



Government
of South Australia

Report of the Auditor-General

Received on 28 February 2018 and published on 1 March 2018 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 2017
to 31 December 2017: February 2018

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ISSN 0815-9157



28 February 2018

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Dear President and Speaker

Report of the Auditor-General: Report on the Adelaide Oval redevelopment pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* for the designated period 1 July 2017 to 31 December 2017: February 2018

Under section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* (the Act), I present to each of you a copy of my report 'Report of the Auditor-General: Report on the Adelaide Oval redevelopment pursuant to section 9 of the *Adelaide Oval Redevelopment and Management Act 2011* for the designated period 1 July 2017 to 31 December 2017: February 2018'.

As Parliament is not sitting at the time of submitting 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 one clear day after it is received.

Acknowledgements

The audit team for this Report was Salv Bianco, Philip Rossi, Simon Altus and Marina Zakidalskaya.

I also express my appreciation for the cooperation and assistance provided by Department of Planning, Transport and Infrastructure staff during the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson'.

Andrew Richardson
Auditor-General

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1 Executive summary

1.1 Introduction

This is the thirteenth Report to the Parliament on the Adelaide Oval Redevelopment project. The report is required by the *Adelaide Oval Redevelopment and Management Act 2011* (the Act) for each six-month period beginning on 1 January and 1 July each year. We address the Act's requirements as three terms of reference, as detailed in sections 3, 4 and 5.

The Act limits the appropriation of money made available and expended on the project to \$535 million during the period from 1 December 2009 to 1 December 2019. The principal construction contractor achieved full practical completion for the project in March 2014. The stadium was fully handed over to the Adelaide Oval SMA Limited (AOSMA) to operate on 24 March 2014. The redeveloped oval has been in use and meeting its intended purpose for some time.

Since handover, expenditure of project funds has continued on a range of matters including payments to the principal construction contractor and AOSMA for the reimbursement of works. The payments for the current designated reporting period include payments for the Adelaide Oval precinct security initiative works and are summarised in section 3.2.1.

Our review for this period found that progress has continued on addressing matters raised in previous Reports.

However, we found that there continues to be a need to ensure contracts are executed prior to commencing works.

This matter was raised with the Department of Planning, Transport and Infrastructure (DPTI) who responded to the matter. Section 5 contains the detailed findings and DPTI's response.

While the Adelaide Oval has been in use for some time there are some outstanding defects still to be resolved and works that need to be completed. As highlighted in previous reports, these remaining activities require timely and effective management to ensure the statutory cap of \$535 million is properly monitored and remaining works have been completed to an appropriate standard.

The findings and recommendations for each of the terms of reference for the six-month period to 31 December 2017 are as follows.

1.2 Term of reference one

The extent to which money has been made available or expended within the \$535 million limit during the designated period was \$1.876 million for works to implement increased security measures around the Adelaide Oval precinct, reimbursement of works, funding Commonwealth funded project overruns and other expenses.

As at 31 December 2017, \$4.974 million of project funds remained. Section 3.2.2 details the status of the project contingency.

1.3 Term of reference two

We found that the state of the public accounts that are relevant to the redevelopment of Adelaide Oval was satisfactory.

1.4 Term of reference three

Our review of the extent to which it appears that public money made available to any entity for the redevelopment has been properly and efficiently managed and used during the designated period found that progress has continued on addressing matters raised in previous Reports. Our review found some matters including the timely execution of contracts, still require attention. These findings are detailed in section 5 and are summarised below.

Delays in executing formal instruments of agreement

Our review of payments made to contractors for new works in the current designated period found two instances where the contractor had not executed a formal contract (ie formal instrument of agreement) with DPTI before works commenced.

Adequacy of documentation approving the procurement process for new works

Our review of documentation to support the payments made to AOSMA for the reimbursement of new works found that a procurement plan was formally approved by DPTI after AOSMA commenced procurement processes.

1.5 Audit conclusions on the terms of reference

For 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 30.06.17 \$'000	01.07.17 to 31.12.17 \$'000	Total to 31.12.17 \$'000
Money made available	535 000	-	535 000
Money expended	528 150	1 876	530 026

For 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.

For the third term of reference, on the basis of information obtained and reviewed to date, except for the matter detailed in section 5.2.2, we have not identified anything that indicates the public money made available and expended for the purpose of and in connection with the Adelaide Oval redevelopment envisaged by the Act was not managed and used properly and efficiently.

2 Background

2.1 Introduction

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

On 29 September 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 thirteenth Report, consistent with previous Reports, discharges the requirements of the Act.

In addition to the specific reporting obligations of the Auditor-General under section 9 of the Act, the Auditor-General has other responsibilities under the Act. These include:

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

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

2.2 Structure of the Report

Section 1 provides an executive summary of the matters arising from the audit for the three reporting terms of reference provided for in the Act.

My substantive Report is in sections 3 to 5, which cover 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. In section 6 I comment on other matters that I consider should be brought to the attention of the Parliament.

2.3 Requirements of the Act relevant to this Report

The Act limits 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 money to be made available and expended on 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) also contributed funds to the project as discussed in section 6.1.

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 we consider are three terms of reference, for each six-month period beginning on 1 January and 1 July each year.

I provide below some commentary to explain the audit approach that I have taken in addressing and reporting on the terms of reference.

2.4 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.

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, 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, we considered both the financial activity for the redevelopment project in the current designated six-month period ended 31 December 2017 and before the commencement of the period.

While not required by the Act, 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 me 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, Accounting Policy Statements and Australian Accounting Standards, and requires me to perform audits and provide Independent Auditor's Reports on the agencies' financial reports.

My capacity to respond to the requirements of the Act is supported by the provisions of the PFAA that empower me to require parties to provide information and explanations and obliges the parties to respond to my requests. Notwithstanding these powers, in preparing the financial information for this Report we rely 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 my requirements in responding to the Act. Also, agencies have a necessary role in preparing this information and providing it to me.

2.5 Approach to the review and preparing this Report

In preparing this Report, as required by section 9 of the Act, we sought to identify and review relevant documentation and other information.

Consistent with established audit practice, this review considered a sample of transactions and associated documentation and information. The matters addressed in this Report reflect our understanding of the documentation and other information considered at the time of preparing it. Subsequent reviews build on the knowledge and understanding gained in preparing these Reports and following up the matters that arise.

3 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 (ie money appropriated from the Consolidated Account) has been made available and has been expended on redeveloping Adelaide Oval.

As discussed in section 2.4, money is considered to be made available when it has been appropriated and has been drawn down from the Consolidated Account. Money is considered to be expended when the entity holding the money has disbursed the money and not on an accrual basis.

3.1 Approach to preparing information for this term of reference

When preparing the financial information for this term of reference we considered authoritative documentation including the Treasurer's Budget Papers, Cabinet decisions¹ and relevant agencies' financial records and accounts.

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

3.2 Summary of money made available and expended within the \$535 million limit to 31 December 2017

For 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 30.06.17 \$'000	01.07.17 to 31.12.17 \$'000	Total to 31.12.17 \$'000
Money made available	535 000	-	535 000
Money expended	528 150	1 876	530 026

¹ My Annual Report to Parliament for the year ended 30 June 2016 (Part A: Executive summary) highlighted that in September 2016 Cabinet approved a policy that information on Cabinet decision-making will not be provided to investigative agencies. In September 2017 Cabinet agreed to provide me with a record of Cabinet decisions, that reflects the approved recommendations for transactions of interest, where I request such a record for the purpose of properly exercising my statutory functions.

The Appendix to this Report provides a more detailed analysis of money made available and expended within the \$535 million limit to 31 December 2017.

3.2.1 Main items of expenditure

Details of 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 30 June 2017 are provided in my previous Reports to the Parliament.

The main items of expenditure for the current designated period ending 31 December 2017 were:

- payments for the Adelaide Oval precinct security initiative – \$1 039 000
- payments to AOSMA for the reimbursement of project works – \$656 000
- payments for other expenses – \$62 000
- Commonwealth project cost overruns – \$119 000.

3.2.2 Overview of the project funding, expenditure and contingency

3.2.2.1 Status of money available to complete the project

The table below summarises the money available to complete the project as at 31 December 2017.

	\$'000
Money made available	<u>535 000</u>
Money expended	<u>530 026</u>
Money available to complete the project	<u>4 974</u>

3.2.2.2 Status of the project contingency

Previous Reports have commented on the 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 was established to oversee the project and comprises representatives of DPTI, AOSMA, the South Australian Cricket Association (SACA) and the South Australian National Football League (SANFL).

In my last Report I noted that the remaining uncommitted project contingency as at 30 June 2017 was \$5.1 million.

During the current designated period \$5 million of the uncommitted project contingency was allocated to works for the Adelaide Oval precinct security initiative.

The most recent report prepared by the cost consultant indicated that the remaining uncommitted project contingency as at 31 December 2017 is \$80 000.

This reduced amount of remaining uncommitted project contingency highlights the need for timely and effective management of the project to ensure the statutory cap of \$535 million is not exceeded as outstanding defects are finalised and remaining works are completed.

4 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.

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 include whether the public accounts have been operated lawfully in line with the requirements of the PFAA and associated Treasurer's Instructions. I 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.

4.1 Approach to evaluating the state of public accounts relevant to the Adelaide Oval redevelopment

We made inquiries with 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 redeveloping Adelaide Oval, we identified the financial systems, records and controls used by the agencies to process and control the expenditure of money in connection with the redevelopment. In evaluating the state of the public accounts we have considered whether the:

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

We 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.

4.2 Findings for term of reference two

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.

We confirmed that the public account relevant to the designated review period 1 July 2017 to 31 December 2017 was the Adelaide Oval Redevelopment special deposit account.

The use of the accounts changed for the redevelopment project as responsibility for governance of the redevelopment changed and DPTI assumed primary responsibility. The Adelaide Oval Redevelopment special deposit account was established in June 2012 as a result of an audit recommendation made in our first Report.

For term of reference two, on the basis of information obtained and reviewed to date, we have not identified anything to indicate the state of the public account was not satisfactory.

4.2.1 Maintaining the Department of Planning, Transport and Infrastructure'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.

Our inquiry and testing for the current designated reporting period confirmed that DPTI procedures ensured expenditure on the Adelaide Oval redevelopment was correctly recognised in the nominated project ledger account.

5 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 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 us for review in preparing these Reports are DTF, DPTI and AOSMA.

The Appendix to this Report shows that DPTI was the only entity that incurred material expenditure from public money during the period from 1 July 2017 to 31 December 2017. 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 6 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.

Whether money has been 'properly' managed and used requires an assessment of 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.

Assessing whether money has been 'efficiently' managed and used requires 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.

We must also assess whether procurement processes, particularly for procuring contracted service providers, were consistent with established public sector standards.

5.1 Approach to evaluating whether the management and use of money for the Adelaide Oval redevelopment was proper and efficient

We 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 was paid. Specific matters considered included the arrangements to procure, contract with and manage the service providers engaged to progress the redevelopment.

Consistent with established audit practice this review considered a sample of transactions and associated documentation and other information. Consequently, the matters addressed reflect our 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 following up the matters raised.

5.2 Findings for term of reference three

For term of reference three, on the basis of information obtained and reviewed to date, except for the matter detailed in section 5.2.2, we have not identified anything that indicates 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.

5.2.1 Project governance arrangements

Previous Reports have commented on the project governance arrangements implemented by DPTI.

In April 2012, we recommended that DPTI document the respective roles, responsibilities and limits of authority for members of the PCG.

Guidelines for the operation of the PCG incorporating principles relating to governance of the project during construction were established in June 2012. They have been revised to reflect changes in personnel performing these roles. We have considered the guidelines in our six-monthly reviews.

In preparing this Report we reviewed the minutes of the PCG.

5.2.2 Procurement for the Adelaide Oval precinct security initiative

5.2.2.1 Background

In response to recent vehicle attacks both overseas and interstate, the Adelaide Oval precinct security initiative was developed. The purpose of this initiative is to assess security

risks and implement physical infrastructure designed to protect patrons in the event of a similar attack being carried out at the Adelaide Oval precinct.

In the current designated period we completed a high level review of aspects of DPTI's procurement process to complete works for the security initiative, including supplying and installing protective bollards.

5.2.2.2 Delays in executing formal instruments of agreement

My last Report reinforced the importance of DPTI ensuring contractual arrangements are formally executed with contractors before they commence work.

We found that a formal contract (ie formal instrument of agreement) was executed by the preferred contractor, about six weeks after the contractor had commenced works and shortly after DPTI made its first progress payment to the contractor of \$915 946.

In addition, in sample testing payments made during the current designated period we found that a formal contract between DPTI and the lead professional services contractor for the initiative (architecture) was executed about two months after the contractor commenced providing services (total contract value of \$102 687).

We recommended DPTI execute formal instruments of agreement with contractors before they commence work.

In response DPTI indicated it will continue to use a number of methods to formalise its agreements. In some instances, it could be an exchange of letters because of the simplicity of the transaction or there is already a head agreement in place. In other instances, it will be via the execution of formal instruments. In all cases agreement needs to be reached prior to commencement of work.

5.2.3 Arrangements with Adelaide Oval SMA Limited – Deed of Grant

5.2.3.1 Background

In March 2015 Cabinet was advised of the Minister's intention to approve \$3.56 million from existing project funds to undertake future works for specific items listed in the submission (as detailed in a report prepared by the project manager).

In November 2015, a Deed of Grant (Deed) was entered into between the Minister and AOSMA for essential safety, security and operational upgrades comprising two tranches:

- \$1 808 216 reimbursement for works AOSMA had already completed – Tranche 1
- \$1 751 784 for further works subject to a number of conditions – Tranche 2.

The Deed was varied in January 2017 to:

- amend the values of Tranches 1 and 2
- vary the scope of works for Tranche 2
- extend the time to complete Tranche 2 works.

The varied Deed provides for the payment of \$1 792 970 to AOSMA for Tranche 2 works.

5.2.3.2 Tranche 2 works – adequacy of documentation approving the procurement process for new works

The Deed provides for the payment for further works (ie Tranche 2 works) for essential safety, security and operational upgrades, subject to a number of conditions including:

- AOSMA's written notice prior to works being undertaken, including providing procurement plans and quotations to the Minister for those works
- AOSMA obtaining the Minister's approval before works are undertaken.

In our previous Report we recommended that procurement plans provided by AOSMA for Tranche 2 works be reviewed and approved by DPTI prior to procurement activity commencing.

During the current designated period we reviewed a sample of three procurement plans for works procured by AOSMA.

Our review of the documentation to support the procurements found that one of the procurement plans prepared by AOSMA was formally approved by DPTI after procurement processes had commenced. We were advised that before the procurement activity commenced DPTI officers met with AOSMA and verbally agreed with their planned procurement approach. However, we found that DPTI's initial agreement to AOSMA's planned procurement approach was not documented.

We recommended that DPTI ensure approvals and key decisions made in procurement processes are appropriately documented to evidence that they have occurred.

In response DPTI advised it will ensure that approvals and key decisions made in procurement processes are appropriately documented for future AOSMA works.

5.2.4 Defect rectification management

Our review for prior designated periods identified that DPTI needed to implement effective defect management reporting and establish a mechanism, including obtaining and collating appropriate evidence, to independently verify that all identified defects have been rectified.

5.2.4.1 Status of outstanding defects

In my last report I noted that there were four outstanding defects that had not been rectified. They related to the light towers, certain water leaks, ventilation and the boiler unit.

We noted that DPTI obtained documentation from the external project manager during the current designated period confirming the boiler unit defect has been rectified and commissioned. The PCG closed out the defect in November 2017.

During the current designated reporting period two additional defects were identified. As a result, at the time of this Report five defects had yet to be resolved and closed out. These related to the light towers, certain water leaks, ventilation, epoxy works and slab failure in the Southern Riverbank stand.

In addition, we noted an additional potential defect relating to a slab failure adjacent to the north-east stair core that is being assessed by the principal construction contractor. Responsibility to rectify the slab failure depends on the cause of the failure.

5.2.4.2 Defect liability period

Our review for the last designated period noted that DPTI agreed a commercial settlement with the principal construction contractor to rectify outstanding defects that included:

- for the outstanding defects, agreeing a defect liability period ending on 22 December 2017
- returning the \$10.5 million bank guarantee held by the Minister as security and replacing it with a \$600 000 insurance bond
- DPTI issuing a Final Certificate after the remaining defects are rectified and the new defect liability period has expired.

In October 2017 the external project manager advised the principal construction contractor that it considers ending the defect liability period on 22 December 2017 is no longer appropriate as a number of defects remain outstanding. A revised defect liability period has yet to be determined and will be agreed once all outstanding defects are rectified.

DPTI advised that the \$600 000 insurance bond will be retained until the revised defect liability period has expired or a risk assessment is completed to determine it is acceptable to release a portion of the bond.

5.2.5 Concluding audit comment

Term of reference three addresses the requirement for the proper and efficient management of funds for the Adelaide Oval Redevelopment project.

Previous Reports identified some shortcomings in meeting this objective.

DPTI has continued to make progress in addressing matters raised in previous Reports. Our review for the current designated period found that there continues to be a need for DPTI to ensure formal contracts are executed with contractors prior to them commencing works.

As expenditure is approaching the statutory cap of \$535 million and the uncommitted project contingency is reduced to a relatively small amount, timely and effective management of the remaining project works is required to ensure the statutory cap is not exceeded. It is important DPTI work closely with relevant parties to achieve a financial close out position for the project as soon as practical.

6 Other matters of importance

6.1 Other funding sources and commitments

From inception of the Adelaide Oval Redevelopment project there was recognition of the potential to attract funding for the project from sources external to the State Government. External funding received included the following:

- The Commonwealth Government agreed to contribute \$30 million towards costs associated with constructing car parking and developing planned wetlands. This funding was received and deposited in the Adelaide Oval Redevelopment special deposit account in June 2012.
- The AFL Commission committed \$5 million towards the capital costs of the Adelaide Oval redevelopment. The AFL paid \$2.5 million of the committed funds in January 2014 and the balance in March 2014. Both amounts were deposited into the Adelaide Oval Redevelopment special deposit account.

6.2 Status of Commonwealth funding arrangements

The Commonwealth Government contributed \$30 million to the Adelaide Oval redevelopment, comprising:

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

DPTI transferred \$18 million of this funding to AOSMA under a Deed of Grant between the Minister and AOSMA. The funding was provided to AOSMA to procure specific works for the redevelopment as they were well placed to procure the works given they related to the playing surface, oval operations and equipment with which the SANFL and SACA had previous operational experience. AOSMA spent and acquitted this funding to the Minister in prior designated periods. Section 6.3 discusses the \$12 million for adjacent parklands works.

6.3 Commonwealth funding for adjacent parklands works

The project agreement between the State and Commonwealth Governments provides that \$12 million is to be spent on parklands adjacent to the stadium.

Most of the Commonwealth funded projects were completed in previous designated periods, with certain remaining ancillary works completed in December 2017. However, at the time of this Report the project for the ancillary works had yet to achieve financial close.

We note that as at 31 December 2017 a total of \$12.7 million has been spent by DPTI on Commonwealth funded projects for the Adelaide Oval.

My previous reports noted that Commonwealth project cost overruns funded from money appropriated from the State must be recorded against the State funded statutory cap. DPTI analysed the actual costs spent on the project as at 31 December 2017 and applied \$119 000 to the statutory cap for the current designated period.

6.4 Consideration of expenditure by Adelaide Oval SMA Limited in determining expenditure against the \$535 million limit

Following the completion of arrangements to advance funds to AOSMA, DPTI obtained confirmation from the Crown Solicitor's Office that funding from the Commonwealth Government was not public money for the purposes of determining the application of the limit and that expenditure of Commonwealth or AFL funds should not be included in assessing expenditure against the limit.

Consistent with the Crown Solicitor's Office advice the funding provided to AOSMA, and expenditure by AOSMA of the Commonwealth funds, have been excluded from the amount of public money made available and expended with respect to the \$535 million limit as required by term of reference one.

Appendix

Summary of money made available and expended within the \$535 million limit to 31 December 2017

Extent to which the \$535 million has been made available	
	\$'000
Total State Government funding available for the project	<u>535 000</u>
Monies appropriated to DTF:	
Monies appropriated to DTF less amounts transferred to DPTI to 30 June 2017	5 970
Monies appropriated to DTF during the period 1 July 2017 to 31 December 2017:	
Appropriation to DTF	-
Less: Monies transferred to DPTI from Contingency	-
Total monies appropriated to DTF less amounts transferred to DPTI to 31 December 2017	<u>5 970</u>
Monies appropriated to DPTI:	
Monies appropriated to DPTI/received from DTF to 30 June 2017	529 030
Monies appropriated to DPTI/received from DTF during the period 1 July 2017 to 31 December 2017:	
Appropriation to DPTI	-
Monies received from DTF from Contingency	-
Total monies appropriated to DPTI/received from DTF to 31 December 2017	<u>529 030</u>
Total amount which has been made available for the project to 31 December 2017	<u>535 000</u>
Total amount of State Government funding still to be made available for the project	<u>-</u>
Extent to which the \$535 million has been expended	
	\$'000
Total State Government funding available for the project	<u>535 000</u>
Monies expended on the project by DTF:	
Expenditure by DTF to 30 June 2017	5 970
Expenditure by DTF during the period 1 July 2017 to 31 December 2017:	
Expenditure by DTF	-
Total expenditure by DTF to 31 December 2017	<u>5 970</u>
Monies expended on the project by DPTI:	
Expenditure by DPTI to 30 June 2017	522 180
Expenditure by DPTI during the period 1 July 2017 to 31 December 2017:	
Expenditure by DPTI	1 876
Total expenditure by DPTI to 31 December 2017	<u>524 056</u>
Total expenditure on the project to 31 December 2017	<u>530 026</u>
Balance of State Government funding unexpended as at 31 December 2017	<u>4 974</u>