



Government of
Northwest Territories

**Government of the Northwest Territories Response to Committee
Report 24-20(1): SCOPA Report on the Review of the Auditor General's 2024
Audit of the Stanton Territorial Hospital Renewal Project**

Background

The 20th Legislative Assembly Standing Committee on Public Accounts (SCOPA) tabled Report 24-20(1) Report of the Review of the Auditor General's 2024 Audit of the Stanton Territorial Hospital Renewal Project (Report) on May 28, 2025. SCOPA has requested that the Government of the Northwest Territories (GNWT) respond to the recommendations in the Report.

Recommendation 1

The Standing Committee on Public Accounts therefore 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.

GNWT Response

Attached to this response is a final version of the implementation plan that includes the OAG recommendation and the GNWT response. Also included are status updates (as of July 2025) to some areas where work has been undertaken since a previous copy of the implementation plan was shared with Committee.

Recommendation 2

The Standing Committee on Public Accounts therefore 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.

GNWT Response

The GNWT will continue to use existing financial reporting mechanisms to report on large capital projects including the Capital Estimates and Public Accounts. Responsible oversight and administration of capital projects is fundamental to the Department of Infrastructure's

operations. It is important to differentiate between cost-control in project management that is within the GNWT's control and cost escalation outside the control of the GNWT through things like inflation, market volatility and limited competition. There are transparency mechanisms in place to report on and ensure large capital project spending is accounted for within public reporting.

As noted in the implementation plan, conflict of interest policies and processes are in place for all GNWT procurements. With respect to the Stanton P3 procurement, staff are confident that all conflict-of-interest disclosures were completed. The main issue was document retention and management and producing the documentation for the OAG. This was a gap from previous document management practices that there are now clear and consistent procedures in place for.

Recommendation 3

The Standing Committee on Public Accounts therefore 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.

GNWT Response

Please see response to recommendation 1.

Recommendation 4

The Standing Committee on Public Accounts therefore 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.

GNWT Response

The GNWT maintains the position that bidder communications were consistently recorded and that all bidders had equal access to information throughout the Stanton Territorial Hospital Renewal Project. Standard procedures within Procurement Shared Services continue to ensure that all communications are routed through the contract administration team and are appropriately documented.

Additionally, all procurement documents contain provisions that explicitly restrict bidder communications to the Procurement Shared Services contract administration team. Exceptions to this protocol are permitted only in the context of pre-scheduled bidder meetings, which would be governed by clearly defined parameters and guidelines.

Records of communications with bidders are retained through the GNWT's Administrative Records Classification System and the department-specific Operational Records Classification System.

Recommendation 5

The Standing Committee on Public Accounts therefore 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.

GNWT Response

Attached to this response is an updated version of the implementation plan that includes the OAG recommendation, the GNWT response and an update with respect to any work undertaken since a previous copy was shared with Committee in relation to the development of 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.

An internal audit project may be considered on a capital project depending on the nature of the capital project including cost and a risk assessment. The purpose of the audit would be to support management in addressing the risks they face and to provide recommendations to improve efficiencies, reduce risk etc. The audit would not be to oversee a project as that responsibility would be with the project manager. Rather, the internal audit bureau can support management with an audit after the fact and/or advisory services during a project.

Recommendation 6

The Standing Committee on Public Accounts therefore 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.

GNWT Response

Canadian public sector accounting standards PS 3160 Public private partnerships applied to fiscal years beginning on or after April 1, 2023 and were therefore adopted in fiscal year 2023-24. The public accounts for March 31, 2024 incorporated all of the requirements for the initial and subsequent measurements (including any revisions required upon adoption) as well as all of the required disclosures in the public accounts including the financial statement discussion and analysis (FSDA). Since the implementation was undertaken in fiscal year 2023-24, the public accounts for fiscal year 2024-25 will include the annual assessments and updates as required by the standard but the GNWT does not expect any significant changes from what is already publicly available.

Recommendation 7

The Standing Committee on Public Accounts therefore 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.

GNWT Response

The GNWT does not agree with the recommendation that the Stanton Legacy Building Renovation project is a P3 based on its assessment of the accounting standard. The GNWT has never recorded this project as a P3 therefore the financial statements will continue to reflect this as a traditional capital project.

Recommendation 8

The Standing Committee on Public Accounts therefore 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.

GNWT Response

The GNWT is unable to publicly release financial and contractual information with respect to the lease terms of the Łiwegòatì Building due to contractual confidentiality with the vendor.



IMPLEMENTATION PLAN

REPORT OF THE AUDITOR GENERAL OF CANADA
ON THE STANTON TERRITORIAL HOSPITAL
RENEWAL PROJECT

Introduction

The *Report of the Audit General of Canada on the Stanton Territorial Hospital Renewal Project* was released on October 29, 2024. The report resulted from an audit conducted by the Office of the Auditor General of Canada (OAG) at the request of the Legislative Assembly of the Northwest Territories, covering the period from September 1, 2013 to June 30, 2023.

The objective of the audit was to determine whether the Government of the Northwest Territories (GNWT) 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.

Background

The audit included an examination of both the construction of the new Stanton hospital building including the planning, design, construction, and operations (under a public private partnership model); and the Łiwegòati building (formerly called Stanton Legacy) including the planning phase and the leasing arrangements. Additionally, the OAG examined and analyzed key documents from Management, publicly available information, and had in-person interviews with officials and individuals from other organizations to obtain their perspectives on the project.

Public Private Partnerships ('P3 projects') are an approach to procuring public infrastructure where the private sector assumes a share of the risk in terms of financing and construction, from design and planning, to long-term maintenance. The GNWT has two guiding documents for assessing and acquiring capital infrastructure through a P3 approach:

- Public-Private Partnership Policy¹; and
- Public Private Partnerships Management Framework²

The OAG made eight recommendations with respect to improving GNWT analysis, processes and documentation requirements associated with public-private partnerships, procurement and project management. The GNWT accepted 7 of the recommendations. The GNWT has structured an implementation plan aligned with the report recommendations which details the proposed steps departments will take to address the audit findings where applicable.

¹ <https://www.eia.gov.nt.ca/sites/eia/files/content/15.02-public-private-partnership-policy.pdf>

² <https://www.fin.gov.nt.ca/sites/fin/files/P3%20Management%20Framework%20-%20FINAL.pdf>

Implementation Plan

Paragraph 19

OAG recommendation:	<p>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">• 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
Department response:	<p>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>
Actions required:	<p>The P3 Management Framework will be updated to require an updated value for money assessment for significant innovations and/or changes to project scope.</p> <p>Targeted Completion Date: December 2026.</p>
September 2025 Update:	<p>Work with respect to updating the P3 Management Framework will begin in January 2026, with anticipated completion for December 2026.</p>

Paragraph 27

OAG recommendation:	<p>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">• 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
Department response:	<p>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 agrees 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>
Actions required:	<p>No further action required, current conflict-of-interest declaration processes align with the OAG's recommendation, and documentation is saved within the GNWT's document filing system (DIIMS) and procedures are in place.</p> <p>All proposal evaluation committee members are required to complete evaluation workbooks for each proposal prior to engaging in the evaluation process and these workbooks include a conflict-of-interest declaration. The workbooks are all then saved in DIIMS. All procurement files are now subject to audit by a Contract Administrator in Procurement Shared Services to ensure completeness prior to finalization of the file. This includes confirmation that all evaluation workbooks have been saved in DIIMS.</p>
September 2025 Update:	<p>This work is being implemented and will be monitored.</p>

Paragraph 28

OAG recommendation:	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.
Department response:	<p>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>
Actions required:	No further action required, current operational procedures are aligned with the OAG’s recommendation.
September 2025 Update:	Current operational procedures are aligned with the OAGs recommendation and will be monitored.

Paragraph 37

OAG recommendation:	<p>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">• 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
Department response:	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.
Actions required:	<p>The P3 Management Framework will be updated to require an updated value for money assessment for significant innovations and/or changes to project scope.</p> <p>Targeted Completion Date: December 2026</p>

September 2025 Update:	Work with respect to updating the P3 Management Framework will begin in January 2026, with anticipated completion for December 2026.
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Paragraph 48

OAG recommendation:	<p>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"> • 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
Department response:	<p>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"> • 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. • 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. <p>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).</p>
Actions required:	No action required as the implementation of vendor performance management for construction contracts over \$250,000 has been completed.
September 2025 Update:	Vendor performance management has been implemented and will be monitored.

Paragraph 52

OAG recommendation:	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.
Department response:	<p>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>
Actions required:	<ol style="list-style-type: none">1. Department of Finance to undertake review of the Public-Private Partnership Management Framework. Targeted Completion date: December 2026.2. Department of Infrastructure to undertake review of the Project Management Manual to ensure the governance and accountability for large capital projects are clear for all entities. Targeted Completion date: December 2025.3. Department of Finance to update the Public-Private Partnership Management Framework (if required) following the completion of its review. Targeted Completion Date: TBD following completion of review.
September 2025 Update	<p>The Department of Infrastructure is working on the Project Management Manual review and it is anticipated to be completed by December 2025.</p> <p>The Department of Finance will begin undertaking a review of the Public-Private Partnership Management Framework in January 2026.</p>

Paragraph 62

OAG recommendation:	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.
Department 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.
Actions required:	Department of Finance in consultation with departments will update the Capital Planning Handbook with respect to the development of project cost estimates to ensure appropriate guidance is in place for departments to include all reasonable cost estimates including capital costs, lifecycle, operating and maintenance costs.

Targeted Completion Date: April 2025.

September 2025 Update

The Capital Planning Handbook was updated and distributed to departments in February 2025. The new handbook and templates include information on cost estimating for departments including operations and maintenance cost considerations.

Paragraph 63

OAG recommendation:	<p>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">• 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 <p>This information should be reported in a timely manner to support transparency in the use of public funds.</p>
Department response:	<p>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>
Actions required:	No further actions required.
September 2025 Update:	<p>The Department will continue to review the accounting for this project and capital projects in the future against the Public Sector Accounting Standards to determine the appropriate accounting treatment. Based on the latest review, the GNWT maintains that the Stanton Renewal Renovation Project does not meet the requirements to be reported as a P3 while the new Stanton Hospital does meet the requirements to be reported as a P3 and has been reported that way since the beginning of the project. These are reported as two separate capital projects (assets) in the Public Accounts</p>