

Report of the Auditor General of Canada to the  
Northwest Territories Legislative Assembly

# Stanton Territorial Hospital Renewal Project



## Independent Auditor's Report | 2024



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

This publication is available on our website at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).

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<https://www.un.org/sustainabledevelopment/>

Cat. No. FA3-194/2024E-PDF

ISBN 978-0-660-73761-4

Cover photos: Northwest Territories Health and Social Services Authority

# At a Glance



## Overall message

Overall, the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority failed to show how the Stanton Territorial Hospital Renewal Project provided both the government and residents of the Northwest Territories with good value for money as a public-private partnership (P3). In our view, this was due to a lack of evidence-based decision making to inform significant changes to the project scope over time, not including and underestimating key costs when planning for the project, and a lack of information to show that the project provided the expected economic benefits to local and northern individuals and businesses.

When the government first approved the renewal of the Stanton Territorial Hospital, it included only the renovation and expansion of the original hospital building. It was with this project scope that the government approved a P3 procurement process to transfer most of the financing and construction, operating, and maintenance risks to the private sector. However, the project scope changed significantly when the winning bid was accepted—to build a new hospital and renovate the existing hospital building to lease it out. The P3 arrangement that the departments and the authority ultimately established was done without re-analyzing whether a P3 arrangement based on a new project scope was still the best value-for-money option compared with a traditional procurement model. According to the government, the original contract value of \$750 million was already the largest project it had ever undertaken. We estimated that the actual and projected costs over the 30-year life of the project increased that number by 62% to more than \$1.2 billion at the end of March 2023.

With the new project scope, the Department of Infrastructure conducted a value-for-money analysis related to leasing the original hospital building to a third-party developer for 30 years. The departments and the authority moved forward with a lease arrangement on the premise that it would achieve the best value for money; however, the government subsequently subleased the entire building back from the developer for its own use without the Department of Infrastructure re-analyzing whether this option would still achieve good value for money. The sublease made the government a rent-paying tenant in the building that it owns and committed the government to paying the developer rent and other fees as a tenant in its own building and taking back some of the risks it had originally intended to transfer to the developer for nearly 30 years. We also found that the sublease was entered into without the required approval.

## Key facts and findings



- Roles and responsibilities among the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority for the management of the project were not well defined.
- Information related to conflict-of-interest declarations and conversations with bidders was missing from the departments' and the authority's procurement records.
- The departments and the authority ultimately accepted to move forward with a public-private partnership (P3) project without determining whether the project offered better value for money as a public-private partnership than a traditional procurement method.
- The Department of Infrastructure could not provide us with evidence that it had verified that the over \$71 million it reported as going to registered local and northern businesses was accurate.
- We estimated that by the end of our audit period, June 2023, the actual and projected costs over the 30-year life of the project reached about \$1.21 billion. This is about 62% higher than the original expected contract costs that were reported in 2015.

See [Recommendations and Responses](#) at end of this report.

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# Introduction

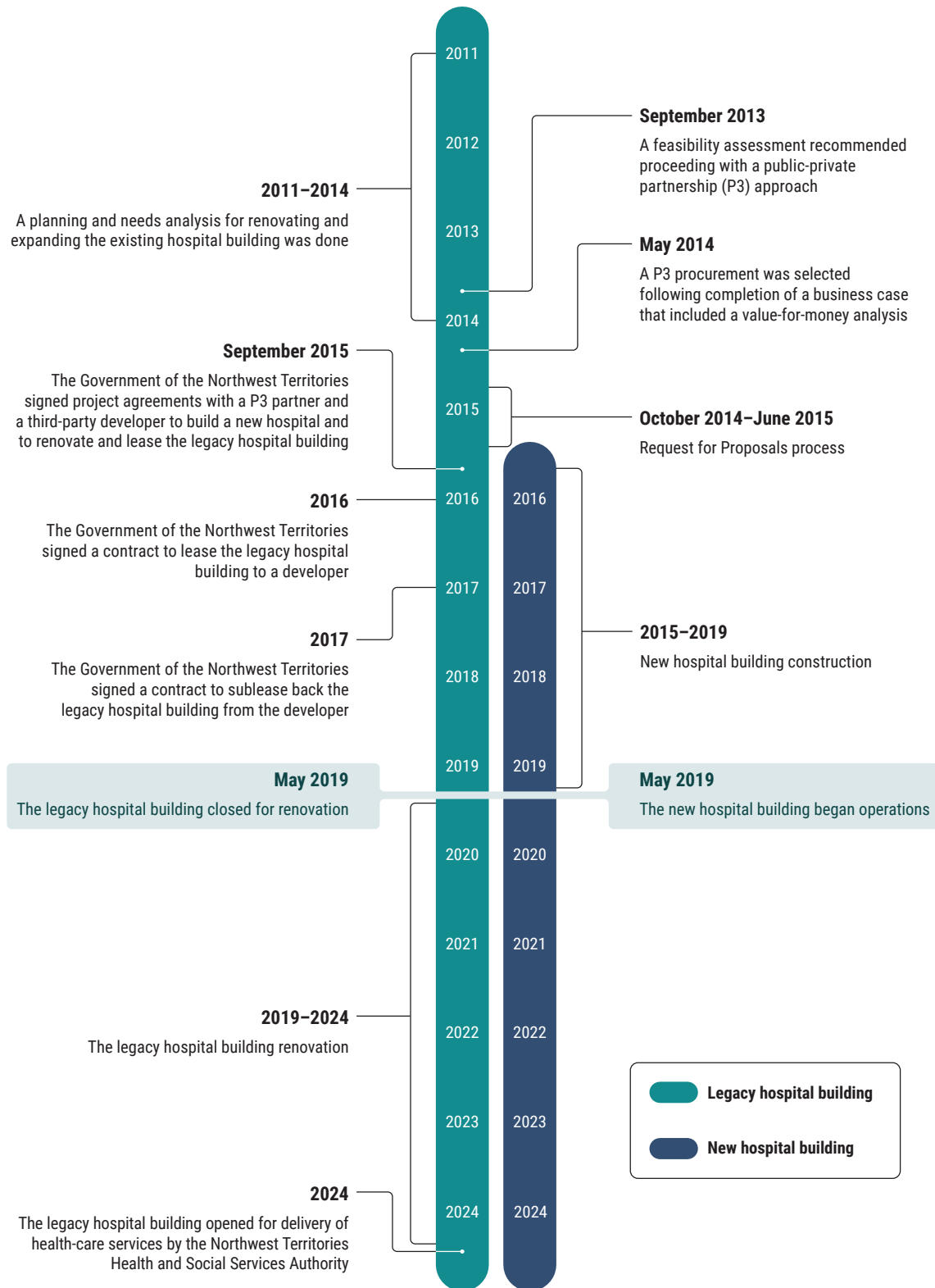
## Background

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### The Stanton Territorial Hospital Renewal Project

1. Located in Yellowknife, the Stanton Territorial Hospital is the largest hospital in the Northwest Territories, serving patients from all regions of the territory and the Kitikmeot region of Nunavut. The original hospital opened in 1988. A new hospital was built on the same grounds and began operations in 2019. At the same time, the old hospital, referred to as the legacy hospital building in this report, closed for renovations to prepare for leasing. After our audit period, in October 2023, the legacy hospital building was renamed the Łiwegqatì Building.
2. The Legislative Assembly of the Northwest Territories asked our office to conduct a performance audit of the Stanton Territorial Hospital Renewal Project, which used a public-private partnership (P3) model for the project. ([Exhibit 1](#)) shows the timeline of key milestones related to the hospital renewal project.

**Exhibit 1—Stanton Territorial Hospital Renewal Project timeline (2011–2024)**



Note: The legacy hospital building opened in May 2024, which occurred after our audit period.

Source: Based on information provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority



**Exhibit 1—Stanton Territorial Hospital Renewal Project timeline (2011–2024)—Text description**

This timeline has 2 narrow, vertical columns with years marked inside them and text on both sides of the columns describing the milestones. The first column shows milestones starting at the top from 2011 and progresses down to 2024 for the legacy hospital building, which was the original hospital. The second, shorter column, shows milestones starting at the top from 2015 and progresses down to 2024 for the new hospital building.

2011–2014, for the Stanton Territorial Hospital Renewal Project, including the legacy hospital building, which was the original hospital: A planning and needs analysis for renovating and expanding the existing hospital building was done

September 2013, for the Stanton Territorial Hospital Renewal Project: A feasibility assessment recommended proceeding with a public-private partnership (P3) approach

May 2014, for the Stanton Territorial Hospital Renewal Project: A P3 procurement was selected following completion of a business case that included a value-for-money analysis

October 2014–June 2015, for the legacy hospital building: Request for Proposals process

September 2015, for the Stanton Territorial Hospital Renewal Project: The Government of the Northwest Territories signed project agreements with a P3 partner and a third-party developer to build a new hospital and to renovate and lease the legacy hospital building

2016, for the legacy hospital building: The Government of the Northwest Territories signed a contract to lease the legacy hospital building to a developer

2017, for the legacy hospital building: The Government of the Northwest Territories signed a contract to sublease back the legacy hospital building from the developer

May 2019, for the legacy hospital building: The legacy hospital building closed for renovation

2019–2024, for the legacy hospital building: The legacy hospital building renovation

2024, for the legacy hospital building: The legacy hospital building opened for delivery of health-care services by the Northwest Territories Health and Social Services Authority

2015–2019, for the new hospital building: New hospital building construction

May 2019, for the new hospital building: The new hospital building began operations

Note: The legacy hospital building opened in May 2024, which occurred after our audit period.

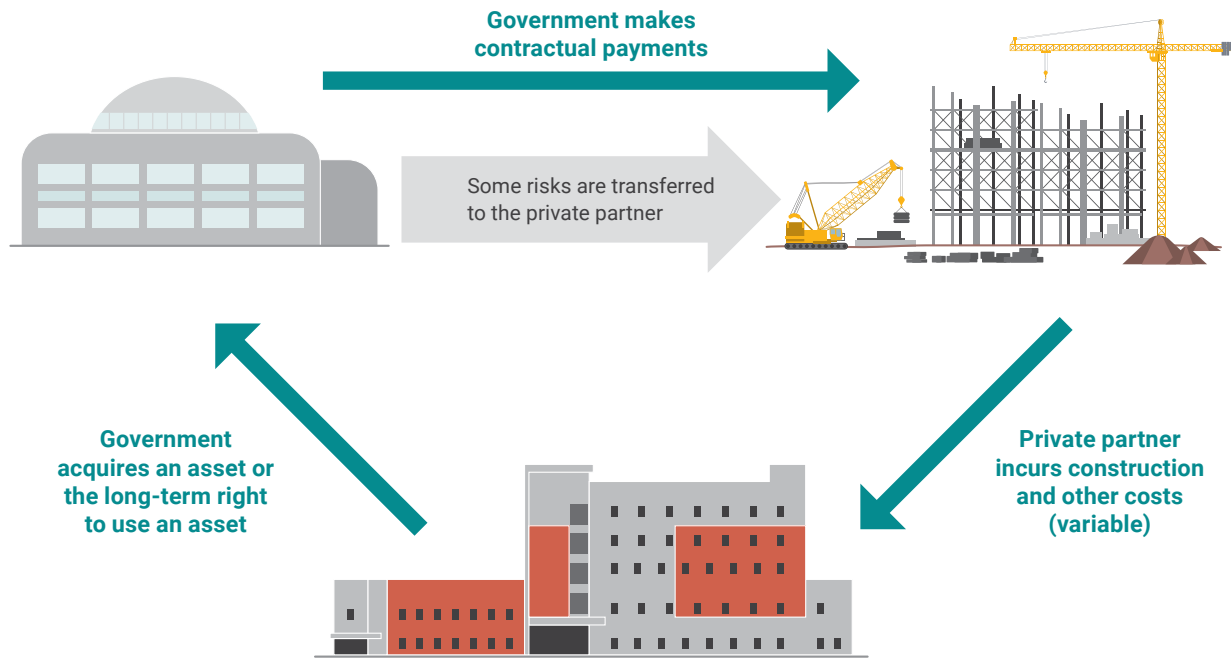
Source: Based on information provided by the departments of Finance, Infrastructure, and Health and Social Services; and the Northwest Territories Health and Social Services Authority.

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**Public-private partnership (P3) model**

3. Governments sometimes use a public-private partnership (P3) model to manage infrastructure projects ([Exhibit 2](#)). With these arrangements, the government hires a private corporation or partner to design, build, acquire, or upgrade infrastructure, finance it after it is available for use, and operate and/or maintain it. These arrangements have different financial implications than the traditional approach to building and managing infrastructure projects.

**Exhibit 2—Public-private partnership (P3) model at a glance**



Source: Based on an illustration in the Commentary on the 2016–2017 Financial Audits, Office of the Auditor General of Canada

**Exhibit 2—Public-private partnership (P3) model at a glance—Text description**

This illustration shows 3 stages in the process of a P3. Each one has an illustration with arrows pointing to the next stage in a circular design.

The first illustration is a grey building in the shape of the Northwest Territories Legislative Building, with its distinctive curved roof. A green arrow points to the right of the building with text above: Government makes contractual payments. A grey arrow also points to the right with text inside: Some risks are transferred to the private partner.

Both arrows point to an illustration of a construction site with a yellow boom truck beside the grey, steel skeleton of a building under construction. Beside the building frame is a tall, yellow stationary crane.

A green arrow points down from the construction illustration with text beside the arrow: Private partner incurs construction and other costs (variable). The arrow points to a grey and orange illustration of a hospital building.

From the hospital building, a green arrow points up with text beside it: Government acquires an asset or the long-term right to use an asset. The arrow points from the hospital building toward the legislative building.

Source: Based on an illustration in the Commentary on the 2016–2017 Financial Audits, Office of the Auditor General of Canada

4. Governments can use a P3 as a form of long-term financing and to benefit from private-sector expertise. A P3 is also a way to transfer to the private partner some of the risks of the project, such as cost overruns and delays.

5. There is a cost to governments for transferring these types of risks to the private partner, compared with undertaking and financing these projects themselves. For example, the private partner typically seeks to recover from governments the interest charges on the amounts it borrowed from private banks at rates that are higher than the preferential borrowing rates available to the governments. Cost-benefit analyses and value for money and risk assessments are therefore important steps to take before a decision is made to proceed with a P3 project.

6. P3s can take different forms, with varying degrees of public and private-sector involvement. In a simple scenario, the private corporation incurs and finances the construction costs upfront. Meanwhile, the government commits to reimburse the private partner an amount set out in the terms of the P3 agreement, through a series of payments spread over a period, extending beyond the construction period.

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**Entities involved**

7. The departments and the authority involved in the Stanton Territorial Hospital Renewal Project are shown in ([Exhibit 3](#)).

## Exhibit 3—Entities involved in the Stanton Territorial Hospital Renewal Project

Entity	Overall responsibilities	Public-private partnership (P3) responsibilities
<b>Financial Management Board (FMB)</b>	Chaired by the Minister of Finance Manages and administers the Government of the Northwest Territories' financial matters, including <ul style="list-style-type: none"> <li>• evaluating economy, efficiency, and effectiveness of programs</li> <li>• approving plans, policies, and strategies associated with human resources management and information management and technology</li> </ul>	Approves the government's capital plan, including possible P3 projects Reviews the business case and other P3 assessments and approves progressing to the next step in the process
<b>Management Board Secretariat (a division within the Department of Finance)</b>	Supports the Financial Management Board by providing recommendations based on information it receives from departments (below)	Supports the Financial Management Board by providing recommendations based on information it receives from departments (below)
<b>Department of Finance<sup>1</sup></b>	Obtains, manages, and controls the government's financial resources required to implement policies and programs	Oversees the P3 process as project director Assists with and advises on the evaluation of the potential and financial terms for P3s The Deputy Minister is accountable for <ul style="list-style-type: none"> <li>• administering the P3 policy</li> <li>• supporting the Financial Management Board with its P3 responsibilities</li> </ul>
<b>Department of Infrastructure<sup>2</sup></b>	Provides services for the planning, design, construction, acquisition, and operation and maintenance of government infrastructure	Supports P3s through the design and construction phases Assists client departments with preparing and issuing P3 documents such as the Request for Proposals
<b>Department of Health and Social Services</b>	Supports the health and well-being of the residents of the Northwest Territories Leads some planning of health facilities in collaboration with the Department of Infrastructure Approves in writing the construction, acquisition, alteration or operation of health services facilities	As a client department, defines and assesses the needs and requirements for a P3 project Is part of the P3 project team during the procurement and implementation phases Monitors compliance with the P3 agreements

Entity	Overall responsibilities	Public-private partnership (P3) responsibilities
<b>Northwest Territories Health and Social Services Authority<sup>3</sup></b>	<p>Established by the Minister of Health and Social Services to design, plan, and deliver health and social services across the Northwest Territories</p> <p>Leads some planning of health facilities in collaboration with the Department of Infrastructure</p>	<p>As a client department, manages, controls, and operates health facilities, including the financial and human resources needed to provide services</p> <p>Monitors compliance with the P3 agreements</p>

■ Political executive

■ Public Service

1. The Procurement Shared Services Division transferred from the Department of Infrastructure to the Department of Finance in July 2020.
2. The Department of Public Works and Services changed to the Department of Infrastructure on 1 April 2017 after merging with the Department of Transportation.
3. The Northwest Territories Health and Social Services Authority was established on 1 August 2016 by amalgamating 6 regional health authorities, including the regional health authority responsible for the Stanton Territorial Hospital.

Source: Based on information provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority

## Focus of the audit

8. This audit focused on whether the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority delivered on their responsibilities and commitments for the Stanton Territorial Hospital Renewal Project, including whether this project provided good value for money for the government and residents of the Northwest Territories.

9. The Stanton Territorial Hospital Renewal Project is a public-private partnership (P3) that included

- building a new hospital
- removing hazardous materials from the legacy hospital building
- renovating and leasing the legacy hospital building
- operating and maintaining both buildings for about 30 years

10. This audit is important because according to the Government of the Northwest Territories, the Stanton Territorial Hospital Renewal Project is the largest building project it has ever undertaken. The consequences of decisions made, including the associated financial impacts, such as long- and short-term costs of the project, will have long-lasting impacts on the people of the Northwest Territories and the expenses of the government over the 30-year term of the project.

11. More details about the audit objective, scope, approach, and criteria are in [About the Audit](#) at the end of this report.

# Findings and Recommendations

## Planning and procurement

**The Department of Finance did not re-analyze whether a public-private partnership would achieve better value for money when it accepted a significantly different project scope than the renewal and expansion of the existing hospital**

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### Why this finding matters

12. This finding matters because projects funded by public money must be well planned and managed to provide good value for money. Further, when public infrastructure projects are undertaken using a public-private partnership (P3) model, it should be clear through documented analysis how using this model provides financial and non-financial benefits to the government and the public beyond that of a traditional procurement model. Given the magnitude and long-term nature of P3 projects, the consequences of poor financial planning and management can cost taxpayers a significant amount of money for a long period of time.

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### Context

13. The departments of Health and Social Services and Infrastructure engaged experts who conducted a planning study between 2011 and 2013 to assess options to meet applicable codes and standards and updated service requirements for the Stanton Territorial Hospital, which was originally built and in service in 1988. Based on this study, the Department of Health and Social Services determined that

- the hospital needed a renovation and expansion since the building structure was sound but other components, such as the plumbing and electrical systems, were coming to the end of their useful lives
- renovating and expanding the building would provide significant cost savings over building a new hospital

14. In late 2013, the Department of Finance engaged other experts to complete a **feasibility assessment**<sup>1</sup> and **business case**<sup>2</sup>, which included a value-for-money analysis for the renovation and expansion of

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<sup>1</sup> **Feasibility assessment**—A preliminary analysis that provides evidence that the project has sufficient potential to provide value for money using a P3 model when compared with a traditional procurement process.

<sup>2</sup> **Business case**—An in-depth analysis that provides evidence that the project should provide value for money when compared with a traditional procurement process and that the project warrants proceeding to market as a P3 procurement.

Source: The Government of Northwest Territories Public Private Partnerships (P3) Management Framework

the hospital using a P3 model. The feasibility assessment and business case concluded that using a P3 model for the project compared with a traditional procurement process was best suited for the renovation and expansion project.

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## Findings

15. We found that the value-for-money analysis in the 2013 business case that supported the use of a P3 model for the hospital redevelopment was based on renovating and expanding the existing hospital building.

16. In October 2014, the Government of the Northwest Territories issued a Request for Proposals (RFP) for the hospital renewal project. We found that the RFP for the hospital renewal project allowed bidders flexibility in meeting the departments' and the authority's objectives. This allowed bidders to propose options other than renovating and expanding the existing hospital building that the entities could consider. The RFP also required that the existing legacy hospital building be used. The decision to accept or reject whether options proposed by the bidders met the project's objectives was at the entities' discretion. The bidding process closed in June 2015 and the contracts were awarded in September 2015. (For our findings related to the RFP process and evaluations, [see paragraphs 22–26.](#))

17. We found that the contracts awarded to the winning bidder, Boreal Health Partnership, were for a significantly different project scope than what was analyzed in the 2013 business case. The departments and the authority reported that Boreal had proposed to build a new hospital and operate and maintain it for 30 years. Boreal also committed to an alternative use for the legacy hospital building, where it would carry out initial renovations to remove and manage hazardous materials. Once this work was complete, the intention was that the third-party developer Ventura Stanton Inc., would carry out additional renovations and manage the leasing of the legacy hospital building and assume almost all capital and operating costs and risks for the building on behalf of the departments and the authority for 30 years. (For our findings related to the legacy hospital building leasing arrangements, [see paragraphs 29–36.](#))

18. We also found that the departments and the authority accepted Boreal's proposal without determining whether the new project scope still offered better value for money as a public-private partnership than a traditional procurement method. The 2013 value-for-money analysis in the business case did not contemplate the new project scope that was proposed by the bidder that was awarded the contracts.

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## Recommendation

19. For future public-private partnerships, the departments of Finance and Infrastructure and government entities involved in these projects such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority should
- assess and document innovations and project scope changes included in bidder proposals to determine whether they constitute a significant change that could impact the expected value for money
  - update value-for-money assessments with the most up-to-date information available from bidders before finalizing contracts to confirm that value for money is still expected to be achieved

***The Department of Finance's response.*** *Agreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Information related to conflicts of interest and communication with bidders was missing from the entities' procurement records

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### Why this finding matters

20. This finding matters because completing conflict-of-interest declarations as part of a procurement process assists in assessing whether real or perceived conflicts of interest may exist between those making decisions related to the procurement and parties bidding on projects. It is important that relationships are disclosed and assessed and mitigation measures are put in place to address the potential for real or perceived bias or unfair treatment.

21. This finding also matters because maintaining records of communications and in-person meetings assists in demonstrating that all bidders have access to the same information and that this information is clear enough for proponents to fully understand the procurement opportunity. According to the Department of Infrastructure's guidance, procurement records should be maintained until the contract is completed or terminated.

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### Findings

22. We found that a Fairness Monitor was hired by the Department of Infrastructure to oversee the Request for Proposals (RFP) process for the Stanton Territorial Hospital Renewal Project. This included monitoring aspects of the RFP process, such as communications with bidders, bid evaluations, and conflict-of-interest measures. The Fairness Monitor concluded in 2015 that the procurement process was done in a transparent and impartial manner. At the time of our audit, we found



that the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority did not have documentation to demonstrate that they followed key procurement guidelines.

23. We found that the departments and the authority were unable to provide evidence to demonstrate that they provided equal access to consistent information to the bidders. While we were provided formal question-and-answer forms, which were the official record of communications, the entities were not able to provide other records of in-person meetings or phone calls with bidders.

24. We found that the departments and the authority were unable to provide us with evidence of the conflict-of-interest declaration forms for many of the individuals involved in the RFP process for the project. This included individuals involved in the evaluation of the bids. Without such declarations, the departments and the authority could not assess whether those involved in decision making related to the RFP had a real or perceived conflict of interest that needed to be mitigated or addressed.

25. We also found that the conflict-of-interest declaration forms that we did receive were not completed until about 6 months after the RFP process had started, which was after communications with bidders and changes to the RFP had already occurred. This was because the Department of Infrastructure sent Government of Northwest Territories staff and contractors the forms only about 6 months into the process. In addition, we found that although some individuals who completed forms did disclose relationships, we were provided no evidence that the relationships had been evaluated by the departments and the authority, considered acceptable, or that mitigation strategies were implemented.

26. Further, we found that the forms did not require the departments' and authority's staff and contractors to state whether they had relationships with Ventura, even though the conflict-of-interest declaration forms were completed after the entities became aware that Boreal was including Ventura in its proposal part-way through the procurement process.

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## Recommendation

27. For future procurement processes, the departments of Finance and Infrastructure, with support from other government entities involved in these projects, such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority, should ensure that the conflict-of-interest declaration process

- is completed by necessary individuals in a timely manner

- assesses disclosed relationships in a timely manner to determine whether a real or perceived conflict of interest is present and whether mitigation measures are required
- retains the results of the process in the procurement file

***The departments' response.*** *Agreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

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## Recommendation

28. For future procurement processes, the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority should document interactions with bidders and ensure they are provided with equal access to consistent information.

***The departments' and the authority's response.*** *Agreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Leasing of the legacy hospital building

### The government became a tenant in its own building and the departments and the authority took back most costs and risks in the leasing arrangement

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#### Why this finding matters

29. This finding matters because it is important that the Government of the Northwest Territories use its properties efficiently and economically. Decisions on how to use these properties should be based on complete analyses to maximize the value for money for taxpayers. This finding also matters because the intended benefits of public-private partnerships (P3s) include the transfer of some project risks, such as cost overruns, to a private partner and for the government to benefit from private-sector expertise.

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#### Context

30. Several agreements were put in place between September 2015 and October 2017 regarding the leasing arrangement of the legacy hospital building for the Stanton Territorial Hospital Renewal Project ([Exhibit 4](#)).

**Exhibit 4—The leasing arrangement for the Stanton Territorial Hospital Renewal Project**

Portion of arrangement and date	Key details
Stanton Territorial Hospital Project Agreement, 2015	Signed between the Government of the Northwest Territories and Boreal Health Partnership for Boreal to <ul style="list-style-type: none"> <li>• design, build, finance, operate, and maintain the new hospital</li> <li>• complete initial remediation to remove and manage hazardous materials in the legacy hospital building</li> </ul>
Agreement to lease, 2015	Boreal Health Partnership was required to deliver the agreement to lease for the legacy hospital building executed by a third-party developer, Ventura Stanton Inc. This agreement set the initial terms and conditions in which a developer (Ventura) would renovate and rent the legacy hospital building to other tenants. The government would receive a portion of the rent. A more detailed lease agreement was to follow.
Legacy hospital building remediation agreement, 2015	The legacy hospital building remediation agreement was dated the same day as the Stanton Territorial Hospital Project Agreement. Signed between the Government of the Northwest Territories, Boreal Health Partnership, and a developer (Ventura) to set the terms and conditions of the initial remediation (see above) to remove and manage hazardous materials in the legacy hospital building.
Lease with Ventura, 2016	The Government of the Northwest Territories signed a 30-year lease with Ventura for the land and the legacy hospital building.
Lease back from Ventura, 2017 (sublease)	The Government of the Northwest Territories, as the tenant, entered into a lease for the legacy hospital building with Ventura, as the landlord, for 30 years less a day.

Note: Confidentiality requirements limit what can be disclosed related to aspects of the leasing arrangement. We use the term “leasing arrangement” to cover all components of the agreements in Exhibit 4.

Source: Based on public information and information from the Stanton Territorial Hospital Renewal Project agreement and contracts provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority

**Findings**

31. We found that, in 2015, the Department of Infrastructure conducted a value-for-money analysis of leasing the existing hospital, known as the legacy hospital building, to a third-party developer (Ventura). Leasing the legacy hospital building was part of Boreal’s proposal to build a new hospital. In the arrangement, the third-party developer would rent the space to tenants and the Government of the Northwest Territories would receive a portion of the revenue from the rent. We found that the department’s analysis did not include the option where the government itself retained the legacy hospital building and used the entire space, which it owned, to accommodate its own services.

32. We also found that the departments' and the authority's decision to move forward with the leasing arrangement in 2015 was based on the premise that it had the potential to achieve value for money through

- receiving a share of tenants' rent over the course of the 30-year term of the lease to Ventura
- the transfer of redevelopment risks and costs, including capital, operating, and tenancy, to Ventura over the 30-year term of the lease

33. In 2016, the government signed a 30-year lease with Ventura ([Exhibit 4](#)). Confidentiality requirements in the lease limit what can be disclosed related to aspects of the leasing arrangement.

34. However, we found that the government subsequently subleased back the entire legacy hospital building from Ventura in 2017 for 30 years less a day ([Exhibit 4](#)). We found that the departments and the authority made the decision without confirming this option would result in the best value for money. This meant that the government became a tenant in its own building, paying to Ventura (see paragraph 58), the landlord

- base rent
- additional rent for operating and maintenance costs
- other fees

35. In 2018, the government decided to use the legacy hospital building for the Department of Health and Social Services. We found that the departments of Health and Social Services, Infrastructure, and Finance were aware since early 2014 that more physical space was needed for the delivery of health-care services. We expected that the departments and the authority would have analyzed whether simply moving the needed health services into a building the government owned, without a third party becoming its landlord, would provide the best value for money.

36. We found that about 3 years after the government subleased back the legacy hospital building, the departments of Health and Social Services and Infrastructure decided they would carry out most of the renovations for health services in the legacy hospital building themselves. This decision was not consistent with the departments' and the authority's original intention to transfer to Ventura the capital risks and costs associated with redeveloping the legacy hospital building ([Exhibit 5](#)). Transferring these redevelopment risks and costs was a key component for the initial decision to use a P3 model.

**Exhibit 5—The government shifted from leasing the legacy hospital building to Ventura to paying Ventura rent, additional rent for operating and maintenance costs, and other fees as its tenant**



Note: Confidentiality requirements limit what can be disclosed related to aspects of the leasing arrangement. We use the term “leasing arrangement” to cover all components of the agreements in Exhibit 4.

Source: Based on public information, Stanton Territorial Hospital Renewal Project agreements and contracts, and other documents provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority

**Exhibit 5—The government shifted from leasing the legacy hospital building to Ventura to paying Ventura rent, additional rent for operating and maintenance costs, and other fees as its tenant—Text description**

This chart shows the change in transfer of legacy hospital building risks and costs between the government and Ventura from the 2015 agreement to lease to the 2017 sublease.

The agreement to lease box includes an illustration of a hand holding keys and text: The Government of the Northwest Territories intends to lease the legacy hospital building to Ventura for 30 years.

Two text boxes explain events from 2015:

- The government intends to transfer redevelopment risks and costs, including capital, operating, and tenancy, to Ventura

**Exhibit 5—Text description continued**

- The government intends to receive a portion of rental revenues from Ventura’s tenants (government or non-government) and for Ventura to receive a return on the money it spends on the legacy hospital building

The lease box includes an illustration of a piece of paper being written on by a pen. A separate text box explains an event from 2016: The government signs a 30-year lease with Ventura.

The legacy hospital building sublease agreement box includes an illustration of a hand receiving keys and text: The Government of the Northwest Territories subleases back the legacy hospital building from Ventura for 30 years less a day.

Five text boxes explain events in 2017 and 2021:

- 2017: The government agrees to pay Ventura rent for 30 years less a day
- 2017: The government agrees to pay additional rent to reimburse Ventura for operating and maintenance costs and other fees
- 2017: The government should receive a portion of future rental revenues
- 2017: Ventura to receive a return on the money it spends on the legacy hospital building
- 2021: The Department of Health and Social Services finances most of the renovation costs for health-care services in the legacy hospital building after the government leased it back from Ventura

Note: Confidentiality requirements limit what can be disclosed related to aspects of the leasing arrangement. We use the term “leasing arrangement” to cover all components of the agreements in Exhibit 4.

Source: Based on public information, Stanton Territorial Hospital Renewal Project agreements and contracts, and other documents provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority

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**Recommendation**

37. For future public-private partnerships, the departments of Finance and Infrastructure and government entities involved in these projects, such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority, should

- update value-for-money analyses as arrangements change, to determine whether the arrangement maximizes public benefits
- for facility replacements, evaluate whether repurposing the existing capital assets to deliver other services provides value for money

***The Department of Finance’s response. Agreed.***

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Monitoring

### The departments and the authority monitored the Stanton Territorial Hospital Renewal Project

#### Why this finding matters

38. This finding matters because accurate and timely monitoring can identify problems and address them before they become critical. Further, monitoring increases public confidence in the management of government projects.

#### Findings



Build resilient infrastructure, promote sustainable industrialization and foster innovation

Source: United Nations

39. We found that, during the design and construction phases for the new hospital, the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority monitored various aspects of the project, such as accessible and culturally sensitive design, climate resilience design, and mechanical components. Although the Government of the Northwest Territories had not officially adopted the Sustainable Development Goals in the United Nations' 2030 Agenda for Sustainable Development, this finding showed that the entities supported the development of sustainable and resilient infrastructure, with a focus on equitable access for all (target 9.1). This contributes to the goal of resilient infrastructure, inclusive and sustainable industrialization, and innovation (Goal 9).

40. We found that, as the entity responsible for the new hospital's operating phase, the Northwest Territories Health and Social Services Authority actively monitored this phase of the project. One aspect of the monitoring included payments to Boreal based on monthly service delivery. The authority began collecting monthly performance reports from Boreal once the hospital was operational. The authority relied on Boreal's self-reporting in the performance reports and its own on-site observations to determine whether monthly payments for the hospital's non-health care services were accurate. Their review of these reports identified some errors for services, such as security and catering, which resulted in some payments from the Department of Health and Social Services to Boreal being reduced.

41. We found that the departments and the authority effectively monitored the legacy hospital building's remediation and initial renovation. Boreal was responsible for the remediation work, which included demolition and removal of hazardous materials, and completed this work in January 2020. Ventura was responsible for initial

renovation work required to bring the legacy hospital building up to a standard required for subleasing to tenants and completed this work in November 2020.

42. We also found that the Department of Infrastructure effectively monitored the tenant-specific renovation work for health services in the legacy hospital building, which the departments of Health and Social Services and Infrastructure were responsible for and which started in March 2021. This consisted of the design and construction to redevelop the legacy hospital building to support services such as rehabilitation and long-term care.

## **The Department of Infrastructure was unable to show how the project benefited local and northern residents and businesses**

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### **Why this finding matters**

43. This finding matters because the Government of the Northwest Territories should maximize benefits to local and Northwest Territories individuals and businesses by providing incentives for them to participate in government procurement. Monitoring that local and Northwest Territories benefits are being achieved is critical to support Northwest Territories-based businesses and residents to sustain economic growth. These principles are outlined in the government's Business Incentive Policy.

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### **Findings**

44. We found that the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority included some commitments intended to provide benefits to local and northern individuals and businesses for the construction phase in the contract for the new hospital. This included a requirement for the contractor to provide a local and northern content summary to the Department of Infrastructure monthly. However, we found that the contract did not specify the details and evidence required to be provided to the Department of Infrastructure to support the monthly local and northern content summary. The contract also did not specify targets or a way to measure whether local and northern benefits were achieved.

45. We also found that the benefit commitments for local and northern residents and businesses in the contract were limited to the construction of the new hospital and the removal and management of hazardous materials from the legacy hospital building. There were no commitments or requirements, including reporting requirements related to the operation of the new hospital. We also found that the departments and the authority did not include commitments or



requirements, including reporting requirements, for local and Northwest Territories benefits for some components of the leasing arrangement for the project. However, confidentiality requirements limit what can be disclosed related to these aspects of the leasing arrangement.

46. Between October 2015 and November 2018, Boreal reported to the Department of Infrastructure that it spent over \$71 million on local and northern goods, services, and labour for the construction of the new hospital. We found that in January 2019, the department had not verified the accuracy of the reported amount. While the department tracked some of the reported amounts, it could not provide us with evidence that it monitored and verified that most of the reported amounts actually went to registered local and Northwest Territories businesses. For example, in January 2017, the Department of Infrastructure identified that there could be errors in Boreal's reporting, but it could not provide us with evidence that follow-up was done to confirm the accuracy of reported amounts or that the department took corrective action. However, the government publicly reported in July 2019 that over \$71 million was spent on local northern contractors.

47. Given the lack of evidence that the Department of Infrastructure had monitored and verified the accuracy of local and northern benefits it reported, we set out to do so for amounts reported by Boreal between October 2015, when the construction phase of the new hospital started, and November 2018, when the new hospital construction was substantially completed. However, we could verify amounts reported only up to January 2017 given limitations in the information that the Department of Infrastructure had collected. Our analysis was further limited because the historical business registry of Northwest Territories businesses was available only as of October 2016. For the 4 months from October 2016 to January 2017, the department could provide us with only 2 reports that summarized local and northern benefits: October 2016 and November 2016. Our analysis of these 2 monthly reports found that in each report at least 60% of the businesses listed were not registered Northwest Territories businesses. Without monitoring and validating the information received on commitments, the departments and the authority could not know whether the commitment in the contract to provide local and northern benefits was met.

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## Recommendation

48. The departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority should support the principles and intent of the Business Incentive Policy in future procurement processes by

- verifying that reported amounts spent to meet commitments to benefit registered local and Northwest Territories businesses are accurate

- tracking, monitoring, and reporting on adherence to requirements in contracts and agreements in order to take corrective actions when commitments are not met
- strengthening performance measurement for local and Northwest Territories content in future projects

***The Department of Finance's response. Agreed.***

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Roles and responsibilities

### Roles and responsibilities for the Stanton Territorial Hospital Renewal Project were poorly defined

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#### Why this finding matters

49. This finding matters because well-defined roles and responsibilities ensure that there is accountability for a project's successes and failures. This is reflected in the Government of the Northwest Territories' Project Management Manual, which states that key roles and responsibilities must be defined for all phases of a project, including planning, design, contracting and procurement, construction, and operating and maintenance.

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#### Findings

50. The Government of the Northwest Territories' public-private procurement (P3) policy requires that a Deputy Ministers' P3 Steering Committee is established. Its responsibilities are to include monitoring and evaluating the implementation of approved P3 agreements. We found that there were several teams and committees established for the Stanton Territorial Hospital Renewal Project with membership that included senior management from the departments of Finance, Infrastructure, Health and Social Services, and the Northwest Territories Health and Social Services Authority. This included 2 deputy minister committees. However, we found that the roles and responsibilities for the teams and committees were not well defined, and it was unclear whether the membership and responsibilities of the deputy minister committees were consistent with the P3 policy requirement.

51. We also found that there were inconsistencies among the government's various guidance documents. For example, the Public Private Partnerships (P3) Management Framework, which was approved by the Financial Management Board, stated that the Department of Finance was responsible for developing the Request for

Proposals (RFP) documents, while the Project Management Manual prepared by the Department of Infrastructure stated that the Department of Infrastructure was responsible for preparing RFP documents. Without clear and consistent guidance, with well-defined roles and responsibilities, there is a risk that the departments and the authority did not know who was responsible for completing key tasks for the project.

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## Recommendation

52. The departments of Finance and Infrastructure should work together to review, update, and monitor compliance with the guidance and policies related to project management, including public-private partnerships, to ensure consistency and that accountability is clear for all entities to support successful outcomes.

*The departments' response. Agreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Costs

### The project's overall costs were much higher than reported

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#### Why this finding matters

53. This finding matters because the Government of the Northwest Territories identified the Stanton Territorial Hospital Renewal Project as the largest building project it has ever undertaken. Higher-than-anticipated costs impact the expected value for money of the project. This finding also matters because providing relevant and up-to-date information on government spending helps the public better understand how taxpayer money is being spent and demonstrates whether objectives are being achieved.

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#### Findings

54. We found that although the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority publicly reported some key project milestones, public reporting about project costs was incomplete. In October 2015, after the final contracts were signed to build the new hospital and remediate and renovate the legacy hospital building, the entities reported that the total value of the contract with Boreal Health Partnership was about \$750 million. While the Government of the Northwest Territories did report on other planned project costs,

such as for other suppliers and services worth an additional \$50 million, we found that the estimated cost of the project was never reported publicly as \$800 million.

55. We found that the estimated total costs for the legacy hospital building leasing arrangement were not reported publicly. We also found that the cost information the departments and the authority reported to the public for the overall project was not timely or complete. At the time of our audit, the most recent public reporting on the estimated total project cost was from 2018, but this did not include estimated costs related to the legacy hospital building leasing arrangement, some of which were known by the departments and the authority at the time. Given the complexity of the project, providing complete and up-to-date information on total project costs in public reports was important to ensure transparency and build public trust.

56. We estimated that the actual and projected costs for the project were about \$1.21 billion, which is 62% (\$462 million) higher than the \$750-million agreement value reported by the Department of Finance in October 2015. We calculated this estimate of the total costs of the new hospital and the leasing arrangement for the legacy hospital building using the best information available at the time of our audit. For the projected costs, we included some assumptions, such as future expenditures consistent with actual expenditures to date and inflationary increases.

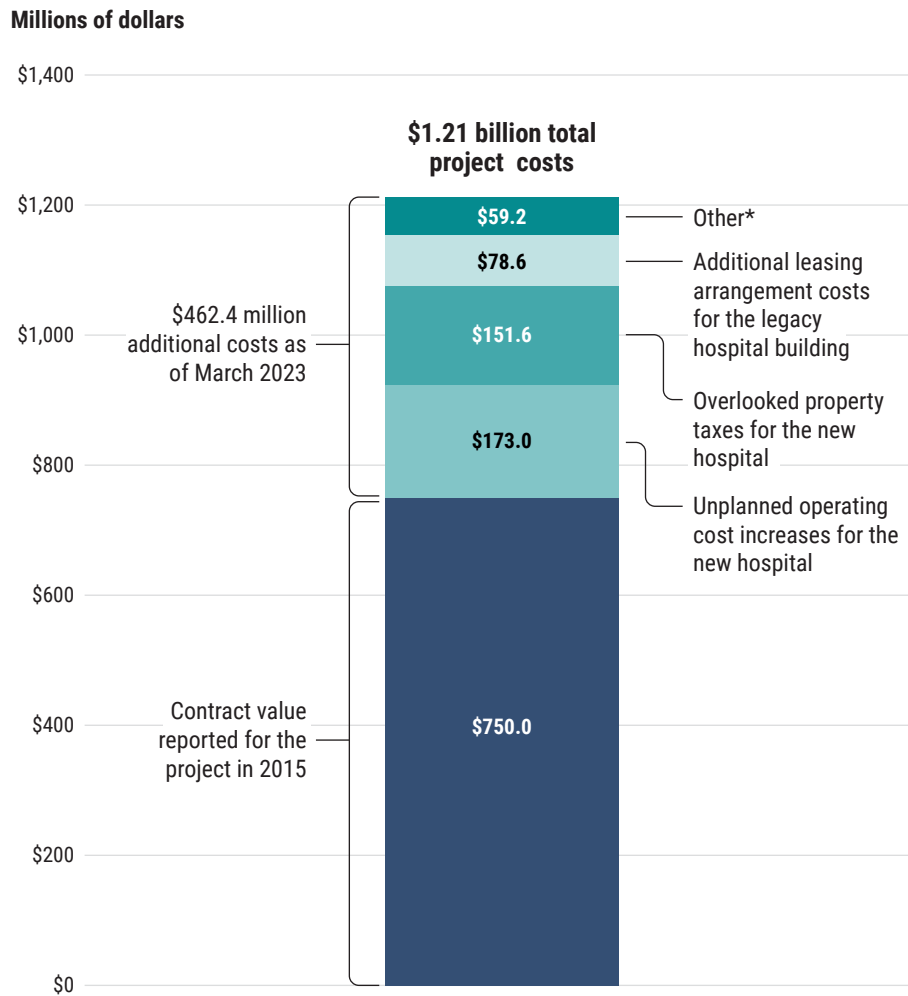
57. We found that there were various reasons for cost increases:

- The Department of Finance did not include annual property taxes for the new hospital when planning for the project. We estimated that these property taxes, including inflation, will cost at least \$151.6 million over the 30-year term of the project.
- In addition, we calculated that the operating costs for select non-medical services in the new hospital are projected to increase by at least \$173 million over the 30-year term of the project. These increases were based on a cost-benchmarking exercise that was built into the project agreement. The first benchmarking process, completed in December 2021, led to some services increasing in cost by 55% to 128% compared with the initial service costs included in the 2015 project agreement. We found that these cost increases were due in part to the departments and the authority underestimating the service needs before the P3 contracts were signed and external factors, such as inflation. These services will be subject to another cost-benchmarking exercise in 2027.

58. We also found that after the government subleased back the legacy hospital building in 2017, it took on additional costs. We estimated that the government's decision to sublease back the legacy hospital building will cost at least \$78.6 million more ([Exhibit 6](#)) than if the government had retained and used the building for Government of Northwest Territories health-care services. This estimate includes rent and other fees the entities are paying to sublease the legacy hospital building back but does not include costs for health care-related tenant renovations or the costs to deliver those health-care services. The estimate also includes the amount that the Department of Infrastructure estimated Ventura would invest in the legacy hospital building as of June 2021. The Department of Infrastructure did not confirm whether Ventura's total investment had changed since the end of June 2021. In the event this amount increases, so too will the total costs of the leasing arrangement to the government. This is because this investment impacts the amount of shared rental revenue the government will receive.

59. The total project costs are summarized in Exhibit 6. We estimated that as of the end of March 2023, the actual and projected costs for the project were at least \$1.21 billion.

**Exhibit 6—Additional costs of over \$462 million brought the total costs of the Stanton Territorial Hospital Renewal Project to about \$1.21 billion as of March 2023**



\* Other includes costs related to advisors (such as legal and financial experts), furniture, fixtures, equipment, and additional capital and operating cost differences from the 2015 reported contract value.

Source: Based on financial reporting published and other financial information provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority

### Exhibit 6—Additional costs of over \$462 million brought the total costs of the Stanton Territorial Hospital Renewal Project to about \$1.21 billion as of March 2023—Text description

This stacked bar chart has 2 main segments: the contract value reported for the project in 2015 of \$750.0 million; and, above it, the additional costs as of March 2023 of \$462.4 million broken down as the following:

- \$173.0 million: unplanned operating cost increases for the new hospital
- \$151.6 million: overlooked property taxes for the new hospital
- \$78.6 million: additional leasing arrangement costs for the legacy hospital building
- \$59.2 million: other, which includes costs related to advisors (such as legal and financial experts) furniture, fixtures, equipment, and additional capital and operating cost differences from the 2015 reported contract value.

Source: Based on financial reporting published and other financial information provided by the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority.

60. We found that the departments and the authority received key approvals for the project expenditures as required, with the exception of the approval to sublease back the legacy hospital building signed in October 2017. This is important because the sublease committed the departments and the authority to significant spending over the 30-year term of the leasing arrangement.

61. We also found that the departments and the authority incorporated the project's financial impacts into their calculations of debt and how much they were able to borrow as required by key authorities (such as the Government of the Northwest Territories' [Financial Administration Act](#) and regulations and the Fiscal Responsibility Policy).

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#### Recommendation

62. The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the Northwest Territories Health and Social Services Authority, should develop full cost estimates for projects that include all capital, lifecycle, operating (including property taxes), maintenance, and other associated project costs to make sure project estimates are comprehensive and reasonable.

***The department's response.*** *Agreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

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## Recommendation

63. The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the Northwest Territories Health and Social Services Authority, should publicly report detailed and complete project costs for the Stanton Territorial Hospital Renewal Project that supplement the reporting in the Public Accounts of the Government of Northwest Territories. This reporting should include

- costs related to the legacy hospital building leasing arrangement over the 30-year term of the project
- providing updates to total project costs when there are significant changes during the term of the project, such as for increased property taxes and operating expenses

This information should be reported in a timely manner to support transparency in the use of public funds.

***The department's response.*** *Disagreed.*

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Conclusion

64. We concluded that the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority did not deliver on their responsibilities and commitments for the Stanton Territorial Hospital Renewal Project and could not demonstrate that the project provided good value for money for the government and residents of the Northwest Territories. However, we found that the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority monitored the Stanton Territorial Hospital Renewal Project.



## About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the Stanton Territorial Hospital Renewal Project. Our responsibility was to provide objective information, advice, and assurance to assist the Northwest Territories Legislative Assembly in its scrutiny of the government's management of resources and programs and to conclude on whether the departments of Finance, Infrastructure, Health and Social Services, and the Northwest Territories Health and Social Services Authority complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

On 1 August 2016, the Stanton Territorial Health Authority was amalgamated with 5 other regional health and social service authorities to form the Northwest Territories Health and Social Services Authority. Throughout the audit report, the term "authority" refers to either authority, depending on the timing.

On 1 April 2017, the Department of Public Works and Services was amalgamated with the Department of Transportation to form the Department of Infrastructure. Throughout the audit report, the name "the Department of Infrastructure" refers to the department of Public Works and Services or Infrastructure, depending on the timing.

## Audit objective

The objective of this audit was to determine whether the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority delivered on their responsibilities and commitments for the Stanton Territorial Hospital Renewal Project, including whether this project provided good value for money for the government and residents of the Northwest Territories.

## Scope and approach

The audit included an examination of the actions of the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority to meet their key responsibilities in planning, managing, and overseeing the Stanton Territorial Hospital Renewal Project.

The focus of this examination was on the following phases of the hospital renewal project:

- **New hospital building:** planning, design, construction, operations (limited to delivery of select non-medical services)
- **Legacy hospital building:** planning phase and the leasing arrangement

The audit involved examining and analyzing key documents from the departments and the authority as well as relevant publicly available information. We had in-person and virtual interviews with officials from the departments and the authority. We also interviewed individuals and representatives from other organizations to obtain their perspectives on the project.

The audit did not assess activities undertaken by other Government of Northwest Territories organizations, Indigenous governments, or other third parties that were involved in the project. We also did not assess the safety of the buildings and whether they complied with industry building codes. Our focus was the entities' monitoring of the design, construction, operations (non-health care services), and maintenance of the new facility as well as the remediation, renovation, and tenant improvement work on the legacy hospital building. We did not assess the monitoring of clinical (health care) operations of the new hospital.

We integrated questions about the United Nations' Sustainable Development Goals into our audit approach. This reflects our commitment to do so in our own Sustainable Development Strategy. We also looked at issues related to equity, diversity, and inclusiveness.

## Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
<p>The roles and responsibilities of the departments of Infrastructure, Finance, Health and Social Services, and the Northwest Territories Health and Social Services Authority are well-defined for the Stanton Territorial Hospital Renewal Project.</p>	<ul style="list-style-type: none"> <li>• Finance Establishment Policy, Government of the Northwest Territories</li> <li>• <a href="#">Financial Administration Act</a>, Government of the Northwest Territories</li> <li>• Corporate Capital Planning Process, Government of the Northwest Territories, 2013</li> <li>• Health and Social Services Establishment Policy, Government of the Northwest Territories, 1999 and 2016</li> <li>• <a href="#">Hospital Insurance and Health and Social Services Administration Act</a></li> <li>• <a href="#">Hospital Insurance and Health and Social Services Administration Act: General Administration Regulations</a></li> <li>• <a href="#">Hospital Insurance and Health and Social Services Administration Act: Hospital and Health Care Facility Standards Regulations</a></li> <li>• <a href="#">Hospital Insurance and Health and Social Services Administration Act: Hospital Insurance Regulations</a></li> <li>• Infrastructure Establishment Policy, Government of the Northwest Territories, 2017</li> <li>• Ministerial Directive—Roles and Responsibilities of the Stanton Regional Health Board, 1999</li> <li>• Leasing of Improved Real Property Policy, Government of the Northwest Territories, 1998</li> <li>• Public Works and Services Establishment Policy, Government of the Northwest Territories, 2007 and 2015</li> <li>• Project Management Manual, Government of the Northwest Territories, 2011</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Public Private Partnerships (P3) Management Framework, Government of the Northwest Territories, 2011</li> </ul>

Criteria	Sources
<p>The departments of Infrastructure, Finance, Health and Social Services, and the Northwest Territories Health and Social Services Authority plan and manage the financial aspects of the Stanton Territorial Hospital Renewal Project to comply with financial authorities of the Government of the Northwest Territories.</p>	<ul style="list-style-type: none"> <li>• Finance Establishment Policy, Government of the Northwest Territories</li> <li>• <i>Financial Administration Act</i>, Government of the Northwest Territories</li> <li>• Financial Administration Manual, Government of the Northwest Territories</li> <li>• Fiscal Responsibility Policy, Government of the Northwest Territories</li> <li>• Corporate Capital Planning Process, Government of the Northwest Territories, 2013</li> <li>• Planning and Accountability Framework, Government of the Northwest Territories, 2016</li> <li>• Grants-in-Lieu of Property Taxes, Government of the Northwest Territories, 1998</li> <li>• Health and Social Services Establishment Policy, Government of the Northwest Territories, 1999 and 2016</li> <li>• <i>Hospital Insurance and Health and Social Services Administration Act</i></li> <li>• Infrastructure Establishment Policy, Government of the Northwest Territories, 2017</li> <li>• Ministerial Directive—Roles and Responsibilities of the Stanton Regional Health Board, Government of the Northwest Territories, 1999</li> <li>• Project Management Manual, Government of the Northwest Territories, 2011</li> <li>• Public Works and Services Establishment Policy, Government of the Northwest Territories, 2007 and 2015</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Public Private Partnerships (P3) Management Framework, Government of the Northwest Territories, 2011</li> </ul>

Criteria	Sources
<p>The departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority comply with key contracting and procurement requirements and authorities for the awarding of Stanton Territorial Hospital Renewal Project contracts.</p>	<ul style="list-style-type: none"> <li>• Disposal of Improved Real Property Policy, Government of the Northwest Territories, 2005</li> <li>• <a href="#">Government Contract Regulations</a></li> <li>• Health and Social Services Establishment Policy, Government of the Northwest Territories, 1999 and 2016</li> <li>• <i>Hospital Insurance and Health and Social Services Administration Act</i></li> <li>• Ministerial Directive—Roles and Responsibilities of the Stanton Regional Health Board, Government of the Northwest Territories, 1999</li> <li>• Leasing of Improved Real Property Policy, Government of the Northwest Territories, 1998</li> <li>• Procurement Guidelines, Government of the Northwest Territories, 2013 and 2018</li> <li>• Public Works and Services Establishment Policy, Government of the Northwest Territories, 2007 and 2015</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Revenue Leasing of Improved Real Property Policy, Government of the Northwest Territories, 1998</li> </ul>
<p>The departments of Finance, Infrastructure, Health and Social Services, and the Northwest Territories Health and Social Services Authority ensure that the procurement practices related to the Stanton Territorial Hospital Renewal Project incorporate mechanisms to maximize benefits to Northwest Territories residents and businesses.</p>	<ul style="list-style-type: none"> <li>• Business Incentive Policy, Government of the Northwest Territories, 2010</li> <li>• Northwest Territories Manufactured Products Policy, Government of the Northwest Territories, 2011</li> <li>• Leasing of Improved Real Property Policy, Government of the Northwest Territories, 1998</li> <li>• Procurement Guidelines, Government of the Northwest Territories, 2013 and 2018</li> <li>• Project Management Manual, Government of the Northwest Territories, 2011</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Public Private Partnerships (P3) Management Framework, Government of the Northwest Territories, 2011</li> <li>• Revenue Leasing of Improved Real Property Policy, Government of the Northwest Territories, 1998</li> </ul>

Criteria	Sources
<p>The departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority monitor the Stanton Territorial Hospital Renewal Project so that key requirements are met and any deficiencies are addressed.</p>	<ul style="list-style-type: none"> <li>• Finance Establishment Policy, Government of the Northwest Territories</li> <li>• <i>Financial Administration Act</i>, Government of the Northwest Territories</li> <li>• Financial Administration Manual, Government of the Northwest Territories, 2016</li> <li>• Fiscal Responsibility Policy, Government of the Northwest Territories</li> <li>• <i>Government Contract Regulations</i></li> <li>• Health and Social Services Establishment Policy, Government of the Northwest Territories, 1999 and 2016</li> <li>• <i>Hospital Insurance and Health and Social Services Administration Act</i></li> <li>• Infrastructure Establishment Policy, Government of the Northwest Territories, 2017</li> <li>• Ministerial Directive—Roles and Responsibilities of the Stanton Regional Health Board, Government of the Northwest Territories, 1999</li> <li>• Procurement Guidelines, Government of the Northwest Territories, 2013 and 2018</li> <li>• A Guide to the Project Management Body of Knowledge, Project Management Institute, 2013 and 2017</li> <li>• Public Works and Services Establishment Policy, Government of the Northwest Territories, 2007 and 2015</li> <li>• Project Management Manual, Government of the Northwest Territories, 2011</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Public Private Partnerships (P3) Management Framework, Government of the Northwest Territories, 2011</li> </ul>

Criteria	Sources
<p>The departments of Finance, Instructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority report on progress during the Stanton Territorial Hospital Renewal Project.</p>	<ul style="list-style-type: none"> <li>• Finance Establishment Policy, Government of the Northwest Territories</li> <li>• <i>Financial Administration Act</i>, Government of the Northwest Territories</li> <li>• Financial Administration Manual, Government of the Northwest Territories, 2016</li> <li>• <i>Hospital Insurance and Health and Social Services Administration Act</i></li> <li>• Ministerial Directive—Roles and Responsibilities of the Stanton Regional Health Board, Government of the Northwest Territories, 1999</li> <li>• A Guide to the Project Management Body of Knowledge, Project Management Institute, 2013 and 2017</li> <li>• Project Management Manual, Government of the Northwest Territories, 2011</li> <li>• Public-Private Partnership Policy, Government of the Northwest Territories, 2011 and 2017</li> <li>• Public Private Partnerships (P3) Management Framework, Government of the Northwest Territories, 2011</li> </ul>

### Period covered by the audit

The audit covered the period from 1 September 2013 to 30 June 2023. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

### Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 15 October 2024, in Ottawa, Canada.

### Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Jo Ann Schwartz, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

## Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p><b>19.</b> For future public-private partnerships, the departments of Finance and Infrastructure, and government entities involved in these projects such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority should</p> <ul style="list-style-type: none"> <li>• assess and document innovations and project scope changes included in bidder proposals to determine whether they constitute a significant change that could impact the expected value for money</li> <li>• update value-for-money assessments with the most up-to-date information available from bidders before finalizing contracts to confirm that value for money is still expected to be achieved</li> </ul>	<p><b>The Department of Finance’s response.</b> Agreed. For future public-private partnership (P3) projects, the Department of Finance will assess, document and update value for money assessments for added innovations, creativity and project scope changes by following the current P3 Management Framework. However, it is worth noting that the value for money calculation under the P3 Management Framework is a tool to determine if a project should be constructed/procured under a P3 model. The value for money calculation is not a tool or factor to determine if the Government of the Northwest Territories (GNWT) should develop an asset under more traditional construction/procurement models.</p> <p>The GNWT’s P3 Management Framework and procurement processes allow for project feasibility to be re-evaluated for bidder innovations and project scope changes.</p>



Recommendation	Response
<p><b>27.</b> For future procurement processes, the departments of Finance and Infrastructure, with support from other government entities involved in these projects, such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority, should ensure that the conflict-of-interest declaration process</p> <ul style="list-style-type: none"> <li>• is completed by necessary individuals in a timely manner</li> <li>• assesses disclosed relationships in a timely manner to determine whether a real or perceived conflict of interest is present and whether mitigation measures are required</li> <li>• retains the results of the process in the procurement file</li> </ul>	<p><b>The departments' response.</b> Agreed. The Departments of Finance and Infrastructure continue to improve its procurement processes since the procurement of the Stanton Renewal Territorial Hospital, and current practice aligns with the Office of the Auditor General of Canada's recommendation.</p> <p>The Departments understand how using the same templates as used for the Government of the Northwest Territories (GNWT) in general would be beneficial. On future public-private partnership (P3) projects, standard procurement templates and forms used by Procurement Shared Services (PSS) will be utilized and/or modified for the project to include the unique requirements for a P3 project. The current templates include the requirement for members of an evaluation committee to declare any conflicts of interest.</p> <p>To provide additional oversight in this area, P3 projects have a requirement for an independent Fairness Auditor to oversee P3 procurement process to ensure it is fair. This was done for the Stanton Renewal Territorial Hospital project, and the Department is in agreement with the Fairness Advisor's final report which raised no concerns with the procurement process related to this project.</p> <p>While the GNWT agrees with this recommendation, the GNWT believes it has already implemented this requirement. No further work on this recommendation is required.</p>

Recommendation	Response
<p><b>28.</b> For future procurement processes, the departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority should document interactions with bidders and ensure they are provided with equal access to consistent information.</p>	<p><b>The departments' and the authority's response.</b> Agreed. The Government of the Northwest Territories (GNWT) believes its current procurement practices are aligned with this recommendation and no further work is required. It is not uncommon once a large project like the Stanton Territorial Renewal Hospital is completed to incorporate lessons learned into procurement guidelines, procedures and templates. The Department of Finance established a Procurement Procedures Committee a number of years ago to continually improve on government procurement procedures.</p> <p>To this specific recommendation, Section 2.6.5, the Procurement Guidelines outlines that one Contact Person, through Procurement Shared Services (PSS), as the sole contact between bidders and the government and stipulates that "all contact with proponents should be formal, documented, and handled by the PSS Contract Administrators."</p> <p>Additionally, the Department's Procurement Guidelines address communication and documentation of Pre-Tender/Proposal Meetings in Section 2.3.5.</p> <p>The GNWT has had these specific guidelines in place for a number of years (prior to the start of this audit), which are considered best practice.</p>
<p><b>37.</b> For future public-private partnerships, the departments of Finance and Infrastructure and government entities involved in these projects, such as the Department of Health and Social Services and the Northwest Territories Health and Social Services Authority, should</p> <ul style="list-style-type: none"> <li>• update value-for-money analyses as arrangements change, to determine whether the arrangement maximizes public benefits</li> <li>• for facility replacements, evaluate whether repurposing the existing capital assets to deliver other services provides value for money</li> </ul>	<p><b>The Department of Finance's response.</b> Agreed. For future public-private partnership (P3) projects, the Department of Finance will update value for money analyses as arrangements change, including whether future repurposing of existing capital assets provide value for residents.</p>

Recommendation	Response
<p><b>48.</b> The departments of Finance, Infrastructure, and Health and Social Services, and the Northwest Territories Health and Social Services Authority should support the principles and intent of the Business Incentive Policy in future procurement processes by</p> <ul style="list-style-type: none"> <li>• verifying that reported amounts spent to meet commitments to benefit registered local and Northwest Territories businesses are accurate</li> <li>• tracking, monitoring, and reporting on adherence to requirements in contracts and agreements in order to take corrective actions when commitments are not met</li> <li>• strengthening performance measurement for local and Northwest Territories content in future projects</li> </ul>	<p><b>The Department of Finance’s response.</b> Agreed. Departments involved in project delivery should support the Department of Industry and Tourism’s Business Incentive Policy (BIP) whenever it is applicable. These efforts will be supported by the following:</p> <ul style="list-style-type: none"> <li>• The Department of Finance will continue to rely on the BIP registry and the statutory declarations from contractors to verify amounts spent to meet commitments to benefit the use of local and Northwest Territories (NWT) businesses.</li> <li>• The Department of Finance has introduced tracking of BIP content (labour, services, goods, and subcontractors) through the GNWT’s financial system (SAM). Formally tracking BIP data in SAM will improve monitoring and assessment of BIP compliance in construction contracts valued \$250,000 and over where BIP applies.</li> <li>• The Department of Finance is strengthening performance measurement for local and NWT content through the new Vendor Performance Management System (New Vendor Performance Management policy to hold vendors accountable, Government of Northwest Territories).</li> </ul>
<p><b>52.</b> The departments of Finance and Infrastructure should work together to review, update, and monitor compliance with the guidance and policies related to project management, including public-private partnerships, to ensure consistency and that accountability is clear for all entities to support successful outcomes.</p>	<p><b>The departments’ response.</b> Agreed. The Department of Finance will review, and if required, update the public-private partnership (P3) Management Framework, in consultation with impacted Departments, to ensure that the governance and accountability for P3 Projects are clear for all entities involved.</p> <p>Additionally, the Department of Infrastructure will review, and if required, update the Project Management Manual to ensure the governance and accountability for large capital projects are clear for all entities involved.</p>
<p><b>62.</b> The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the Northwest Territories Health and Social Services Authority, should develop full cost estimates for projects that include all capital, lifecycle, operating (including property taxes), maintenance, and other associated project costs to make sure project estimates are comprehensive and reasonable.</p>	<p><b>The department’s response.</b> Agreed. Since the Stanton Territorial Hospital Renewal Project, the Department of Finance has adjusted its budgeting process for departments and entities to include costs for review and approval by the Legislative Assembly (such as life cycles costs and ongoing operations and maintenance costs) that may be realized as part of new capital assets coming into service.</p>

Recommendation	Response
<p><b>63.</b> The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the Northwest Territories Health and Social Services Authority, should publicly report detailed and complete project costs for the Stanton Territorial Hospital Renewal Project that supplement the reporting in the Public Accounts of the Government of Northwest Territories. This reporting should include</p> <ul style="list-style-type: none"> <li>• costs related to the legacy hospital building leasing arrangement over the 30-year term of the project</li> <li>• providing updates to total project costs when there are significant changes during the term of the project, such as for increased property taxes and operating expenses</li> </ul> <p>This information should be reported in a timely manner to support transparency in the use of public funds.</p>	<p><b>The department's response.</b> Disagree. The Department of Finance considers the leasing costs related to the legacy hospital building over the 30-year term of the project to be separate from the public-private partnership (P3) Stanton Territorial Hospital Renewal Project as these were two distinct projects. Additionally, the legacy project does not qualify to be reported as a P3.</p> <p>The department will maintain its current practice when reporting for the Renewal project like any other capital project in the capital estimates (where applicable in the future) and in the public accounts.</p>

