



Office of the Auditor General

Auditor General's Statement to the Media

**Release of Performance Audit Report to the Nova Scotia House of Assembly
July 14, 2020**



Thank you for your interest in my latest report tabled with the Nova Scotia Legislature.

This report is the second phase of our examination of the QEII New Generation Project. This audit continues our look at some of the early planning decisions made around the Project. Specifically, we examined the processes followed that resulted in selecting a P3 model to deliver the Halifax Infirmity Expansion and the Community Outpatient Centre components of the Project and the development of the master plan to assist in the design of the new infrastructure. The report also includes the results of our follow-up on some of the recommendations from our December 2019 report to improve the governance structure of the Project.

This audit was important for many reasons. The Halifax Infirmity Expansion and the Community Outpatient Centre are part of a massive multi-year capital project. If thorough planning and analysis is not completed in the early stages, it could lead to the poor use of resources which could ultimately have a negative impact on healthcare in the province. Past audits have also identified significant issues with both P3 and traditional construction projects. Finally, it is important that our December 2019 audit report recommendations are implemented as soon as possible to help ensure a strong governance structure is in place to oversee the Project.

The key messages from this report are:

Firstly, we concluded that the Department of Transportation and Infrastructure Renewal completed a reasonable and appropriate analysis to select a project delivery model for the Halifax Infirmity Expansion and the Community Outpatient Centre. This included an assessment of numerous traditional and P3 options and a comprehensive financial analysis that compared the costs and risks of a traditional model to a design-build-finance-maintain (DBFM) option. The analysis also included steps to avoid common biases found in this kind of decision. For example, using actual data to assess the Province's past performance in constructing and maintaining infrastructure rather than relying on estimates and judgement, and completing sensitivity analysis around assumptions. The government's analysis concluded that the DBFM option provided better potential value than a traditional or non-P3 approach.

Secondly, we found that the master plan for the Halifax Infirmity Expansion and the Community Outpatient Centre was developed using a reasonable and documented methodology. Functional programs were developed for the impacted departments within the hospital. These programs outlined the space required for the department, including details such as the number of beds, exam rooms, and procedure rooms required to meet the projected future demand for services. This information was used to develop master plans for the Project which provide an overview of the location of the new buildings as well as the location of departments within the buildings. Throughout this process, there was extensive consultation with key stakeholders within the Nova Scotia Health Authority.

Thirdly, we were pleased to find that significant work had been undertaken to complete the recommendations from our December 2019 report. We found that two of our recommendations were completed and there had been significant progress made towards completing another two. The fifth, and final, recommendation was not assessed as it related to future phases of the Project and could not be addressed yet.

Continuing forward, strong oversight will play a vital role to the success of the Project. Much is left to be done and significant milestones remain. This includes the development of functional output specifications to guide the detailed design of the buildings, selection of private sector partners to deliver the Project, and construction of the infrastructure. Beyond construction, contracts with the private sector partners to maintain the buildings will also require effective contract management to ensure the potential value of the DBFM option is realized.

We made three recommendations to the Department of Transportation and Infrastructure Renewal and the Nova Scotia Health Authority, all of which have been accepted. These recommendations focus on future steps that must be taken to help ensure a successful Project. Specifically,

- taking steps to guide the Project through the implementation and operational periods;
- implementing strategies to ensure the DBFM project delivery model remains the best option for the Project; and,
- ensuring the requirements outlined in the functional programs are reflected in the final design of the infrastructure, with any changes reviewed with the impacted departments and approved by the appropriate oversight committee.

In concluding, I want to thank the staff in my Office for their continued hard work and dedication. You all should be proud of the hard work you do on behalf of all Nova Scotians. To staff at the Department of Transportation and Infrastructure Renewal and the Nova Scotia Health Authority, I also want to say thank you for your professionalism and cooperation in completing this audit.