

Chapter 2

Transportation and Infrastructure Renewal: QEII New Generation Project – Halifax Infirmary Expansion and Community Outpatient Centre

Overall Conclusions

- As of October 24, 2019, the Department of Transportation and Infrastructure Renewal (TIR) had not implemented all of its own consultant's recommendations meant to address gaps in governance and key project capabilities for the projects. While progress has been made towards many recommendations, gaps remain.
- TIR had not developed detailed plans and schedules to guide the implementation of its own consultant's recommendations to address gaps in governance and key project capabilities.
- TIR followed a thorough process to select qualified consultants to advise on the Halifax Infirmary Expansion and the Community Outpatient Centre projects.

Why We Did This Audit

- The size of these projects, with projected costs of around \$2 billion, is simply too large for our Office not to look at now.
- We have identified many issues in the past around both P3 and traditional construction projects.
- We felt it important to report this first phase of our audit now due to the importance of getting the right resources in the right places as the projects move forward.

Project Governance and Key Capabilities Assessment

- 11 of 18 consultant recommendations to address gaps in governance and key project capabilities were incomplete, including 7 identified as critical. These recommendations were given to the Department in January 2018.
 - Examples of incomplete recommendations include:
 - project controls not in place
 - risk assessments not completed for projects
 - need for more project human resources
 - only 40 of 49 project team positions filled
 - lack of succession planning for key project team member
 - need to clarify roles and responsibilities
 - no detailed project plan with milestones and responsibilities assigned
 - reassignment agreement not completed for 1 of 5 positions tested
 - terms of reference not completed for some project committees
 - TIR did not assign responsibility for monitoring these recommendations until June 2019
 - No plan or schedule was developed to guide implementation of consultant's recommendations
 - Examples of recommendations completed to date include:
 - addressing a lack of P3 experience on the project team
 - reaching an agreement with a jurisdiction with more P3 experience to share documentation
 - co-locating team members in one location
 - Project specific fraud risk management program not developed
 - Oversight of consultant needs improvement

Procurement of Consultants

- Processes used to select consultants to advise on the Halifax Infirmary Expansion and the Community Outpatient Centre complied with provincial policies and guidelines
- Contract with one consultant was not signed until work had been underway for approximately 9 months



Recommendations at a Glance

Recommendation 2.1

The Department of Transportation and Infrastructure Renewal should implement a fraud risk management program specific to the QEII New Generation Project, including a fraud policy, fraud risk assessment, and fraud training.

Recommendation 2.2

The Department of Transportation and Infrastructure Renewal should implement a process to regularly monitor the implementation of recommendations included in the governance and key project capabilities report. The process should include developing detailed implementation plans and schedules along with regular reporting on the status of recommendations.

Recommendation 2.3

The Department of Transportation and Infrastructure Renewal should implement all recommendations made by its own consultant to address gaps in governance and key project capabilities.

Recommendation 2.4

The Department of Transportation and Infrastructure Renewal should implement a contract management process to fully oversee contracts related to the Halifax Infirmary Expansion and the Community Outpatient Centre. This process should include documentation to support the oversight of service providers.

Recommendation 2.5

The Department of Transportation and Infrastructure Renewal should ensure the timely signing of contracts with private sector partners that are consistent with procurement documents and contain terms to ensure the public interest is protected.

2 Transportation and Infrastructure Renewal: QEII New Generation Project – Halifax Infirmity Expansion and Community Outpatient Centre

QEII New Generation Project: The Need to Replace Existing Infrastructure

- 2.1 Redeveloping the Queen Elizabeth II Health Sciences Centre (QEII) is a massive multi-year project (the Project) aiming to reshape how healthcare is delivered in Nova Scotia. It will be the largest capital project ever undertaken by the Province. The Project includes several components with the largest being the Halifax Infirmity Expansion and the construction of a new Community Outpatient Centre in Bayers Lake.
- 2.2 The Halifax Infirmity Expansion includes the relocation of many of the services presently delivered at the aging Victoria, Centennial, and Dickson buildings on the Victoria General site and allow for their eventual closure. Other components of the Project include the construction of a new hospice residence, as well as renovations at the Dartmouth General and Hants Community hospitals.
- 2.3 In October 2018, the Government of Nova Scotia announced that a public-private partnership (P3) model would be used to deliver both the Halifax Infirmity Expansion and the Community Outpatient Centre. Specifically, private sector partners would be responsible for designing, building, financing, and maintaining the projects. Initial estimates indicate the combined cost of these projects to be approximately \$2 billion. The Halifax Infirmity Expansion and the Community Outpatient Centre are expected to be completed by August 2025 and September 2022, respectively. A detailed overview of key milestones for the projects can be found in Appendix II.
- 2.4 In July 2018, the Health Care Infrastructure Projects Division of Nova Scotia Lands Inc., a crown corporation, was created to oversee the QEII New Generation Project. This branch has a dedicated project team comprised of staff from within government and the Nova Scotia Health Authority, as well as new hires. The team reports to the Deputy Minister of the Department of Transportation and Infrastructure Renewal and the Chief Executive Officer of the Nova Scotia Health Authority. Specific divisions have been established within the project team to manage the P3 portions of the projects.
- 2.5 This chapter focuses on the selection of key consultants used to guide work related to the Halifax Infirmity Expansion and the Community Outpatient Centre, as well as whether steps have been taken to ensure appropriate governance structures have been implemented to oversee the projects. Our



recommendations are addressed to the Department of Transportation and Infrastructure Renewal as staff from this department are responsible for this work.

- 2.6 Our spring 2020 report will include the results of our work around the decision to deliver the projects using a P3 model and the development of master plans to guide the design and construction of the buildings. The objectives of that audit are to assess whether
- the Department of Transportation and Infrastructure Renewal conducted a reasonable and appropriate analysis to select a project delivery model
 - the Department of Transportation and Infrastructure Renewal, along with the Nova Scotia Health Authority, followed a reasonable and appropriate approach to develop master plans for the new facilities
- 2.7 Our audit does not include an examination of the procurement process currently underway to select private sector partners to design, build, finance, and maintain the Halifax Infirmity Expansion and the Community Outpatient Centre.

Governance and Key Project Capabilities Assessment



Many recommendations to improve governance and key project capabilities not implemented

- 2.8 The Department of Transportation and Infrastructure Renewal had not implemented all recommendations received in January 2018 from its own consultant to improve governance and key project capabilities to deliver the projects. The consultant identified several of these recommendations as critical to the success of the projects. In September 2017, the Department hired a consultant to assess the existing governance structures and capabilities of key functions essential to the successful delivery of the projects, including procurement, financial, legal, project management, and technical capabilities. The consultant identified numerous gaps and made 18 recommendations for improvement, all of which the Department accepted.
- 2.9 Until June 2019, we found that no one in the Department of Transportation and Infrastructure Renewal had been assigned responsibility for monitoring implementation of the recommendations. While we saw evidence that project leaders discussed topics related to some recommendations, along with work completed on some, the Department had not completed an assessment of the status of each recommendation until requested by our Office in June 2019. We found 11 of the 18 recommendations were incomplete as of October 24, 2019. In addition, the Department had not developed detailed plans or schedules to guide the implementation of the outstanding recommendations.

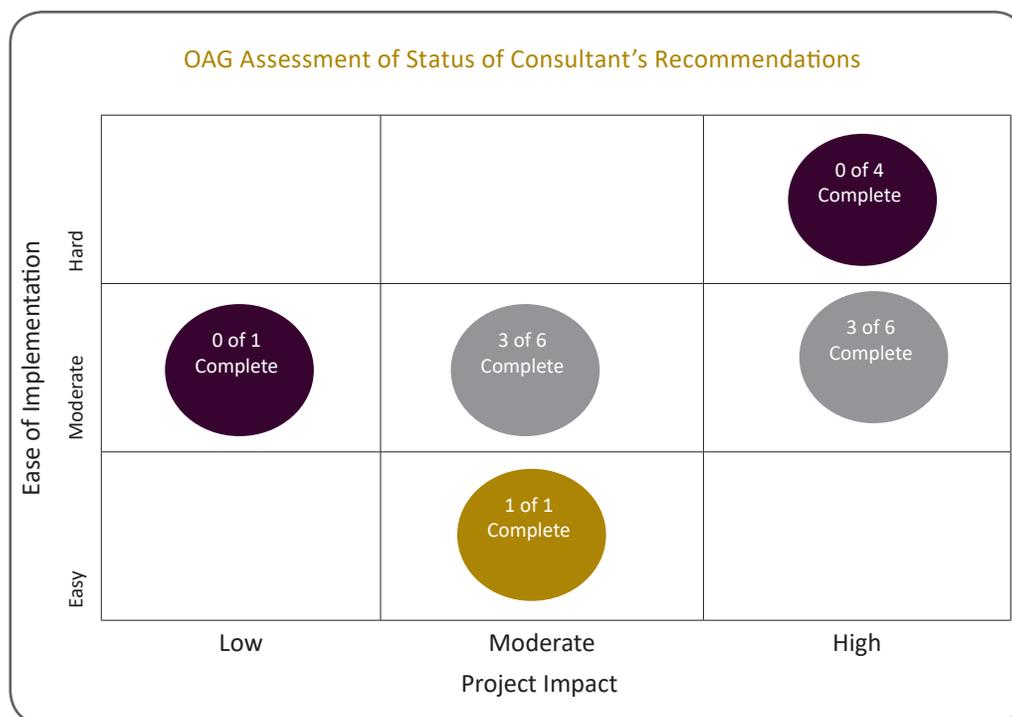


While we found there had been progress made towards implementing many of these recommendations, additional work is needed to fully address the gaps identified. A summary of the recommendations and their status can be found in Appendix III.

- 2.10 Issues such as these are not new, nor are they specific to these projects. Our February 2010 report on contract management of P3 schools identified significant weaknesses in the Province's oversight of private sector developers. As well, our May 2011 report on the Colchester Regional Hospital replacement, while not a P3 project, highlighted poor management and oversight of the construction of the hospital. At that time, we recommended a central organization with the necessary expertise be assigned oversight responsibilities. As a result, in 2015, the Province made the decision to involve the Department of Transportation and Infrastructure Renewal in all infrastructure projects over \$1 million. It is concerning that despite this improved approach to oversight, gaps specific to these projects, which were identified by the Department's own consultant almost two years ago, have still not been fully addressed. These gaps can lead to issues similar to those we have reported in previous audits.
- 2.11 As the Province moves forward with the Halifax Infirmity Expansion and the Community Outpatient Centre, a strong governance structure is imperative not only to effectively manage the size and complexity of the projects, but also to prevent a repeat of historical contract mismanagement. As the government will be working closely with the private sector at all stages of these projects, having the necessary governance structures and expertise in place is needed to monitor risks and ensure the hospital projects are delivered and managed as planned.

 Seven critical recommendations not yet complete

- 2.12 The consultant categorized recommendations in its governance and key project capabilities report based on ease of implementation and impact on the projects. The consultant assessed 10 of the 18 recommendations as having a high impact, meaning they are critical to the success of the projects, yet we found 7 of these were not yet completed. A summary of this, as well as an overview of how many recommendations in each category have been completed, is shown in the chart below. If these recommendations are not addressed, it increases the chances of the projects failing.



➔ Detailed risk assessments not completed

- 2.13 The Department of Transportation and Infrastructure Renewal had not yet established a comprehensive risk assessment for the Halifax InfirmarY Expansion or the Community Outpatient Centre. A comprehensive risk assessment would identify the risks to the projects, as well as identify the controls or processes in place to manage those risks. Related to this issue, the consultant’s recommendations highlight the need for strong project controls. While numerous controls such as budgets, schedules, and regular reporting have been established, additional work is needed to ensure appropriate approaches are used to identify key risks and ensure controls are in place to deal with them.
- 2.14 We did note that a listing of risks that could impact the Community Outpatient Centre had been developed; however, risk mitigation measures had yet to be determined, meaning no plan was in place to deal with these risks. No risk assessment had been prepared for the Halifax InfirmarY Expansion. The lack of completed risk assessments for the projects is even more concerning given the selection of private sector partners for both projects is already underway.
- 2.15 A comprehensive risk assessment, including strategies to monitor and manage these risks is vital for both projects. Due to the complexity of the projects, there are many risks that can impact success. It is important for the project team to actively identify, monitor, and manage these risks to reduce their impact.



➔ Fraud risk management program not established

- 2.16 One specific risk area that must be addressed by the project team is to establish mechanisms to manage the risk of fraud related to the projects. For a project the size of the QEII New Generation Project, we expected to see a project-specific fraud risk management program which included a fraud policy, code of ethics, fraud risk assessment, fraud awareness training, and processes to ensure ongoing monitoring of fraud risks. However, these have not been completed.
- 2.17 All Government of Nova Scotia employees are required to complete basic fraud prevention training. Project team management indicated that managers are responsible to ensure staff complete the required training. However, there was no tracking of whether the training had been taken. In response to a request from our Office, management indicated only 11 of the 40 members of the project team had completed the training and work was underway to ensure training is completed by the remaining project team members.
- 2.18 Management determined that the Province's basic fraud prevention training was sufficient and more extensive training was not needed. With an expected budget of approximately \$2 billion, strong fraud prevention practices should be in place for the Halifax Infirmity Expansion and the Community Outpatient Centre to safeguard public assets.
- 2.19 The lack of attention to fraud risks is concerning to us. We noted in our October 2019 report that the Department of Transportation and Infrastructure Renewal had one of the lowest rates for completing government's mandatory fraud training – only 11%. While we understand that staff and management for these projects come from various departments, we feel it is important to note that ultimately a large part of the project team reports to the Department of Transportation and Infrastructure Renewal, and the pattern of not fully addressing key aspects of fraud risk management within this department is concerning.

Recommendation 2.1

The Department of Transportation and Infrastructure Renewal should implement a fraud risk management program specific to the QEII New Generation Project, including a fraud policy, fraud risk assessment, and fraud training.

Department of Transportation and Infrastructure Renewal Response: This recommendation is accepted. The development of a specific fraud management program is already in progress. Scoping of the program has been completed and milestone dates for completing the next stage of the fraud management program will be set within December 2019.



The QEII New Generation Project team, as part of the Health Care Infrastructure Projects Division of Nova Scotia Lands Inc., reports to the Department of Transportation and Infrastructure Renewal. The Division was created in July 2018 and has been managed according to Provincial government and NSTIR policies and procedures including those related to fraud.

Work is underway to mirror the Provincial and TIR fraud policies and procedures for the QEII New Generation Project. This policy is being specifically revised to include all anticipated project related risks. It includes training for all project resources, including those outside of NSTIR and NS Lands, to ensure consistency in approach regarding fraud. The work underway is led by the Health Care Infrastructure Division with professional support from the Province of Nova Scotia Internal Audit Centre and an external consultant.



Dedicated project team not fully staffed and inadequate succession planning

2.20 The Department of Transportation and Infrastructure Renewal had not completed a detailed human resources gap analysis. The consultant concluded more team members were needed to oversee the projects and recommended some key senior positions that should be filled. The consultant's recommendation also included the need to complete a detailed analysis to compare current human resources to the expected need in order to identify gaps. Management identified 49 positions to staff the project team within Nova Scotia Lands, but except for the senior positions identified by the consultant, we were not provided with documentation outlining how the remaining positions were determined. Without a gap analysis, it is difficult to assess whether enough resources, and in the right areas, have been dedicated to the projects.

2.21 Management indicated 40 of the 49 positions had been filled, including 11 of 16 senior project team positions. These were filled through the reassignment of staff from other departments or the Nova Scotia Health Authority, and new hires. Management indicated they were in the process of filling many of these vacant positions. While we recognize the challenges involved in filling this many positions, it is important for the remaining positions to be filled as soon as possible. Failure to do so could lead to not having enough people in the right places to successfully oversee the projects and potentially lead to delays or risks not being identified and addressed.

2.22 We also found that the Department of Transportation and Infrastructure Renewal had not completed succession planning for a key project position as recommended by their consultant. While the appointment of staff to key positions on the project team is a recent and ongoing process, succession planning was identified by the consultant as important to the long-term success of the projects.



2.23 The Halifax Infirmar Expansion is not expected to be completed until 2025 and the management of the contract with the private sector partner to maintain the facility is expected to last 30 years beyond this. It is unlikely that individuals currently in key roles will be involved for the entire length of the projects. Thus, adequate succession planning is important to help avoid gaps in leadership and to mitigate the loss of expertise and experience on the project team. The consultant indicated this could include retention strategies to reduce the risk of losing key team members, training other team members to serve as replacements, and developing hiring plans to identify and attract qualified replacements. While the Department of Transportation and Infrastructure Renewal has actively recruited for the key project position identified by the consultant, a suitable replacement has not yet been found.



Roles and responsibilities for key tasks and milestones not clearly defined

2.24 The Department of Transportation and Infrastructure Renewal had not clearly defined and documented the roles and responsibilities of project team members. The consultant recommended the completion of detailed plans to outline the tasks and milestones involved in the projects and assign responsibility for each. This recommendation had not yet been completed. Without clearly defined responsibilities, key tasks may be overlooked or may not be completed in a timely manner

2.25 We selected a sample of five individuals assigned to the project team from other government departments and found one case where a reassignment agreement had not been signed by the lending department. These agreements formally dedicate an employee to their role on the project team. Management told us this individual shares their time between their home government department and the project team.

2.26 Balancing other responsibilities outside the project team creates a risk of insufficient attention given to the Halifax Infirmar Expansion and the Community Outpatient Centre. Formal reassignment agreements are needed to ensure roles and responsibilities are documented and understood. The importance of a fully staffed and dedicated team to oversee the Halifax Infirmar Expansion and the Community Outpatient Centre will only increase as the projects move forward in selecting private sector partners and constructing the infrastructure.

2.27 Terms of reference that define the role of committees responsible for overseeing the QEII New Generation Project had also not been established, despite the consultant noting a lack of direction around the roles of these committees. We identified five committees that have a role in overseeing the projects, three of which have decision-making responsibilities. We found roles and responsibilities were not documented for three committees, including one with decision-making responsibilities. We also noted that



meeting minutes for two committees with decision-making responsibilities were not consistently kept.

2.28 The Halifax Infirmity Expansion and the Community Outpatient Centre are very complex and expensive infrastructure projects meaning clearly-defined roles and responsibilities are essential to provide adequate oversight. Without this, key project activities may be overlooked or not effectively and efficiently addressed and impact the success of the projects. Furthermore, confusion may exist around responsibility for decision making, impacting both the quality and timeliness of decisions.



Seven recommendations to improve governance and key project capabilities completed

2.29 Seven of the consultant's 18 recommendations to improve governance and key project capabilities were completed. Several of these recommendations related to addressing a lack of P3 experience on the project team and the importance of integrating team members from several government departments and the Nova Scotia Health Authority. Some examples of work completed to address these recommendations include:

- engaged external parties to provide P3 advisory services in areas including legal, procurement, and facilities management
- reached an agreement with another Canadian jurisdiction with significantly more P3 experience to share documentation used for selecting private sector partners
- co-located project team members in one office space to promote team integration

2.30 To address the issues described in the preceding paragraphs we made two recommendations.

Recommendation 2.2

The Department of Transportation and Infrastructure Renewal should implement a process to regularly monitor the implementation of recommendations included in the governance and key project capabilities report. The process should include developing detailed implementation plans and schedules along with regular reporting on the status of recommendations.

Department of Transportation and Infrastructure Renewal Response: This recommendation is accepted. A process to monitor implementation of recommendations is now in place and will continue to be refined as the project proceeds. An external consultant was hired proactively by the NS Department of Transportation and Infrastructure Renewal early in the project planning to identify and action project governance and key project capabilities requirements.



Since the final Provincial project approval was received in October 2018, the recommendations have been an ongoing part of the project team and Department's work. The QEII New Generation project team, with the support of external consultants, will continue to monitor completion of all recommendations that are currently in progress or those that will be implemented on an ongoing basis throughout the life of the project. In addition, the project team will continue to report on recommendations within the established decision making organizational chart governing the project.

Recommendation 2.3

The Department of Transportation and Infrastructure Renewal should implement all recommendations made by its own consultant to address gaps in governance and key project capabilities.

Department of Transportation and Infrastructure Renewal Response: This recommendation is accepted. All consultant recommendations are well underway. Significant progress has been made in the early stage of this multi-year capital project. Work will continue to complete all recommendations to ensure governance and key project capabilities are all fully established in the early stages of the project. Some recommendations, such as those related to project controls and staffing, will continue to be implemented and refined on an ongoing basis through the various stages of the project.

Contract Management and Oversight



Oversight of contracts needs improvement

- 2.31 The consultant hired to complete the governance and key project capabilities assessment completed an analysis that was consistent with the deliverables outlined in their contract. However, we noted the Department of Transportation and Infrastructure Renewal did not have documentation of its oversight of their work. The Province will be entering into long-term contracts with private sector partners to design, build, finance, and maintain complex healthcare infrastructure projects and the success of the projects is highly dependent on the Province's ability to actively manage contracts to ensure private sector partners meet their obligations.
- 2.32 The Department did not maintain meeting minutes or records of its discussions with the consultant. We saw several instances of the consultant requesting feedback from the Province but no documentation was available to show whether the feedback was provided and reflected in the consultant's work. For example, the final report submitted by the consultant included notes indicating the Department did not respond to some minor information requests. We also did not see a final assessment by the Department of whether the consultant completed all the tasks they were contracted to do.



2.33 While this lack of oversight did not appear to impact the quality of the consultant’s work, documented oversight of contracts is very important as the Halifax Infirmiry Expansion and the Community Outpatient Centre projects move forward. Without proper oversight, there is a risk that weaknesses in the performance of consultants may not be identified.

Recommendation 2.4

The Department of Transportation and Infrastructure Renewal should implement a contract management process to fully oversee contracts related to the Halifax Infirmiry Expansion and the Community Outpatient Centre. This process should include documentation to support the oversight of service providers.

Department of Transportation and Infrastructure Renewal Response: This recommendation is accepted. More documentation of the contract management process will be generated to demonstrate in writing the ongoing contract management approach.

The long-standing contract management approach utilized by NSTIR is also followed by NS Lands for the QEII New Generation Project. To ensure that evidence of this contract management process will be readily available in the future, more detailed documents will be created throughout the life of the project. Each NSTIR major capital project contract, including those within the QEII New Generation Project, is assigned an internal point of contact for consistency with the external contractor. This internal contact is the designated lead and will be responsible for ensuring that documentation is maintained to demonstrate ongoing contract management efforts. In addition, for long-term P3 contracts, the required processes and documentation will be established as the project proceeds.

Procurement of Consultants



Selection of consultants complied with provincial policies

2.34 Consistent with provincial procurement policies and guidelines, the Department of Transportation and Infrastructure Renewal followed a thorough process to select two key consultants for the Halifax Infirmiry Expansion and the Community Outpatient Centre projects. Specifically, we examined the procurement processes used to select consultants to

- develop master plans to guide the design of the Halifax Infirmiry Expansion and the Community Outpatient Centre
- complete the governance and key project capabilities assessment, as well as an assessment of whether a P3 model should be used to deliver the projects



- 2.35 We found the evaluation criteria and processes used to select the successful bidders were consistent with the process outlined in the procurement documents. Criteria and weighting for both competitions were reasonable and appropriate and the contracts were awarded to the bidders with the highest scores.
- 2.36 We identified two minor issues with one of the competitions. Members of the evaluation team did not sign conflict of interest declarations. At the time of the competition this was not a policy requirement. We believe this is a standard business practice that should have been in place and this requirement has since been added to the provincial policy.
- 2.37 While we had no concerns with the overall decisions and final scoring of proponents, we did find some minor documentation issues around support for some scoring at the individual evaluator level. So, while this did not impact the final selection of the most qualified consultant, as the Province moves forward on selecting private sector partners to deliver the Halifax Infirmery Expansion and the Community Outpatient Centre projects it is important that the procurement process is thorough and well documented.

 Significant delays in contract signing

- 2.38 Final contracts signed with each consultant were consistent with services requested in the procurement documents and the proposals submitted by the successful bidders. However, we did see there was a delay of almost nine months in signing a subsequent contract with one of the consultants for additional work on the projects. While we found no evidence the delay impacted the work performed, there are risks associated with completing work without a signed contract. Contracts outline the specifics of the work to be completed and include numerous clauses such as confidentiality and conflict of interest that are intended to protect the Province.
- 2.39 Signed contracts with clearly-defined terms are important to the success of the Halifax Infirmery Expansion and the Community Outpatient Centre projects. For example, our February 2010 report on contract management of P3 schools identified several weaknesses in contract terms including a lack of audit access, measurable service levels, and documentation requirements. In order to contribute to the success of these approximately \$2 billion P3 projects, it will be important that the Province ensures these issues are not repeated in the final contracts for the Halifax Infirmery Expansion and the Community Outpatient Centre. Without strong contracts, it will be difficult for the Province to provide adequate oversight over these projects and protect public interest.



Recommendation 2.5

The Department of Transportation and Infrastructure Renewal should ensure the timely signing of contracts with private sector partners that are consistent with procurement documents and contain terms to ensure the public interest is protected.

Department of Transportation and Infrastructure Renewal Response: This recommendation is accepted. With both traditional and alternative procurement contracts, the project team will ensure that clear documented evidence of an agreement between the parties to the fundamental terms and conditions is established as early as possible in a contract relationship. NSTIR standard practice with traditionally procured contracts is to include specific project terms within the release of a Request for Proposal (RFP) tendered document. The evaluation and acceptance of a compliant bid indicates that the requirements outlined in the RFP submission have been met. This process allows NSTIR to formalize the contract through a “letter of award” and be confident the work will be initiated based on agreed upon terms and conditions. The formalized contract can be signed after without limiting the project and value of the work. The project team will continue to be mindful of ensuring the final contract document is signed by all parties within a timely matter and that clear documentation is in place in the event of a delay in finalizing the terms of a contract. For situations in which an alternative procurement strategy is determined to be appropriate, the Province will ensure that fundamental terms and conditions are agreed upon in writing prior to signing the formalized contract.



Additional Comments from the Department of Transportation and Infrastructure Renewal

All recommendations of the Office of the Auditor General are accepted and appreciated as we move through the early stages of this multi-year capital project. All original consultant recommendations related to governance and project capabilities have been completed or are well underway to completion.

The Department of Transportation and Infrastructure Renewal, Nova Scotia Lands Inc. and the QEII New Generation project team understand the magnitude and importance of this project to Nova Scotians and welcomes these early recommendations from the Auditor General. We will continue to work with the Auditor General's Office to complete this work and position the project team for success.



Appendix I

Reasonable Assurance Engagement Description and Conclusions

In fall 2019, we completed an independent assurance report of the Department of Transportation and Infrastructure Renewal. The purpose of this performance audit was to determine whether the Department of Transportation and Infrastructure Renewal ensured appropriate planning and analysis was performed for the initial key decisions regarding the Halifax Infirmary Expansion and the Bayers Lake Community Outpatient Centre portions of the QEII New Generation Project (the Project).

It is our role to independently express a conclusion about whether the Department of Transportation and Infrastructure Renewal complies in all significant respects with the applicable criteria. Management at the Department of Transportation and Infrastructure Renewal acknowledged their responsibility for the QEII New Generation Project, including the Halifax Infirmary Expansion and the Community Outpatient Centre.

The audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada; and Sections 18 and 21 of the Auditor General Act.

We apply the Canadian Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and 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 Code of Professional Conduct of Chartered Professional Accountants of Nova Scotia, as well as those outlined in Nova Scotia's Code of Conduct for public servants.

The objectives and criteria used in the audit are below:

Objective:

To determine if the Department of Transportation and Infrastructure Renewal has established a project governance structure that will contribute to the successful completion of the Halifax Infirmary Expansion and the Community Outpatient Centre portions of the QEII New Generation Project.

Criteria:

1. The Department of Transportation and Infrastructure Renewal should complete a comprehensive analysis to assess the governance structures in place to manage the Project and make recommendations for improvements.
2. The Department of Transportation and Infrastructure Renewal should have detailed plans and schedules to ensure recommendations to improve the governance structures for the Project are completed in a timely manner.
3. The Department of Transportation and Infrastructure Renewal should address recommendations to improve the governance structure for the Project.
4. The Department of Transportation and Infrastructure Renewal should provide appropriate oversight of professional service providers used to assess the governance structures for the Project to ensure work was completed in accordance with contract terms.



Objective:

To determine if the Department of Transportation and Infrastructure Renewal followed a thorough process to select qualified professional service providers to advise on the Halifax Infirmary Expansion and the Community Outpatient Centre portions of the QEII New Generation Project.

Criteria:

1. The Department of Transportation and Infrastructure Renewal should procure professional service providers in compliance with provincial legislation and policies.
2. The Department of Transportation and Infrastructure Renewal should ensure procurement documents include evaluation criteria that are reasonable and consistent with the deliverables outlined in the procurement request.
3. The Department of Transportation and Infrastructure Renewal should consistently follow evaluation criteria defined in procurement documents when evaluating the proposals of professional service providers.
4. The Department of Transportation and Infrastructure Renewal should ensure final contract terms with professional service providers are consistent with the proposals evaluated during the procurement process.

Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management of the Department of Transportation and Infrastructure Renewal.

Our audit approach consisted of reviewing any relevant legislation, policies, and procedures, along with testing for compliance. We interviewed management and staff within the Department of Transportation and Infrastructure Renewal. We also reviewed procurement documentation, consultant reports, and supporting documentation provided by the Department. Our audit period covered August 1, 2016 to March 31, 2019. We examined documentation outside of that period as necessary.

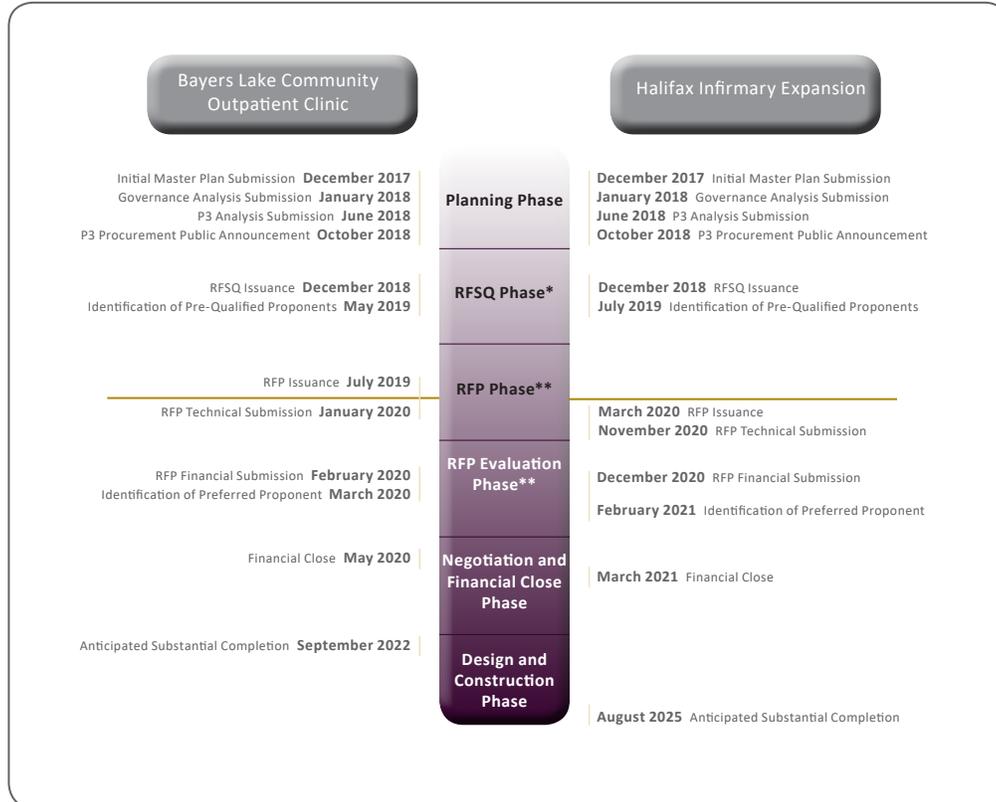
We obtained sufficient and appropriate audit evidence on which to base our conclusions on November 12, 2019, in Halifax, Nova Scotia.

Based on the reasonable assurance procedures performed and evidence obtained, we have formed the following conclusions:

- As of October 24, 2019, the Department of Transportation and Infrastructure Renewal had not implemented all of its own consultant's recommendations meant to address gaps in governance and key project capabilities for the projects. While progress has been made towards many recommendations, gaps remain.
- The Department of Transportation and Infrastructure Renewal had not developed detailed plans and schedules to guide the implementation of its own consultant's recommendations to address gaps in governance and key project capabilities.
- The Department of Transportation and Infrastructure Renewal followed a thorough process to select qualified consultants to advise on the Halifax Infirmary Expansion and the Community Outpatient Centre projects.



Key Milestones



* Request for Supplier Qualifications (RFSQ): To prequalify suppliers in the first stage of a two-stage open competition. Bidders who meet the requirements of the RFSQ are eligible to participate in the second stage and are invited to respond to a subsequent Request for Proposal.

** Request for Proposal (RFP): Used to procure goods, services, and construction where specifications or requirements are well defined, contract terms are clear, and bidder ranking is based on highest score.



Appendix III

Status of Consultant’s Recommendations to Improve Governance and Key Project Capabilities

The Department of Transportation and Infrastructure Renewal hired a consultant in September 2017 to perform an assessment of the existing governance structures and capabilities of key project functions essential to the successful delivery of the projects. The consultant made 18 recommendations in their January 2018 report which we have summarized below.

Consultant’s Recommendation	OAG Assessment of Status	Impact of Recommendation (assessed by TIR’s consultant)
Establish preliminary project budget and track budget	Complete	Moderate
Develop comprehensive project charter and ensure buy in from project team and project governors	Complete	High
Enable Department of Health and Wellness’ accountability	Incomplete	High
Develop project charter	Complete	High
Establish controls to track performance	Incomplete	Moderate
Formalize as a project and establish project controls	Incomplete	High
Ensure role/responsibility clarity	Incomplete	High
Establish performance management criteria	Incomplete	Low
Work stream-based project team	Incomplete	High
Co-locate project team	Complete	Moderate
Streamline governance structure	Complete	Moderate
Develop terms of reference	Incomplete	Moderate
Appoint experienced individuals to key project roles	Incomplete	High
Enable external advisors	Complete	High
Use template procurement documents	Complete	Moderate
Develop detailed project resource plan	Incomplete	High
Increase resource capacity	Incomplete	High
Understand critical roles and skill sets and develop succession plan	Incomplete	Moderate

The consultant used the following assessment scale to describe the impact of the recommendation on the likelihood of efficiently and successfully delivering the project.

- **Low:** Limited impact expected on ease of project implementation or project timeline. Benefits will be isolated and will have a limited impact on overall project delivery.
- **Moderate:** Some impact on project implementation, which will reasonably facilitate more efficient execution, mitigate risk of delays, or improve delivery quality.
- **High:** Critical to project implementation. Will materially impact delivery timelines and project success. Benefits are expected across the Project.