

Standing Committee on
Public Accounts



Report on the Review of the Auditor General's 2024 Audit of the Stanton Territorial Hospital Renewal Project

20th Northwest Territories Legislative Assembly

Chair: Mr. Kieron Testart

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Public Accounts is pleased to provide its *Report on the Review of the Auditor General's 2024 Audit of the Stanton Territorial Hospital Renewal Project* and commends it to the House.



Mr. Kieron Testart
Chair, Standing Committee on Public Accounts

STANDING COMMITTEE ON PUBLIC ACCOUNTS

**REPORT ON THE REVIEW OF THE AUDITOR GENERAL'S 2024
AUDIT OF THE STANTON TERRITORIAL HOSPITAL RENEWAL
PROJECT**

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

REPORT ON THE REVIEW OF THE AUDITOR GENERAL'S 2024 AUDIT OF THE STANTON TERRITORIAL HOSPITAL RENEWAL PROJECT

EXECUTIVE SUMMARY

Stanton Territorial Hospital in Yellowknife, the NWT's largest healthcare facility, serves residents across the territory and Nunavut's Kitikmeot region. The original 1988 hospital was replaced on the same site in 2019. The former facility, later named the Łiwegòatì Building in October 2023, was designated for future leasing.

On March 11, 2020, Members of the Legislative Assembly requested a performance audit to be conducted by the Office of the Auditor General (OAG) of the Stanton Territorial Hospital Renewal Project, which used a public-private partnership (P3) model.

The OAG audited the Government of the Northwest Territories' (GNWT) Departments of Finance, Infrastructure, Health and Social Services (HSS), and the NWT Health and Social Services Authority (NTHSSA) to assess whether they fulfilled their responsibilities in the Stanton Territorial Hospital Renewal Project ("the Stanton Project") and delivered value for money. The audit reviewed project planning, design, construction, selected non-medical operations of the new hospital, and planning and leasing of the legacy facility through document analysis, public records, and stakeholder interviews.

The OAG found that the project's original plan—to renovate and expand the existing hospital—shifted to a full rebuild under a public-private partnership (P3) model. However, this major change in scope was not accompanied by a reassessment to confirm whether the P3 still offered greater value than the original request for proposal (RFP).

Additionally, the OAG found that a 30-year lease agreement for the legacy hospital, initially intended for third-party use, resulted in the government subleasing the building back for its own purposes without required approvals. This made the government a rent-paying tenant in a facility it owns and exposed it to risks it had intended to transfer.

The Standing Committee on Public Accounts (Committee) has conducted an extensive review of the OAG's report and many of the confidential documents that informed it. Based on this review, Committee concludes that the Stanton Project was mismanaged throughout its lifecycle. From the initial scope change to the final leasing arrangements, the project suffered from weak oversight, inadequate due diligence, and a failure to reassess key financial decisions in light of major changes to the project scope. The result was a significant cost overrun, with costs rising from an estimated

\$750 million to \$1.21 billion—a \$462 million (62%) increase over the originally projected costs reported in 2015, when the project was still under development. This leads Committee to conclude that the P3 structure ultimately delivered poor value for money. Taxpayers are now committed to paying rent on a building the government already owns, while assuming long-term risks that were originally intended to be transferred to the private sector. These outcomes reflect systemic failures in planning, procurement, and accountability.

Committee found no evidence that any analysis had ever been done by the GNWT to assess the merits of the option to use the legacy hospital building for its own purposes. This is concerning to Committee, given that the GNWT was aware that there were known space issues for the delivery of healthcare services prior to the establishment of the lease arrangements. Because the analysis was not done, Committee cannot verify that the GNWT achieved value for money in their decision making. Moreover, because the evidentiary record for conflict-of-interest declarations is also incomplete, Committee can neither verify nor disprove that there were real or perceived conflicts of interest throughout the lifespan of the project.

While the GNWT has agreed with most of the OAG's recommendations, Committee notes that a number of the responses back to the audit report lack substance. In several places, the GNWT states that it is already aligned with the OAG's recommendations and "no further work is required." Committee disagrees. Given the lack of transparency and failure to demonstrate value for money, Committee maintains that the GNWT must do significantly more to show how it will meet the recommendations—including clearly outlining what will change going forward to prevent similar failures and restore the public's confidence in the process.

Finally, the OAG recommended that the Department of Finance publicly report comprehensive and timely cost information for the Stanton Project as a P3. The reporting should include long-term leasing costs for the legacy hospital building and updates for significant cost changes, to enhance transparency in public fund use. The Department of Finance disagreed, stating that legacy hospital leasing costs are part of a separate project and not applicable to P3 reporting requirements. The department committed to maintaining its current reporting practices through capital estimates and the public accounts.

Committee finds this position problematic, as it undermines the spirit of the OAG's recommendation and raises concerns about the adequacy of current reporting practices. The refusal to provide full and integrated cost disclosures limits transparency and diminishes the public's ability to assess value for money. Committee emphasizes that meaningful accountability requires a more comprehensive and open approach to financial reporting on public infrastructure projects.

In light of Committee's review of the OAG's report, Committee consequently makes nine recommendations:

Recommendation 1: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provides a detailed and updated response to each agreed-upon recommendation, clearly outlining specific actions taken, timelines for full implementation, and measurable progress to date. Committee expects this response to demonstrate how future decisions will differ to ensure improved transparency, oversight, and value for money.

Recommendation 2: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories implement and publicly disclose robust measures to ensure strict compliance with cost-control and conflict of interest policies in the development and execution of large capital projects. Furthermore, the Government should clearly demonstrate—through transparent reporting, regular audits, and measurable outcomes—how these measures will prevent a recurrence of the mismanagement and ethical concerns seen in the Stanton Territorial Hospital Renewal Project.

Recommendation 3: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide a detailed update on how each component of the OAG's recommendation has been implemented in practice. This should include specific actions taken, timelines, and clear explanations of how future procurement processes will differ to ensure stronger oversight, conflict-of-interest management, and public confidence.

Recommendation 4: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide clear, demonstrable evidence of how procurement processes have been improved and how lessons from the Stanton Territorial Hospital Renewal Project have been applied to improve future procurement processes. This should include documented examples of how bidder communications are now consistently recorded, how equal access to information is ensured, and what mechanisms are in place to monitor compliance and enforce accountability across departments.

Recommendation 5: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories establish a threshold as defined by cost, complexity, or risk, and appoint an internal auditor under the Comptroller General or other qualified expert to oversee and scrutinize a project that exceeds these thresholds.

Recommendation 6: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories adopt the most comprehensive and transparent approach possible for reporting Public-Private Partnerships (P3s) in the capital estimates and public accounts as part of the forthcoming updates to public sector accounting standards and financial reporting requirements. Committee further recommends that the GNWT provide a public update outlining the new reporting approach for P3s and clearly demonstrate how it will meet enhanced standards for transparency, accountability, and fiscal clarity prior to the release of the 2024-25 Public Accounts.

Recommendation 7: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories either classify Stanton Legacy Project as a P3, which was originally procured as a P3 project, or establish in the Financial Statement Discussion and Analysis in the Public Accounts the point in time when this ceased to be the case.

Recommendation 8: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories publicly release sufficient financial and contractual information to substantiate claims that the lease of the legacy hospital building represents value for money, including the basis for the reported 30% discount relative to market rates.

Recommendation 9: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide a response to this report within 120 days.

INTRODUCTION

The Auditor General of Canada (AG) is also the Auditor for the Government of the Northwest Territories (GNWT), as set out in the federal *Northwest Territories Act*. The AG is a statutory Officer of the Legislative Assembly. This means their responsibilities are set out in legislation.

The Office of the Auditor General (OAG) operates independently from the GNWT. The OAG conducts an annual performance audit of one of the government's departments, boards or agencies. A performance audit looks at how well a department has met its own policies and legislation while delivering a particular program or service. These audits are paid for by the federal government, and the subject of the audit is chosen by the OAG. This ensures the OAG's independence.

It is the role of the Standing Committee on Public Accounts (Committee) to review, examine and provide follow-up reporting on the OAG performance audits of territorial entities and programs. When Committee reviews a compliance audit report, it holds a public hearing with representatives of the OAG, who explain their audit findings. Representatives of the audited department(s) also attend and explain their response to the audit. Committee's primary focus is on how the department responded to the audit findings and how it intends to address problems identified in the audit report.

The Speaker tabled the *Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly – Stanton Territorial Hospital Renewal Project* on October 29, 2024.¹

Ultimately, the OAG confirmed that the Stanton Territorial Hospital Renewal Project ("the Stanton Project") is the most expensive capital project in the history of the Northwest Territories (NWT). The overall project costs estimated by the GNWT were expected to be \$750 million. However, the findings of the OAG indicate that the total project costs are actually in the range of \$1.21 billion over the next thirty years—a \$462 million (62%) increase from the originally expected costs reported in 2015 when the project was under development.

Committee completed an extensive review of the OAG's report, including a public briefing on January 15, 2025. This is Committee's report on that review with recommendations for the GNWT.

ACKNOWLEDGEMENTS

Committee wishes to thank Auditor General Karen Hogan, Deputy Auditor General Andrew Hayes, Principal Jo Ann Schwartz, and Audit Director Sean MacLennan, from the OAG.

Committee also thanks Deputy Minister of Finance Bill MacKay, former Deputy Minister of Infrastructure Steve Loutitt, and Assistant Deputy Minister of Health and Social Services Perry Heath from the GNWT for their appearance before Committee.

BACKGROUND

Stanton Territorial Hospital, located in Yellowknife, is the largest healthcare facility in the NWT, serving residents across the territory and the Kitikmeot region of Nunavut. Originally opened in 1988, a new hospital replaced the original on the same site and began operations in 2019. The former facility, referred to as the legacy hospital during renovations for future leasing, was renamed the Łiwegòtì Building in October 2023, following the audit period.

On March 11, 2020, Members of the Legislative Assembly requested a performance audit be conducted by the OAG on the Stanton Project, which used a public-private partnership (P3) model.²

A P3 is a collaborative arrangement between a government and a private-sector partner to deliver public infrastructure or services. In a P3, the private partner typically takes on significant responsibilities—such as designing, building, financing, operating, or maintaining a facility—over a long-term contract. When P3s are done well, the government transfers some of the risk to the private partner such as cost overruns and delays. In exchange, the government can use the P3 as a long-term form of financing and benefit from the expertise offered by the private partner.

ABOUT THE STUDY

On October 29, 2024, the OAG tabled the *2024 Audit of the Stanton Territorial Hospital Renewal Project* in the Legislative Assembly. Following this, Committee members met with representatives from the OAG on several occasions to seek clarification on the contents of the report and the OAG's analysis. Between October 29, 2024, and the May 2025 Sitting of the Legislative Assembly, Committee undertook an extensive review of the audit's findings. As part of this review, Committee requested and examined documentation from the departments and the health authority that were also reviewed by the OAG, including confidential correspondence, information regarding all involved parties, and lease agreements for both hospital facilities.

In addition, Committee held a public briefing with the GNWT and the OAG on January 15, 2025. The GNWT was represented by the Deputy Minister of Finance, the then-Deputy Minister of Infrastructure and the Assistant Deputy Minister of Health and Social Services (HSS). The OAG was represented by the Deputy Auditor General and the Audit Principal.

Committee acknowledges that, due to the confidential nature of the materials reviewed, specific details about their contents cannot be disclosed. Nonetheless,

Committee's methodology for this review was designed to rigorously analyze the chronology of events, decisions and decision-making processes, and the structure and evolution of the agreements in question. This analysis was undertaken to critically assess the AG's conclusion that the government failed to achieve value for money, in contrast to the government's assertion that it did.

THE AUDITOR GENERAL'S 2024 AUDIT OF THE STANTON TERRITORIAL HOSPITAL RENEWAL PROJECT

About the Audit

The objective of the OAG's audit was to assess whether the Departments of Finance, Infrastructure, and HSS, along with the NWT Health and Social Services Authority (NTHSSA), fulfilled their responsibilities for the Stanton Project and whether the project delivered value for money for the government and residents of the NWT.

The audit focused on:

- The new hospital building: planning, design, construction, and select non-medical operations; and
- The legacy hospital building: planning and the leasing arrangement.

The audit reviewed departmental documents, public records, and included interviews with officials and external stakeholders. It did not assess the work of other GNWT organizations, Indigenous governments, or third parties, nor did it evaluate building safety or compliance with building codes.

The audit excluded clinical operations but assessed oversight of construction, non-clinical services, maintenance, and redevelopment of the legacy building. Consideration was also given to equity, diversity, inclusion, and alignment with the United Nations' Sustainable Development Goals.

Audit Key Findings

The OAG's findings and conclusions included:

Costs

The 2014 Request for Proposals (RFP) required the existing legacy hospital building be used. Contracts were awarded to Boreal Health Partnership (Boreal), but for a significantly different project scope than what was analyzed in the 2013 business case.

Boreal 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. (Ventura), 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.

The OAG found no evidence that Boreal's proposal received further analysis by the GNWT to determine whether the new project scope still offered better value for money as a P3.

Conflicts of Interest

Information related to conflict-of-interest declarations and conversations with bidders was missing from the departments and the authority's procurement records. The OAG estimates half of all conflict-of-interest declarations were not completed, and the forms the OAG received were completed six months after the RFP process had started.

The OAG found that the Department of Infrastructure failed to issue the forms in a timely manner. When conflicts were declared, there was also no evidence that these were investigated, and that potential risks and unfair advantages were mitigated. Further, the third-party developer, Ventura, was not named on in conflict-of-interest forms.

It was and is the Department of Infrastructure's policy to maintain procurement records until the contract is completed or terminated, but this guidance was not followed for the Stanton Project.

Sublease of the Legacy Hospital Building

The GNWT leased the legacy hospital building in 2016 to Ventura following their 2015 P3 agreement with Boreal. In 2017, the GNWT became a tenant in its own building and the departments and NTHSSA took back most costs and risks in the 2016 leasing arrangement.

The OAG determined that the Department of Infrastructure's analysis did not include an option where the government itself retained the legacy hospital building and used the entire space, which it owned, to accommodate its own services.

As early as 2014, the Department of HSS had identified that there would be need for additional space. This should have factored into the GNWT's decision to enter into the 2016 lease agreement with Ventura. The department is paying Ventura:

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

The OAG estimates that the 2017 sub-lease for the building over 30 years will incur an increased cost of \$78.6 million. The content and terms of the leases themselves remain confidential and, as such, there are limits to what can be publicly disclosed.

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

Legacy Building Lease: Redevelopment Risks

The OAG determined that by 2021, the Departments of HSS and Infrastructure had decided they would carry out most of the renovations for health services in the legacy hospital building themselves.

This decision was inconsistent with the original intention to transfer the capital risks and costs associated with redeveloping the legacy hospital building to a third-party developer to benefit from private-sector expertise.

Transferring the redevelopment risks and costs was a key component for the initial decision to use a P3 model.

Project Monitoring

The OAG found that all departments and the authority effectively monitored the Stanton Territorial Hospital Renewal Project at various stages of delivery.

Few Local Benefits

The Department of Infrastructure could not provide the OAG with evidence that it had verified that the over-\$71 million it reported as going to registered local and northern businesses was accurate, even though this is the amount the Government reported in 2019.

The commitments made to benefit 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.

Roles and Responsibilities

The OAG found that from a project management standpoint, roles and responsibilities for the Stanton Project were poorly defined and there were inconsistencies with guidance documents.

The GNWT established oversight teams and committees with membership that included senior management from the departments of Finance, Infrastructure, HSS, and the NTHSSA. This included 2 deputy minister committees. However, the OAG found that roles and responsibilities for the teams and committees were poorly defined, and it was unclear whether the membership and responsibilities of the deputy minister committees were consistent with the P3 policy requirement.

Overall Project Costs

The project's overall costs were much higher than reported. As of late 2015, the total value of the contract with Boreal was publicly reported as about \$750 million. However, additional costs for services valued at \$50 million were never reported and the leading arrangements for the legacy building were not made public.

The OAG estimates 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.

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. These taxes with inflation will cost at least \$151.6 million over the 30-year term of the project.
- 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.
- The OAG 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.

Audit Recommendations

The OAG Report made eight recommendations, to which the GNWT has responded. The GNWT has agreed with the first seven recommendations. The seven agreed-to OAG recommendations along with the GNWT's responses are as follows:

OAG Recommendation 1: For future P3s, the departments of Finance and Infrastructure, and government entities involved in these projects such as the

Department of Health and Social Services and the NT 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**
 - For future 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 GNWT should develop an asset under more traditional construction/procurement models.
 - The GNWT's P3 Management Framework and procurement processes allow for project feasibility to be re-evaluated for bidder innovations and project scope changes.

OAG Recommendation 2: 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 NT 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.
- **GNWT Response: 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.
 - 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 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.

- 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.
- While the GNWT agrees with this recommendation, the GNWT believes it has already implemented this requirement. No further work on this recommendation is required.

OAG Recommendation 3: For future procurement processes, the departments of Finance, Infrastructure, and Health and Social Services, and the NT Health and Social Services Authority should document interactions with bidders and ensure they are provided with equal access to consistent information.

- **GNWT and the authority's response: Agreed.**

- The 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.
- 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."
- Additionally, the Department's Procurement Guidelines address communication and documentation of Pre-Tender/Proposal Meetings in Section 2.3.5.
- 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.

OAG Recommendation 4: For future P3s, the departments of Finance and Infrastructure and government entities involved in these projects, such as the Department of Health and Social Services and the NT 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.**

- For future 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.

OAG Recommendation 5: The departments of Finance, Infrastructure, and Health and Social Services, and the NT 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.**
 - 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:
 - 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 NWT businesses.
 - 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.
 - 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, GNWT).

OAG Recommendation 6: 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.

- **GNWT response: 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.
- 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.

OAG Recommendation 7: The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the NT 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.

- **GNWT response: 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.

In response to the GNWT's responses to the OAG's recommendations, Committee makes the following recommendation:

Recommendation 1: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide a detailed and updated response to each agreed-upon recommendation, clearly outlining specific actions taken, timelines for full implementation, and measurable progress to date. Committee expects this response to demonstrate how future decisions will differ to ensure improved transparency, oversight, and value for money.

Despite the existence of established processes, policies, and guidance for managing large capital projects—particularly those aimed at controlling costs and preventing conflicts of interest—the OAG found substantial evidence that these were not consistently followed during the Stanton Territorial Hospital Renewal Project.

This finding raises concerns for Committee and prompts the question of what measures can be implemented to ensure these policies are properly followed in future projects. Therefore, Committee makes the following recommendation:

Recommendation 2: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories implement and publicly disclose robust measures to ensure strict compliance with cost-control and conflict of interest policies in the development and execution of large capital projects. Furthermore, the Government should clearly demonstrate—through transparent reporting, regular audits, and measurable outcomes—how these measures will prevent a recurrence of the mismanagement and ethical concerns seen in the Stanton Territorial Hospital Renewal Project.

The OAG's Recommendation 2 (or paragraph 27 in the OAG report) outlines three key improvements to the conflict-of-interest declaration process used in procurement processes. While the Departments of Finance and Infrastructure, with support from the Department of HSS and the NTHSSA, have indicated that current practices align with this recommendation, Committee finds this response insufficient. Committee is concerned that the lack of detail and the assertion that "no further work is required" fails to demonstrate a meaningful commitment to improved transparency and accountability.

Moreover, because the evidentiary record for conflict-of-interest declarations is incomplete, Committee can neither verify nor disprove that there were real or perceived conflicts of interest during procurement and throughout the lifespan of the Stanton Project.

Committee emphasizes that alignment in principle is not enough—concrete evidence of change is essential. Therefore, Committee recommends:

Recommendation 3: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide a detailed update on how each component of the OAG's recommendation has been implemented in practice. This should include specific actions taken, timelines, and clear explanations of how future procurement processes will differ to ensure stronger oversight, conflict-of-interest management, and public confidence.

Similarly, the GNWT's response to the OAG's Recommendation 3 (or paragraph 28 in the OAG report) states that its current procurement practices are already aligned with the OAG's recommendation and that "no further work is required." Committee remains concerned by the lack of specific evidence showing how lessons from the Stanton Project have been incorporated into actual practice. Simply citing existing guidelines—particularly those in place prior to the audit—does not demonstrate that the systemic issues identified have been addressed or that procurement processes have meaningfully changed.

Committee recommends that the GNWT go beyond affirming alignment and provide concrete examples of how procurement practices have been strengthened recently, and also as a direct result of this project. This should include documentation of how interactions with bidders are now more consistently recorded and managed, and how these improvements will be monitored and enforced to ensure equitable, transparent procurement in future capital projects.

Subsequently, Committee makes the following recommendation:

Recommendation 4: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide clear, demonstrable evidence of how procurement processes have been improved and how lessons from the Stanton Territorial Hospital Renewal Project have been applied to improve future procurement processes. This should include documented examples of how bidder communications are now consistently recorded, how equal access to information is ensured, and what mechanisms are in place to monitor compliance and enforce accountability across departments.

With respect to OAG Recommendation 6 (or paragraph 48 in the OAG report), the GNWT notes that the Department of Finance has introduced tracking of Business Incentive Policy (BIP) content (labour, services, goods, and subcontractors) through the GNWT's financial system. 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.

Committee agrees that enhanced scrutiny and tracking for projects that meet a certain threshold for cost, complexity and/or risk is important. Moreover, to meet the spirit and intent of the OAG's recommendation, Committee would further recommend:

Recommendation 5: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories establish a threshold as defined by cost, complexity, or risk, and appoint an internal auditor under the Comptroller General or other qualified expert to oversee and scrutinize a project that exceeds these thresholds.

Office of the Auditor General Recommendation on Reporting the Legacy Hospital Building Leasing Costs as a P3 Project

The GNWT has disagreed with the OAG's assessment that the GNWT and NTHSSA should include the legacy hospital building leasing agreement as part of the P3.

OAG Recommendation 8: The Department of Finance, supported by the departments of Infrastructure and Health and Social Services, and by the NT 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 GNWT.

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.

GNWT response: 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 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.
- 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.

Committee is disappointed that the GNWT is unwilling to revise its stance on publicly reporting detailed and complete project costs for the Stanton Project in its entirety, in the interest of increasing transparency on the use of public funds.

Although the GNWT has chosen not to adopt paragraph 63 of the OAG's recommendation and will not report the Stanton Legacy project as part of the original P3—or as a standalone P3—the project originated within the framework of the initial P3 agreement for the Stanton Territorial Hospital. At that time, the private partner assumed responsibilities including financing, operations, and maintenance under a long-term contract. The GNWT has since stated that the risks transferred to the private partner were ultimately not significant, which informed its decision to reassume those responsibilities.

However, as the OAG report has emphasized, projects that emerge from or are closely tied to P3 arrangements should be subject to enhanced transparency. Given the Stanton Legacy project's origins and its implications for public accountability, Committee maintains that increased reporting is necessary to ensure the public understands the nature of the project, the rationale for the shift in responsibilities, and why the GNWT determined it no longer met the criteria for a P3.

Ironically, the most effective way to ensure this level of transparency would be to report the Stanton Legacy project as a P3—reflecting both its origins and its intended structure.

During the 19th Assembly, the Standing Committee on Government Operations recommended that the GNWT “classify the Stanton Legacy Project as a public-private partnership (P3)” in its Report on the Review of the 2018-19 and 2019-20 Public Accounts, which Committee reiterated in its Report on the Review of the 2022-2023 Public Accounts.³ The GNWT maintains that the government is unable to accept this recommendation as the Department of Finance has determined the most appropriate accounting treatment based on the Public Service Accounting Standards.

Consequently, Committee makes the following recommendations:

Recommendation 6: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories adopt the most comprehensive and transparent approach possible for reporting Public-Private Partnerships (P3s) in the capital estimates and public accounts as part of the forthcoming updates to public sector accounting standards and financial reporting requirements. Committee further recommends that the GNWT provide a public update outlining the new reporting approach for P3s and clearly demonstrate how it will meet enhanced standards for transparency, accountability, and fiscal clarity prior to the release of the 2024-25 Public Accounts.

Recommendation 7: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories either classify Stanton Legacy Project as a P3, which was originally procured as a P3 project, or establish in the Financial Statement Discussion and Analysis in the Public Accounts the point in time when this ceased to be the case.

Committee believes strongly in these recommendations and has also included Recommendation 6 as a recommendation in its Report on the Review of the 2023-24 Public Accounts.

VALUE FOR MONEY

In Committee’s public briefing on January 15, 2025, the Assistant Deputy Minister of HSS was quoted by CBC News as saying it was an easy decision to lease the legacy hospital building and that this decision provided “value for money, in terms of building new spaces at pennies on the dollar.”⁴ CBC News further reported that the Deputy Minister of Finance noted that, while the commercial relationship must be kept confidential, “the lease was secured at 30 per cent less than market rates.”⁵

In light of the OAG's finding that actual and projected costs for the project are approximately \$1.21 billion—62% (\$462 million) higher than the \$750-million agreement value reported by the Department of Finance—it is recommended that the GNWT publicly disclose the financial rationale and key contractual terms underlying the decision to lease the legacy hospital building.

While GNWT officials have asserted that the lease offers “value for money” and was secured at “30 per cent less than market rates,” these claims have not been supported by publicly available evidence. To maintain public trust and ensure accountability in the management of major infrastructure investments, it is critical that the basis for these statements be clearly substantiated through transparent disclosure, consistent with principles of responsible fiscal governance. Assertions of cost-effectiveness must be supported by transparent disclosure, particularly in the context of a project now projected to exceed initial estimates by \$462 million.

As the AG has emphasized, and Committee would reiterate, residents of the NWT have a right to full transparency regarding the total public cost of both the new and legacy hospital buildings. Clear disclosure is necessary to ensure accountability for how taxpayer dollars are being spent.

Moreover, Committee found no evidence that any analysis had ever been done by the GNWT to assess the merits of the option to use the legacy hospital building for its own purposes. This is concerning to Committee, given that the GNWT was aware that there were known space issues for the delivery of healthcare services prior to the establishment of the lease arrangements. Because the analysis is incomplete, neither Committee nor the GNWT can verify that the GNWT achieved value for money in their decision making. Consequently, Committee recommends:

Recommendation 8: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories publicly release sufficient financial and contractual information to substantiate claims that the lease of the legacy hospital building represents value for money, including the basis for the reported 30% discount relative to market rates.

CONCLUSION

This concludes the Standing Committee on Public Accounts' *Report on the Review of the Auditor General's 2024 Audit of the Stanton Territorial Hospital Renewal Project*. Committee looks forward to the Government's response detailing how they will implement these recommendations.

Recommendation 9: The Standing Committee on Public Accounts recommends that the Government of the Northwest Territories provide a response to this report within 120 days.

ENDNOTES

¹ TD 209-20(1), *Report of the Auditor General - Stanton Territorial Hospital Renewal Project* (OAG, Stanton P3 Report), Available at: <https://www.ntlegislativeassembly.ca/sites/default/files/tables-documents/2024-10/TD%20209-20%281%29%20Report%20of%20the%20Auditor%20General%20-%20Stanton%20Territorial%20Hospital%20Renewal%20Project%20-%20Combined.pdf>.

² See Motion No. 4-19(2), Request for Special Audit by the Auditor General of Canada on the Stanton Territorial Hospital Renewal Project. Available at: https://www.ntlegislativeassembly.ca/sites/default/files/legacy/motion_4-192_0.pdf.

³ This recommendation was first included in the “Report on the Review of the 2018-19 and 2019-20 Public Accounts” and reiterated in Committee’s [2022-2023 review](#).

⁴ “N.W.T. government won't say how much rent it pays on its own building.” (January 15, 2024). CBC News. Available at: <https://www.cbc.ca/news/canada/north/gnwt-stanton-hospital-project-review-auditor-general-1.7432566>.

⁵ Ibid.