



Government
of South Australia

Report of the Auditor-General

Tabled in the House of Assembly and ordered to be published, 28 February 2017

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 2016 to 31 December 2016: February 2017

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The Hon R P Wortley MLC
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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 2016 to 31 December 2016: February 2017

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 2016 to 31 December 2016': February 2017.

Acknowledgements

The audit team for this Report was Salv Bianco, Philip Rossi, Michael Hatzicostantis, Martin Diegmann and Julie Christie.

I also express my appreciation for the cooperation and assistance provided by the Department of Planning, Transport and Infrastructure staff during the 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 eleventh 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 have addressed the Act's requirements as three terms of reference. These are addressed in detail 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 are summarised in section 3.2.1.

This Report highlights that some matters raised in our last Report have been resolved. However some matters are still unresolved, including:

- finalising defect rectification
- the reliability of expenditure information in project financial reports
- reconciliation processes
- monitoring and reporting Commonwealth funded project overruns.

The Department of Planning, Transport and Infrastructure (DPTI) indicated in its response that these matters are being progressed. Sections 4 and 5 contain the detailed findings and DPTI's responses.

There are some key matters that DPTI needs to resolve before there can be a conclusion on the final position of the project against the statutory limit of \$535 million. This will continue to require timely and effective project management for key areas such as:

- the resolution of outstanding defects
- the procurement and delivery of works by AOSMA under Deed of Grant arrangements
- monitoring Commonwealth funded project overruns and the impact on the \$535 million statutory cap.

The findings and recommendations for each of the terms of reference for the six month period to 31 December 2016 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 \$519 000 for reimbursement of works, funding Commonwealth funded project overruns and other expenses.

As at 31 December 2016, \$7.428 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. Notwithstanding this, we did find DPTI was in the process of investigating and resolving reconciliation queries and discrepancies. We recommended DPTI review the significance and risk of the discrepancies and, where appropriate, take action to resolve them.

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 a number of previously raised matters were addressed and some remained unresolved. These and other findings are detailed in section 5 and are summarised below.

Adequacy of financial reporting

We found that the project expenditure recorded in the monthly financial reports prepared by the external cost consultant differed from the expenditure recorded in DPTI's financial system (ie the project job cost system). We recommended DPTI perform monthly reconciliations of information (ie the movements in expenditure) included in the monthly financial reports to information in DPTI's financial system.

Further, we found that DPTI needed a process to ensure Commonwealth funded project overruns funded by State appropriations are recorded against the statutory cap.

The basis for reimbursing AOSMA for prior works was not clear

We found the basis and supporting information for reimbursing AOSMA for past works already paid for by AOSMA did not correctly outline the arrangements in place at the time, and contained some information that was not supported and information that was not relevant. Consequently, DPTI has still not been able to clearly explain the basis for making the reimbursement payment to AOSMA.

DPTI advised it is satisfied that after extensive review, liaison with AOSMA and consultation with the Crown Solicitor Office that the payment for Tranche 1 is considered consistent with the Adelaide Oval *Redevelopment and Management Act 2011* (Act), conforms with the approval from Cabinet for the total project expenditure of \$535 million, and was approved by the appropriate delegate.

Adequacy of documentation to support procurement process for new works

Our review of documentation to support the payments made for new works found that the procurement plans approved by DPTI did not adequately describe the procurement strategy to meet key procurement objectives such as ensuring value for money, probity, completion of works to an appropriate standard and managing risks.

We recommended DPTI review existing arrangements to ensure procurement plans clearly describe the procurement strategy or processes to be undertaken to meet key procurement objectives.

Resolution of outstanding defects

We found there were four outstanding defects and DPTI was negotiating a contract variation or alternative contractual arrangements to rectify them.

We noted that DPTI established a methodology and defect review team to independently confirm all other defects have been appropriately addressed and closed out. We recommended DPTI review existing defect management practices and ensure the learnings and recommendations made by the defect review team are applied to current and future projects. Further, we highlighted the need to clearly document and agree defect management responsibilities where this function is contracted out to external services providers.

1.5 Other matters

Our last Report noted a Commonwealth funded project for the redevelopment had a forecast cost overrun which, if it eventuated, was to be funded from money appropriated by the State. Further, we noted that any project overruns (or any other works) for the Adelaide Oval redevelopment funded from State appropriations need to be recorded against the statutory cap.

We highlighted the importance of ensuring effective project and contract management arrangements are in place to oversee the project to ensure the statutory cap is not exceeded. This includes understanding and effectively managing the functions performed by external service providers.

Our review for the current designated period found that a cost overrun of around \$370 000 for a Commonwealth funded project was recorded against the statutory cap. We are finalising a review of this project including aspects of procurement, project management and contract management. Any findings will be included in our next Report.

1.6 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 30.06.16 \$'000	01.07.16 to 31.12.16 \$'000	Total to 31.12.16 \$'000
Money made available	535 000	-	535 000
Money expended	527 053	519	527 572

For the second term of reference, notwithstanding the outstanding reconciliation matter, 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 matters detailed in sections 5.2.2, 5.2.3 and 5.2.4, we have 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 Background

2.1 Introduction

This is the eleventh 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 eleventh 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 report to the Parliament if necessary 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 have commented 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) have also contributed funds to the project as discussed in section 6.3.

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.

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, we have considered both the financial activity for the redevelopment project in the current designated six-month period ended 31 December 2016 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 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 and 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 place 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 my requirements in responding to the Act. Also, agencies have a necessary role in preparing this information and providing it to me. Further, we are not engaged in the day-to-day management of the Adelaide Oval redevelopment and, consequently, we are not able to bring to this task the immediate level of corporate knowledge that agency staff bring to preparing financial information for audit.

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 has 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 this Report. Subsequent reviews build on the knowledge and understanding gained in preparing these Reports and following up the matters arising from completed Reports.

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, 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 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 required to respond to this term of reference we considered authoritative documentation including the Treasurer's Budget Papers, Cabinet submissions¹ and relevant agencies' financial records and accounts.

We have also considered specific financial information relevant to this designated reporting period we obtained 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 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 2016

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 30.06.16 \$'000	01.07.16 to 31.12.16 \$'000	Total to 31.12.16 \$'000
Money made available	535 000	-	535 000
Money expended	527 053	519	527 572

The Appendix to this Report provides a more detailed analysis of money made available and expended within the \$535 million limit to 31 December 2016.

¹ My Annual Report to the Parliament for the year ended 30 June 2016 (Part A: Executive Summary) highlighted that in September 2016 Cabinet has approved a policy that information on Cabinet decision-making will not be provided to investigative agencies. I have been advised that I may request access to Cabinet documents which will be considered by Cabinet who will determine whether an exception to the policy is warranted.

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 2016 are provided in my previous Reports to the Parliament.

The main items of expenditure for the current designated period ending 31 December 2016 were:

- payments to AOSMA for the reimbursement of project works – \$121 000
- payments for other expenses – \$28 000
- Commonwealth project cost overruns – \$370 000.

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 2016.

	\$'000
Money made available	<u>535 000</u>
Money expended	<u>527 572</u>
Money available to complete the project	<u>7 428</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).

The most recent report prepared by the cost consultant (the financial statement report as at 28 November 2016), which was presented to the PCG in December 2016, indicated that the remaining uncommitted project contingency as at 28 November 2016 was \$5.432 million.

3.2.2.3 Status of variation/final claims

In April 2015 the principal construction contractor submitted a final payment claim. The claim was assessed by the cost consultant and project manager. As recommended by the project manager, DPTI withheld payment of the final claim, which is in the order of \$200 000, until all outstanding defects are resolved.

Our review for the current designated period found that not all defects have been resolved and DPTI is still withholding payment of the final claim.

The status of defects is further discussed in section 5.2.4.

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.

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 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.

4.1 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, 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 have 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.

In evaluating the public accounts we have 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 have confirmed that the public account relevant to the designated review period 1 July 2016 to 31 December 2016 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 any matters that would 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 have generally ensured expenditure on the Adelaide Oval redevelopment was correctly recognised in the nominated project ledger account. While not material in nature, our review in a 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, a matter that is still outstanding was noted. This matter and DPTI's response is summarised below.

4.2.1.1 Reliability of information used to monitor the project

In August 2013 we finalised a review of project reporting arrangements established to monitor the progress, key deliverables and costs of the project. The review considered 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 our fourth Report to Parliament.

The review identified certain matters for improvement which were communicated to DPTI. We have continued to review these matters since they were first reported.

A particular area 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.

Our review for previous designated reporting periods included following up the status of reconciliations prepared by the cost consultant and DPTI's review of the reconciliations. Our previous Reports highlighted the extended time taken to address this matter.

Our follow-up for the last designated period found that DPTI was in the process of engaging the cost consultant to reconcile project cost information between the records of DPTI (ie the job cost system) and the cost consultant (ie the financial statements prepared by the cost consultant).

We recommended DPTI complete the reconciliation as soon as practical and resolve any discrepancies.

In response DPTI advised it would finalise the engagement of the cost consultant to complete the reconciliation by November 2016. Further, DPTI advised it would ensure any discrepancies identified from the reconciliation process were appropriately actioned and resolved.

Our follow-up for the current designated period found that the cost consultant provided DPTI with a reconciliation as at 30 November 2016 and DPTI was investigating and resolving a small number of discrepancies.

We recommended that DPTI review the significance and risk of the identified discrepancies and, where appropriate, take action to resolve them. Further, we recommended DPTI document the analysis, actions taken and conclusion reached.

DPTI advised that it plans to resolve all outstanding queries and discrepancies and close out the reconciliation to 30 November 2016 by April 2017.

At the time of this Report we were reviewing the reconciliation process for reasonableness.

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 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 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 2016 to 31 December 2016. 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 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.

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 procurement of contracted service providers, were consistent with established public sector standards.

5.1 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 we have 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 to procure, contract with and manage the service providers 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 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 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 matters detailed in sections 5.2.2, 5.2.3 and 5.2.4, we have 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.

As conveyed in previous Reports, I recognise that as the project development life cycle nears completion there may be a need to review the governance, monitoring and reporting arrangements that have been applied during the substantive design and construction phases of the project to ensure they align with current expenditure profiles and risks.

5.2.1 Project governance arrangements

Previous Reports have commented 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.

In April 2012, we recommended that DPTI prepare documentation that records 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 undertaking our six-monthly reviews.

5.2.1.1 Project Control Group meetings

The PCG guidelines state that the PCG is to meet regularly to carry out its role as specified in the guidelines. In preparing this Report we reviewed the minutes of the PCG.

5.2.2 Financial reporting for the project

The Act places specific obligations on both DPTI, as the lead agency responsible for the redevelopment project, and the Auditor-General in reporting on project expenditure. The obligations imposed on DPTI include ensuring project costs do not exceed the statutory cap.

Given the statutory cap requirement it is important that DPTI maintains regular, timely and reliable reporting of costing information on funds committed and spent on the project.

We noted that DPTI reviewed the financial reports and improved their relevance and usefulness to the reader. For instance, information which was historical and no longer correct or relevant was removed from the report. Notwithstanding this observation we found there was scope for further improvement. These matters were raised with DPTI in February 2017 and are summarised below.

5.2.2.1 Frequency of financial reporting

Our review for the previous designated periods found that financial statement reports (financial reports) for the project prepared by the cost consultant were not always prepared or were not always presented to the PCG.

Our follow-up for the current designated period found that four financial reports had been prepared and presented to the PCG. We found financial reports for September 2016 and December 2016 had not been prepared.

Consistent with past designated periods, we recommended DPTI ensure regular financial reports are provided on a timely basis to the PCG and senior management for the remaining life of the project.

DPTI advised it will continue to ensure regular financial reports are provided timely to the PCG and DPTI senior management for the remaining life of the project. DPTI also advised that it believes the risk of exceeding the statutory cap is low.

5.2.2.2 Reliability of information contained in financial reports

Our review of the financial reports presented to the PCG for the previous designated period found that money spent on the project was not recorded in the financial reports promptly.

We recommended DPTI implement a mechanism to ensure details of transactions processed are provided to the cost consultant on a timely basis and the information is complete and accurate.

For the current designated period we found that the expenditure for the project as recorded in the monthly financial report prepared by the external cost consultant differed from the expenditure recorded in DPTI's financial systems (ie the project job cost system).

We found the October 2016 financial report recorded expenditure for the project since December 2015 of approximately \$58 000, whereas the expenditure recorded in DPTI's financial system was approximately \$371 000. In contrast, the November 2016 financial report recorded expenditure incurred for the project since December 2015 of approximately \$658 000, compared to \$444 000 recorded in DPTI's financial system.

We found that a monthly reconciliation of project cost information (ie the movements in expenditure) recorded in the monthly financial report prepared by the external cost consultant and DPTI's financial systems was not prepared.

We recommended DPTI perform this reconciliation monthly.

In response DPTI advised:

- monthly DPTI financial system reports are provided to the external cost consultant
- it could explain these variances and will continue to undertake monthly reconciliations
- while a reconciliation process was performed and variances understood, DPTI will ensure a documented reconciliation is prepared monthly.

5.2.3 Arrangements with Adelaide Oval SMA Limited – Deed of Grant

5.2.3.1 Background

In March 2015 a submission was presented to Cabinet that noted 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).

The project manager's report identified safety and security items (ie works to address identified concerns) and discretionary operational and amenity items.

The Cabinet note advised that DPTI would engage the project manager to scope, define, cost and confirm the effectiveness of the proposed measures, and prepare a procurement plan for the Minister's approval.

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 also provides for:

- AOSMA withdrawing invoices issued to the Minister totalling \$1.817 million to reimburse costs incurred for electronic ribbon boards and other costs
- the Minister withdrawing the invoice DPTI issued to AOSMA totalling \$300 000 to reimburse project acceleration costs.

The items specifically listed in the Cabinet note (and included in the project manager's report) totalling \$3.56 million were also specifically listed in the Deed. However, the value of the specific items listed in the Deed was only \$1.75 million.

Details of the scope of works for Tranche 2 were not included in the Deed.

In December 2015 DPTI paid \$1.8 million to AOSMA for Tranche 1 works already undertaken. Some of the works date back to May 2013.

5.2.3.2 Observations for our initial review of the Deed of Grant arrangements

Our initial review noted that Cabinet was not advised of the decision to reimburse AOSMA for works already undertaken (totalling \$1.8 million) and the significant reduction in the estimated value of works specifically listed in the Cabinet note compared to the value specified in the Deed.

We reported that we considered the decision to reimburse AOSMA for works already undertaken and the reduction in the estimated value of works were significant changes to the information provided to Cabinet and accordingly it would have been prudent for Cabinet to be informed.

As indicated above some of the works dated back to 2013 and AOSMA had decided to fund these works. The expenditure relating to these works was not subject to the same procurement practices, certification and approval processes used to manage the funds incurred and spent by the State. We reported that from the information provided to us, the basis for reimbursing AOSMA for works that had occurred in the past, and paid for by AOSMA some time ago, was not clear.

The information provided to us to support the specific expenditure items included in the reimbursement claim was insufficient for us to determine whether the expenditure was consistent with the purpose for which the funds were appropriated and in accordance with the Act.

We made a number of recommendations including the need for DPTI to:

- report back to Cabinet where significant changes to transactions occur compared to information previously provided to Cabinet
- confirm the reasons (including obtaining supporting documentation such as costing information) for the change in the value of the Tranche 2 works from \$3.5 million to \$1.75 million
- document (including obtaining supporting evidence) the internal assessment undertaken by DPTI of the invoices included in the reimbursement to support that the payment, which was made from funds made available for the project under the Act, is in accordance with the purpose for which the funding was appropriated
- clearly document and agree the scope of works for each item that AOSMA is required to complete in Tranche 2. Also, implement a mechanism to confirm that Tranche 2 works are completed to an appropriate standard, represent value for money and address the concerns raised in the project manager's report included in the Cabinet note
- finalise the review of invoices and supporting evidence to ensure sufficient documentation is available to support the nature of the expenditure items included in AOSMA's claim for reimbursement.

5.2.3.3 Follow-up of our initial review observations

Our follow-up found that the changes to what was advised to Cabinet in November 2015 and what was in the Deed were not reported back to Cabinet.

Further, we found:

- the basis for reimbursing AOSMA for past works already paid for by AOSMA was still not clear to us
- for some items, the information to support the reimbursement of expenditure was insufficient for us to determine the nature of the expenditure.

5.2.3.4 Follow-up for the current designated period – Tranche 1

DPTI advised us that in December 2016 the Minister informed Cabinet of the changes to the Deed, including the Tranche 1 reimbursement.

DPTI reviewed Tranche 1 reimbursement payments and identified six invoices totalling \$41 186 which they considered were not consistent with the purpose for which the funds were provided. On 25 January 2017, the Minister and AOSMA entered into a Deed Variation to reduce the value of Tranche 1 and increase the value of Tranche 2 by this amount and to effect other changes to the original Deed.

In January 2017, DPTI documented the basis for reimbursing AOSMA for Tranche 1 works totalling \$1.81 million.

Our review of the document found that it did not correctly outline arrangements in place at the time, and contained some information that was not supported and information that was not relevant. Consequently, DPTI is still not able to clearly explain the basis for making the reimbursement payment to AOSMA.

Section 9(1)(c) of the Act requires us to express an opinion and report 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. To do so we assess whether money was used to progress the Adelaide Oval redevelopment and, more particularly, whether the use of money was necessary in completing the project. We also assess whether procurement processes are consistent with established public sector standards.

We found that AOSMA's expenditure was for security, safety and operational works related to the Adelaide Oval project. However, given that AOSMA had decided to fund the expenditure in prior years, the documentation did not explain why the reimbursement to AOSMA by the State was required to complete the project. We note that in delivering the project AOSMA has funded other works for which it has not sought reimbursement from the State.

Further, the documentation did not demonstrate whether the procurement practices adopted for these expenditure items were consistent with established public sector standards.

DPTI requested documents from AOSMA to support the reimbursement of expenditure including procurement plans, quotations and purchase recommendations. We found, however, that AOSMA declined to provide this information. As noted, some works date back to May 2013. AOSMA advised us that its resources were committed to current priorities and it did not have the resources to retrieve this information.

Instead DPTI obtained and reviewed AOSMA's procurement policy and determined that it satisfied procurement requirements. We consider that the review of this policy did not eliminate the need for DPTI to obtain and review source documentation.

In response DPTI advised that a substantial amount of work has been undertaken in the reporting period to address these issues. Notwithstanding this they acknowledged our findings and indicated it will provide further clarity on information in the document outlining the basis for reimbursement.

DPTI also advised it is satisfied that after extensive review, liaison with AOSMA and consultation with the Crown Solicitor Office that the payment for Tranche 1 is considered consistent with the *Adelaide Oval Redevelopment and Management Act 2011* (Act), conforms with the approval from Cabinet for the total project expenditure of \$535 million, and was approved by the appropriate delegate.

5.2.3.5 Review of Tranche 2 payments

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 provision of procurement plans and quotations to the Minister for those works
- AOSMA obtaining the Minister's approval before works are undertaken.

As previously indicated the Deed was varied in January 2017 which:

- amended the values of Tranches 1 and 2
- varied the scope of works for Tranche 2
- extended the time to complete Tranche 2 works.

The varied Deed provides for the payment of \$1 792 970 to AOSMA for further works for essential safety, security and operational upgrades.

We noted five payments were made to date (totalling around \$121 000) under the Deed. Our review of the documentation to support the payments found that the procurement plans approved by DPTI did not describe the procurement strategy or process to be undertaken to meet key procurement objectives, such as ensuring value for money, probity, works are completed to an appropriate standard and risks are appropriately managed. AOSMA advised that it considers it met these objectives notwithstanding that the approach taken was not outlined in the procurement plans.

DPTI advised that it has revised its arrangements for reviewing Tranche 2 payments and procurement plans.

We recommended that DPTI review the revised arrangements to ensure procurement plans clearly describe the procurement strategy or process to meet key procurement objectives.

DPTI indicated it intends to continue to review the arrangement to ensure procurement plans provided for review and approval clearly describe the procurement strategy or processes to be undertaken to meet the key procurement objectives outlined above.

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. DPTI advised it had engaged the project manager (as part of its project management responsibilities) to undertake this role, including issuing a certificate that all defects have been rectified.

In our last Report we noted that DPTI was continuing to work with the project manager to review defects and was devising a methodology to confirm defects were appropriately closed out.

Our review for the current designated period noted that there were four outstanding defects which had not been rectified. They related to the light towers, certain water leaks, ventilation and the boiler unit.

DPTI had established a methodology and defect review team to confirm all other identified defects had been appropriately addressed and closed out. This included:

- establishing a consolidated list of defects
- undertaking a risk assessment to select a sample of defects for independent review
- inspecting (where possible) selected defects with a representative from AOSMA to confirm that the defect had been appropriately closed out
- undertaking further action, including consulting with the principal construction contractor, to ensure any shortcomings identified from the inspection were appropriately addressed.

DPTI advised that all the defects selected and reviewed were closed out to AOSMA's satisfaction and concluded no further action was required.

5.2.4.1 Confirmation of the rectification of defects by AOSMA

A key element of DPTI's process was involving AOSMA staff in inspecting selected defects to confirm that identified defects recorded in the principal construction contractor's defect management system were appropriately closed out. We noted, however, that DPTI did not obtain written confirmation from AOSMA that it was satisfied that selected defects had been appropriately closed out. We also considered it prudent that DPTI seek confirmation that AOSMA is satisfied with the process established to independently confirm that defects have been appropriately closed out.

We recommended that DPTI obtain written confirmation from AOSMA that it is satisfied that selected defects had been appropriately closed out. We also suggested DPTI consider seeking confirmation that AOSMA is satisfied with the process established to independently confirm that defects have been appropriately closed out.

DPTI advised that it plans to write to AOSMA to confirm they are satisfied with the process.

5.2.4.2 Reliance on external service providers

Significant reliance was placed on the external project manager during construction to ensure defects were appropriately identified, recorded and rectified.

Our review for the last designated period noted that DPTI and the external project manager had agreed on actions to finalise the review of defects, as part of their engagement as project manager. However, the external project manager's response had not met DPTI's expectations. For instance, the certificate on defects provided by the external project manager did not provide sufficient assurance that all defects were appropriately closed out.

Our review for the current period noted that DPTI decided not to continue to use the external project manager for certain aspects of defect management. Instead, as outlined in section 5.2.4, DPTI implemented a review methodology to independently verify that defects were properly rectified. The effectiveness and efficiency of this review was reduced as it occurred well after construction activity was completed.

Effective oversight of the defect management process by the principal is essential to ensure the completed asset is finished to an appropriate standard and in accordance with contract specifications and operational requirements.

Where the defect management process (or parts of it) is contracted out, responsibilities need to be clearly documented and agreed with the service provider. Further, the service provider's performance should be regularly monitored.

We recommended that for future projects where the defect management function is contracted out DPTI should ensure the service provider's responsibilities, including required deliverables, are clearly specified. The service provider's performance should also be monitored over the life of the project.

In response DPTI advised it intends to consider how the key learnings and recommendations can be applied to current and future projects.

5.2.4.3 Defect management review learnings and recommendations

In developing and implementing the defects review methodology the defect review team documented a number of key learnings and recommendations. These included:

- ensuring all identified defects are completely and accurately recorded in a consolidated list
- accurately recording the status of defects in the defect management system
- identifying and categorising defects according to hazard and the risk to the project outcome and the principal
- collating defect information and obtaining photographic evidence to enable independent review of rectification.

We recommended DPTI review its existing defect management practices to ensure the key learnings and recommendations made by the review team are applied to current and future projects.

DPTI advised it plans to consider how key learnings and recommendations can be applied to future projects.

5.2.4.4 Contract variation for rectification of outstanding defects

At the time of our review there were four defects that had not been rectified.

The final payment claim (around \$200 000) to the principal construction contractor has been withheld until all outstanding defects are resolved. Further, the principal construction contractor has provided bank guarantees pending rectification of the outstanding defects.

We noted that DPTI was in the process of negotiating a contract variation (or alternative contractual arrangements) with the principal construction contractor to facilitate the rectification of the remaining defects and for the release of a portion of the bank guarantees held. We were advised that sufficient guarantees will be retained for 12 months after the defects have been rectified to cover the estimated cost of the rectification works.

We recommended DPTI finalise the contract variation (or alternative contractual arrangements) for the defect rectification works. We also recommended DPTI ensure that the estimated value of rectification works is independently reviewed to ensure the value of the guarantee retained is sufficient in the event that defects are not adequately rectified.

DPTI indicated that of the four defects noted, two have now been rectified (light towers and water leaks) and it is now awaiting written verification of this.

Further, DPTI advised it plans to complete the alternative contract arrangements with Lend Lease, the principal construction contractor, as soon as practicable and has requested the external cost consultant review the value of the guarantee to ensure it is sufficient.

5.2.5 Contract management – professional service providers

5.2.5.1 Background

Our review in prior designated periods identified the need for more rigorous project and contract management controls over 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.

We also identified areas for improvement in contract documentation.

To reinforce proper contract management, in July 2014 the DPTI Chief Executive 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.

5.2.5.2 Observations for the previous designated period

Our review for the last designated period included a review of the arrangements to engage the contracted project manager to undertake further work (outside their project management responsibilities) through a contract variation.

We found that the scope of services, agreed terms and conditions and deliverables were not adequately documented to enable effective management of the service provider's performance and deliverables.

We recommended DPTI implement a mechanism to ensure contract extensions are executed before services are provided by professional service contractors.

DPTI responded that in future it would do this and would include a scope of work and price to enable effective monitoring of performance.

5.2.5.3 Follow-up for the current designated period

Our follow-up in the current designated period found that DPTI had determined that a mechanism in addition to the existing departmental procedure was not required. DPTI also advised that:

- the responsible DPTI project manager will reinforce with staff the importance of complying with existing policies and procedures
- quarterly spot reviews of selected contract engagements for the Adelaide Oval project will be implemented.

5.2.6 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.

This Report highlighted that a number of these shortcomings have been addressed, however some issues remain. In particular, rectifying outstanding defects and improving financial reporting and reconciliation processes had not been completely resolved.

As we said in our last Report, these matters need to be addressed to ensure effective project completion and financial close out, including final claims and certificates. The relevance and importance of these matters will continue if the State agrees to undertake or fund further works for the redevelopment from remaining funds.

In addition, we identified the need to implement oversight of the Deed of Grant arrangements including ensuring appropriate procurement strategies are implemented by grant recipients to ensure works have been completed to an appropriate standard, represent value for money and have been used by the grant recipient for the purpose they were provided.

I reiterate the need for the parties charged with governance of the project to finalise outstanding matters including rectifying outstanding defects, completing works and responsibilities under the Deed of Grant and closely monitoring Commonwealth funded works. This will enable a proper financial close out position for the project and fully accountable reporting to Executive Government on the statutory limit of \$535 million.

6 Other matters of importance

6.1 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.

The Act also requires the Minister to provide copies of the sublease and licences to both Houses of Parliament.

In undertaking my financial supervision and reporting responsibilities under the Act I requested and received the following leases, licences and sublicences.

- 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 Adelaide Oval Licence Area sublicense between the Minister and AOSMA – executed 8 December 2014
- the Adelaide Oval Licence Area sublicense between the Minister and SACA – executed 8 December 2014
- the Adelaide Oval Licence Area sublicense between the Minister and the SANFL – executed 8 December 2014.

These leases, licences and sublicences have been tabled in Parliament in accordance with the Act.

6.2 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, 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.

Our 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 20 years, and the required annual sinking fund contribution. AOSMA further advised that it had established a bank account to hold sinking fund monies.

Our fifth Report provided an update on the status of the sinking fund. It communicated that in November 2013 the Minister wrote to the Treasurer seeking approval for proposed arrangements for the Adelaide Oval Redevelopment sinking fund. It 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
- authorised DPTI to inform AOSMA that it should budget for the proposed arrangements in its forward program
- noted that AOSMA proposed 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 before 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 we enquired about the status of the sinking fund with DPTI and DTF.

At the time of this Report DTF advised us that the Treasurer had not made a determination or approval for the sinking fund under the Act. DPTI advised that it was:

- preparing a minute to the Treasurer seeking approval for the amount proposed by AOSMA to be paid into the sinking fund
- in the process of developing policies and procedures for administering the Minister's responsibilities relating to the sinking fund.

We recommended that DPTI complete the policies and procedures for the sinking fund and establish a mechanism to ensure the Minister's responsibilities for the sinking fund are fulfilled. We also noted that this may require liaising with DTF and AOSMA.

We were advised that DPTI plans to finalise the sinking fund policies and procedures as soon as practicable.

6.3 Other funding sources and commitments

From inception of the Adelaide Oval Redevelopment project there was recognition of 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 redevelopment.

As conveyed in our first Report, we were 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 completing works and to the scope of works to enhance the parklands adjacent to the stadium.

The status of the \$30 million provided by the Commonwealth Government is discussed in sections 6.4 to 6.8.

As communicated in our fifth Report, in August 2013 the AFL Chief Executive Officer confirmed in writing 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.

The AFL paid \$2.5 million of the committed funds in January 2014 and the balance was received by DPTI in March 2014. Both amounts were deposited into the Adelaide Oval Redevelopment special deposit account.

6.4 Status of Commonwealth funding arrangements

As discussed above the Commonwealth Government has 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 status of this funding is discussed in section 6.6. Section 6.5 discusses developments concerning the \$12 million for adjacent parklands works.

6.5 Commonwealth funding for adjacent parklands works

The project agreement between the State and Commonwealth Governments, which was revised in June 2013, provides that \$12 million is to be spent 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.

This funding provided by the Commonwealth Government under the project agreement included works on Adelaide Oval No. 2, which includes the realignment of the oval.

Our Report for the last designated period noted that the project costs were forecast to overrun by \$650 000.

We also noted that one of the cost pressures contributing to the overrun was delay claims submitted by the construction contractor. We were advised that the delays were due to issues associated with the scheduling of works and the extended time taken by DPTI to obtain required planning and financial approvals after the contract was awarded.

Further, we highlighted that:

- project overruns from Adelaide Oval Commonwealth funded projects that have costs paid from money appropriated by the State will need to be recorded against the statutory cap
- it is important that this project (and any other projects that include works for the Adelaide Oval) is closely monitored to ensure the statutory cap is not exceeded.

We also advised DPTI that we were about to start a review of the procurement, project and contract management arrangements and the management of the overruns for this project. At the time of this Report we were finalising this review.

The principal construction contract for the works was awarded in April 2016 and achieved practical completion in October 2016. Additional ancillary works to finish the project are still to be procured.

As at 31 December 2016 DPTI had spent (on an accrual basis) \$12.37 million on Commonwealth funded projects for the Adelaide Oval.

Our review for the current designated period found that DPTI had not allocated project overruns funded from money appropriated from the State to the statutory cap. This was referred to DPTI who analysed the actual costs spent on the project as at 31 December 2016 and applied \$370 000 to the statutory cap.

We recommended that DPTI implement a process to ensure that Commonwealth funded project overruns that are funded by State appropriations are recorded against the statutory cap.

DPTI advised that it has implemented a process to ensure that Commonwealth funded project overruns are recorded against the Adelaide Oval State funded works project. DPTI also noted that the Commonwealth funded project overrun has been reported to the PCG and DPTI senior management since 2015.

6.6 Adelaide Oval SMA Limited 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 specific 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 the playing surface, oval operations and equipment with which the SANFL and SACA had previous operational experience. The funding and procuring of the works was managed and controlled through a Deed of Grant.

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

As communicated in our third Report, following the completion of arrangements to advance funds to AOSMA to enable it to procure works for the redevelopment project, we wrote to DPTI recommending it seek confirmatory advice from the Crown Solicitor's Office (CSO) 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 obtained confirmation from the CSO 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 CSO's 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.

6.8 Project reporting to the Public Works Committee

The final report of the Public Works Committee (PWC) for the Adelaide Oval Redevelopment project was tabled in Parliament on 9 November 2011. The report included a requirement for DPTI to provide quarterly reports to the PWC on the progress of construction. DPTI officers have advised that, at the time of this Report, DPTI had provided quarterly reports to the PWC on the redevelopment project for each quarter up to and including September 2016. We were advised that the report for the December 2016 quarter was still being finalised.

Appendix

Summary of money made available and expended within the \$535 million limit to 31 December 2016

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 2016	5 970
Monies appropriated to DTF during the period 1 July 2016 to 31 December 2016:	
Appropriation to DTF	-
<i>Less:</i> Monies transferred to DPTI from Contingency	-
Total monies appropriated to DTF less amounts transferred to DPTI to 31 December 2016	5 970
Monies appropriated to DPTI:	
Monies appropriated to DPTI/received from DTF to 30 June 2016	529 030
Monies appropriated to DPTI/received from DTF during the period 1 July 2016 to 31 December 2016:	
Appropriation to DPTI	-
Monies received from DTF from Contingency	-
Total monies appropriated to DPTI/received from DTF to 31 December 2016	529 030
Total amount which has been made available for the project to 31 December 2016	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 to 30 June 2016	5 970
Expenditure by DTF during the period 1 July 2016 to 31 December 2016:	
Expenditure by DTF	-
Total expenditure by DTF to 31 December 2016	5 970
Monies expended on the project by DPTI:	
Expenditure by DPTI to 30 June 2016	521 083
Expenditure by DPTI during the period 1 July 2016 to 31 December 2016:	
Expenditure by DPTI	519
Total expenditure by DPTI to 31 December 2016	521 602
Total expenditure on the project to 31 December 2016	527 572
Balance of State Government funding unexpended as at 31 December 2016	7 428