50% of the acceleration costs, however AOSMA disputed the invoice. In response to Audit's inquiry regarding this matter DPTI advised discussions were occurring between DPTI and AOSMA to resolve the matter.

As advised in the last Report, Audit recommended that DPTI resolve the matter as soon as practical and ensure arrangements regarding funding and allocation of project costs are documented and agreed to in writing. DPTI responded it would address these matters.

Audit follow-up for the current designated period found that the matter of acceleration costs between DPTI and AOSMA was still in dispute. Further, Audit was advised that DPTI was in the process of making a recommendation to the Minister regarding this and other matters.

4.2.3.2 AOSMA reimbursement cost claim disbursement

As raised in my last Report, Audit was advised that AOSMA requested contributions from DPTI for certain works associated with the Adelaide Oval redevelopment. AOSMA requested reimbursement of material costs associated with the installation of perimeter ribbon boards (electronic advertising boards) and other costs associated with installation of additional cabling and fitting out additional food and beverage outlets in the Western Stand for the 2013 Ashes Test.

The last Report noted AOSMA invoiced DPTI a total of $1.428 million for the ribbon boards and $350 000 for the cabling and fitout costs. AOSMA had raised the invoices on the understanding that, subject to the project contingency allowing it, the State Government would consider contributing to the costs of the items.

The last Report also noted that DPTI was of the view that the State Government had no contractual commitment to reimburse AOSMA for these costs and the matter was subject to negotiations between AOSMA and the State Government.

As advised in the last Report, Audit recommended that DPTI resolve the outstanding reimbursement matters as soon as practical and ensure arrangements regarding funding and allocation of project costs are documented and agreed to in writing. DPTI responded that it would address these matters.

Audit follow-up for the current designated reporting period found that the matter of outstanding reimbursements had not been resolved and DPTI was in the process of making a recommendation to the Minister regarding this and other matters.

4.2.4 Defect rectification management

The project manager and other professional service contractors prepare and maintain a number of spreadsheets containing information regarding identified project defects.

Audit review of the PCG minutes for the current designated reporting period noted limited detail in the minutes on the status of defect rectification. Audit found that no written reports were provided to the PCG summarising the status of defect rectification. Audit was advised that the project manager provided the PCG with a verbal update on the status of defect rectification at the meetings.

It is considered important, particularly as the principal construction contract nears final completion, for the PCG and DPTI senior management to receive formal reporting on the status of rectifying defects.

This important matter was raised with DPTI recommending the implementation of regular documented reporting on the status of defect rectification. This would include information regarding:

- the total number of defects identified and reported to the principal construction contractor
- the total number of defects accepted and agreed to be rectified by the principal construction contractor
- the total number of defects rejected by the principal construction contractor
- the total number of defects rectified and closed
- the total number of defects open (in the process of being rectified or yet to commence being rectified)
- any significant concerns or issues associated with rectifying defects.

In response DPTI advised it will include a defect rectification summary in regular project management reports.

4.2.5 Follow-up of prior period payments by DPTI related to AOSMA operations

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.

As these payments related to AOSMA and not the Adelaide Oval redevelopment, DPTI sought 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'. The Treasurer retrospectively ratified these payments.

Audit review in the current designated reporting period noted that DPTI did not identify any payments relating to the operations of AOSMA that required the Treasurer's consideration and/or approval for the payments to be approved as ex gratia payments. Further, Audit testing of a sample of payments did not identify any payments directly aligned to the operations of AOSMA.

4.2.6 Concluding Audit comment and recommendation

Term of reference three, the subject of commentary of this section 4 of this Report, addresses the serious requirement of the proper and efficient management of funds for the Adelaide Oval Redevelopment project.

The last Report identified certain shortcomings in meeting the abovementioned objective. Certain matters discussed within this section reflect either the continuation of a previously raised shortcoming and/or an unresolved matter.

I noted with concern in my last Report the weakening of project governance arrangements, including the adequacy of project and financial reporting. This Report again highlights the need for attention to this matter to ensure effective project completion and financial close out for contractor variation and final claims and for the proper and evidential management of construction defect rectification. In addition, the last Report raised matters of dispute resolution between DPTI and AOSMA. These matters were not resolved at the time of finalising this Report.

As communicated in my last Report I strongly recommend that all parties charged with the governance of the project collaborate effectively to finalise outstanding contractor variations and claims, and resolve project cost disputes (involving DPTI and AOSMA), to establish a firm financial close out position for full accountability reporting to Executive Government on the statutory limit of $535 million.

While not directly relevant to term of reference three, section 2.2.2.2 of this Report provides the status of the project contingency. In addition, section 5.5 of this Report comments on the approved budgeted works for $9 million for the parklands adjacent to the Adelaide Oval stadium. These works are being financed from Commonwealth funding. The significance of the works emphasise the need for continuation of effective governance, monitoring and reporting arrangements. This matter is receiving review attention by Audit.

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 – 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 Corporation of the City of Adelaide – 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 sublicence 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, fifth and my last (sixth) Report found the Adelaide Oval Licence Area sublicence between the Minister and AOSMA still had not been finalised. Audit follow-up also noted that AOSMA, SACA and the SANFL requested establishing additional Licence Area sublicences for ancillary uses associated with staging events in the Core Area.

In preparing this Report Audit again sought an update from DPTI on the status of the sublicences. Audit review found:

- the Adelaide Oval Licence Area sublicence between the Minister and AOSMA was executed on 8 December 2014
- the Adelaide Oval Licence Area sublicence between the Minister and SACA was executed on 8 December 2014

- the Adelaide Oval Licence Area sublicence between the Minister and the SANFL was executed on 8 December 2014.

Audit review found that at the time of finalising this Report the sublicences had not been provided to both Houses of Parliament. DPTI advised that a copy of the three sublicences will shortly be tabled in Parliament.

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

- Auditor-General to audit the accounts of the sinking fund and examine certain matters provided for in the Act.

My fourth 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 my fifth Report, I provided an update on the status of the sinking fund. I communicated that in November 2013 the Minister wrote to the Treasurer seeking approval for proposed arrangements for the Adelaide Oval Redevelopment sinking fund. I further conveyed that 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.

In preparing this Report I enquired about the status of the sinking fund with DPTI and AOSMA. In August 2014 AOSMA wrote to the Minister confirming that the first instalment will be paid into the fund in the 2016-17 financial year.

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.

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.

The status of the $30 million in funds provided by the Commonwealth Government is discussed in the following sections of this Report.

As communicated in my fifth Report, 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.

As advised in my last Report the AFL paid $2.5 million of the funds committed to the project in January 2014 which was deposited into the Adelaide Oval Redevelopment special deposit account. Further, an amount of $2.5 million representing the balance of the funds committed by the AFL was received by DPTI and deposited in the special deposit account in March 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 of 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 section 5.6 of this Report. The following section discusses developments concerning the $12 million for adjacent parkland works.

5.5 Commonwealth funding for adjacent parklands works

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.

Audit review for the previous designated reporting periods noted that DPTI advised it was in the process of finalising arrangements with AOSMA to procure certain works specified in the project agreement between the State and the Commonwealth. Audit was also advised that DPTI was 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.

As mentioned in my last Report, Audit followed up the status of finalising the arrangements with AOSMA. DPTI advised that there was no longer any intention to establish a Deed of Grant between the Minister and AOSMA. Audit was advised that the works were to be contracted directly by the Minister.

Audit review for the current designated period found that on 22 August 2014 the Acting Minister for Transport and Infrastructure:

- approved DPTI progressing the design, documentation and implementation of the Adelaide Oval – External Public Works project subject to statutory approvals and within a budget of $9 million
- noted that the $9 million budget is sourced from Commonwealth Government funds allocated to the 'Adelaide Oval Redevelopment and Precinct Works'.

In addition, on 4 November 2014 the Minister approved awarding the contract for the above works to Lend Lease Building Contractors Pty Ltd (Lend Lease). This was the same contractor that was awarded the principal construction contract for the Adelaide Oval Redevelopment project. The contract was awarded following a recommendation that Lend Lease be invited to submit a single offer. The approval documentation noted that the recommendation was made on the basis the single offer represents best value as:

- it conforms with all the requirements of the tender documents for the single offer
- Lend Lease tendered the construction works to local contractors
- Lend Lease had demonstrated capability and a good performance score under DPTI's Building and Construction Project Prequalification System
- Lend Lease had the capacity to satisfactorily complete the construction services.

The nature of the procurement of works (market/single offer), approval processes (Minister/ Public Works Committee) and contract administration arrangements associated with the Adelaide Oval – External Public Works project is in the process of being reviewed by Audit. Any significant matters arising from the review will be reported to the Parliament.

As at 31 December 2014 DPTI expended (on an accrual basis) a total of $3 million from the $12 million balance of Commonwealth funds (including the abovementioned $80 000 in reimbursement costs to AOSMA).

5.6 AOSMA Commonwealth funding for Adelaide Oval redevelopment works

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 mentioned that DPTI transferred $18 million to AOSMA pursuant to the Deed of Grant between AOSMA and the responsible Minister. My last Report noted that AOSMA had advised Audit that, as at 30 June 2014, all of the funds provided by the Minister had been expended.

In preparing this Report, Audit followed up the status of the work done by DPTI in administering and monitoring the acquittal processes provided for in the Deed. The main observations and DPTI's responses are discussed below.

5.6.1 Acquittal processes associated with the Deed

The Deed of Grant includes a number of mandatory accountability requirements (an acquittal process) for the provision of funding. For instance, the Deed provides that AOSMA must provide the Minister with appropriate and regular information, records and reports as the Minister may request regarding a number of matters including:

- AOSMA's management and use of the funds to achieve the outcomes of the purpose
- the performance of AOSMA's undertaking and obligations under this Deed.

The Deed also provides that at the expiry of the term (defined as the date of practical completion), AOSMA must provide a report on the level of unexpended funds and, unless otherwise agreed in writing by the State, AOSMA must repay any part of the funds that is unexpended at the end of the term. As mentioned above AOSMA has advised Audit that the $18 million provided under the Deed has been fully expended.

Audit review for the previous designated reporting period noted that AOSMA provided DPTI with a number of spreadsheets containing details of expenditure made against the $18 million Commonwealth funding. Furthermore DPTI was in the process of reviewing the spreadsheets and was waiting for further information. Audit was advised the review being performed by DPTI included ensuring the Commonwealth funds had been spent in accordance with the Deed and determining the level of unexpended funds at the date of practical completion.

In preparing this Report, Audit obtained an understanding of the work done by DPTI in administering and monitoring the Deed. AOSMA has submitted to DPTI a number of reconciliations (the latest provided on 30 January 2015) of the funds expended against the $18 million Commonwealth funding. Further, Audit was advised that AOSMA had undertaken to submit to DPTI a final reconciliation, certification from the cost consultant and a report on the level of unexpended funds in accordance with the Deed of Grant.

On this matter Audit communicated to DPTI recommending that it finalise the review process over the Commonwealth funding provided to AOSMA as soon as practical.

In response, DPTI advised that AOSMA submitted final documents in late February 2015 for review by DPTI.

Audit will assess the effectiveness of review actions to be undertaken by DPTI.

5.7 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.

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

As communicated in my fourth 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 DPTI's financial statements.

5.9 Project reporting to the Public Works Committee

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 December 2014.

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 2014

Extent to which the $535 million has been made available

	$'000
Total State Government funding available for the project	535 000
Monies appropriated to DTF:	
Monies appropriated to DTF less amounts transferred to DPTI to 30 June 2014	5 970
Monies appropriated to DTF during the period 1 July 2014 to 31 December 2014:	
Appropriation to DTF	-
Less: Monies transferred to DPTI from Contingency	-
Total monies appropriated to DTF less amounts transferred to DPTI to 31 December 2014	5 970
Monies appropriated to DPTI:	
Monies appropriated to DPTI/received from DTF to 30 June 2014	529 030
Monies appropriated to DPTI/received from DTF during the period 1 July 2014 to 31 December 2014:	
Appropriation to DPTI	-
Monies received from DTF from Contingency	-
Total monies appropriated to DPTI/received from DTF to 31 December 2014	529 030
Total amount which has been made available for the project to 31 December 2014	535 000
Total amount of State Government funding still to be made available for the project	-

Extent to which the $535 million has been expended

	$'000
Total State Government funding available for the project	535 000
Monies expended on the project by DTF:	
Expenditure by DTF prior to 30 June 2014	5 970
Expenditure by DTF during the period to 1 July 2014 to 31 December 2014:	
Expenditure by DTF	-
Total expenditure by DTF to 31 December 2014	5 970
Monies expended on the project by DPTI:	
Expenditure by DPTI prior to 30 June 2014	513 365
Expenditure by DPTI during the period 1 July 2014 to 31 December 2014:	
Expenditure by DPTI	4 719
Total expenditure by DPTI to 31 December 2014	518 084
Total expenditure on the project to 31 December 2014	524 054
Balance of State Government funding unexpended as at 31 December 2014	10 946