

Auditor General Report on the Province's 2025 Financial Statement Audits

February 2026



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

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Audit Results

Financial Audit Opinions and Observations

- The province's Public Accounts are reliable, with its 31st consecutive clean audit opinion issued September 5, 2025.
- The Office of the Auditor General issued 52 clean audit opinions to government entities throughout 2025, covering 89 per cent of the province's revenues and expenses.
- Our Office completed the compliance audit for the 50th General Assembly in 2025. The Management Commission is reviewing the recommendations made and will inform the House of Assembly of them in due course.

Select Focus Areas

- **Tobacco Settlement:** The province will receive \$398.3 million, with \$104.1 recorded in the 2024-25 Public Accounts. In our opinion, Budget 2025 understated the deficit by including the entire settlement.
- **Land Transactions:** We reviewed two land transactions this year. We recommend that government establish formal policies for land purchases and disposals which fall outside the Expropriation Act. We note that our Office has not been contacted regarding the commitment given in the House of Assembly on March 2025 to have the Snow's Lane transaction reviewed.
- **Legal Services:** Government spent \$9.4 million in external legal fees last year, with some used to seek legal advice about other public sector entities. Government should consider the best value for public money when engaging outside services.
- **Budget Transfers:** More than half of the budget transfers made within a department or across government departments happened in March 2025. We recommend government review year end transfers to ensure future appropriations voted in the House of Assembly are sufficient.
- **Fraud Reporting:** There were 490 incidents of fraud reported over the past year – 64 per cent related to attempted cheque fraud by recipients and 26 per cent related to fraud by clients who received income support payments under false pretenses. More work is needed to ensure clear and consistent action is taken when fraud is identified.
- **Health Sector Bonuses:** Efforts since 2023 have cost \$57 million for physicians and \$20 million since 2022 for nurses. Monitoring their effectiveness should continue to be a priority. The usage of agency nursing contracts has decreased to 208 as of September 2025, with government previously targeting 60 contracts by April 2026.

Opportunities for Improvement

- Our Office has provided government with 75 new opportunities for improvement this year. There are 57 recommendations outstanding from last year. In total, there were 132 management letter points addressed to those charged with governance, with government entities receiving the majority that require action.
- It is concerning that 43 per cent have been outstanding for more than one year, meaning that risks of fraud, loss or error may continue.
- Five entities received 74 per cent of the recommendations: Newfoundland and Labrador Health Services – 29; Memorial University – 29; Conseil scolaire francophone (French School Board) – 18; Newfoundland and Labrador Housing – 12; and Pippy Park Commission – 10.

Financial Health of the Province

Financial Position

- The province's financial position is disclosed through six financial statements that are released as part of the Public Accounts annually.
- Revenues increased by 7.6 per cent to \$10.4 billion for the year ended March 31, 2025, primarily due to more money coming in from offshore royalties and income taxes.
- Expenses increased by 5.7 per cent to \$10.7 billion, mainly due to more money going out as grants and subsidies offset by savings in employee costs.
- Since revenues grew more than expenses last year, the deficit is lower at \$296.6 million, but worse than expected when the budget was approved by the House of Assembly.

Key Financial Indicators and Risks

- The province's key financial indicators show a mix of positive and negative trends with respect to the province's flexibility to meet its obligations, sustainability to maintain its programs, and vulnerability to revenue sources outside its control.
- Liabilities of \$34.4 billion are more than two times that of financial assets at \$15.9 billion, with the resultant gap – net debt of \$18.4 billion - continuing to grow because of annual deficits. This debt burden is worth over \$33 thousand for each person residing in the province.
- Because the province continues to generally spend more than it brings in, the annual deficits continue to increase the debt burden on the province. The province is paying \$890 million a year for interest on the debt the province holds – that's \$1,630 for every resident. The total debt expense the province paid in the year was \$1.173 billion - \$2,137 for every resident.
- The province faces a wide range of fiscal risks and opportunities, as illustrated in its economic outlook documents.

Our Office encourages discussion and education on the financial health of the province, noting that no single indicator or piece of information can provide the full picture. The public is encouraged to review the six consolidated financial statements and their notes, the provincial budget and economy documents, the discussion and analysis report within Public Accounts as well as this report and the other audit reports released by our Office when assessing the financial health of the province.

After reading this report, you may want to ask the following questions of government:

1. What action is government taking to ensure fraud is identified and handled appropriately?
2. Why are the 57 recommendations of the Auditor General from prior years still outstanding?
3. Is the target of 60 nursing contracts by April 2026 still being pursued?

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Introduction

The Office of the Auditor General (the Office) is legislated to conduct the financial statement audit of the Public Accounts of Newfoundland and Labrador. We are also legislated to perform the financial statement audits of government entities and to satisfy legislative or contractual compliance. We may issue an unqualified or unmodified audit opinion, also known as a clean opinion, or we may issue a modified opinion, such as a qualified, adverse or disclaimer of opinion. These opinions indicate whether the financial statement, special report or claim is fairly presented and can be relied upon by users.

We promote accountability in government's management and use of public resources through our audit processes. Our report has two chapters – audit results and financial health of the province. The audit results chapter illustrates the financial statement audit work performed by the Office of the Auditor General in 2025 - audits conducted, opinions issued, observations made on selected focus areas, and opportunities for improvement found. The financial health chapter provides information on the key financial indicators disclosed in the Consolidated Summary Financial Statements for the year ended March 31, 2025. Government provides a significant amount of information as part of the statements, through its financial statement discussion and analysis report. That report, while not audited by our Office, has been reviewed to ensure the information is materially consistent with the financial statements. Its inclusion in the Public Accounts supports accountability and transparency.



Audit Results

Financial Audit Opinions

Public Accounts

The Office of the Auditor General examines the Public Accounts and expresses an opinion as per Section 17 of the Auditor General Act, 2021. The Public Accounts contain financial results for all organizations in the government reporting entity, including government departments and the Legislature, government organizations, government business enterprises, and a proportionate share of a government business partnership. Schedule 15 of the Consolidated Summary Financial Statements has additional details.

An unqualified audit opinion on the Consolidated Summary Financial Statements for the year ended March 31, 2025 was issued September 5, 2025. This is the 31st consecutive year the province has received an unqualified audit opinion. It concluded the statements were presented fairly, in all material respects, in accordance with Canadian public sector accounting standards. This audit opinion does not extend to the effectiveness of internal controls. However, if the Office identifies issues during the audit that resulted in recommendations to improve controls or management practices, those issues were communicated to government, through management letters. Opportunities for improvement, determined throughout the audits and communicated as management letter points, are included later in this chapter. Appendix II contains the full audit opinion, known as the Independent Auditor's Report.

Entities

The Office of the Auditor General is legislated to perform the financial statement audit work for government entities. Since last year, the Office has added seven financial statement audit clients to its legislative audit portfolio:

- Memorial University of Newfoundland, along with its pension plan, and its five separately incorporated entities for the year ended March 31, 2025. These clients represent 10 financial statement audit opinions.

We have chosen to perform the audit work for 21 entities with external auditors completing the work for 15 entities.

Audits Performed by the Office of the Auditor General

C.A Pippy Park Commission, including:

- C.A. Pippy Park Golf Course Limited

Celebrate NL

Chicken Farmers of Newfoundland and Labrador

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador

Credit Union Deposit Guarantee Corporation

Heritage Foundation of Newfoundland and Labrador

Innovation and Business Investment Corporation

Livestock Owners Compensation Board



Memorial University of Newfoundland, including:

- Campus Childcare Inc.
- Canadian Centre for Fisheries Innovation
- C-CORE
- Genesis Group Inc.
- Memorial University Recreation Complex Inc.
- Memorial University of Newfoundland Pension Plan

Newfoundland and Labrador Arts Council

Newfoundland and Labrador Crop Insurance Agency

Newfoundland and Labrador Health Services, including:

- Newfoundland and Labrador Health Services – Cottages and Hostels
- Newfoundland and Labrador Health Services – Operating Fund

Newfoundland and Labrador Housing Corporation

Newfoundland and Labrador Immigrant Investor Fund Limited

Newfoundland and Labrador Industrial Development Corporation

Newfoundland and Labrador Legal Aid Commission

Newfoundland and Labrador Liquor Corporation

Newfoundland and Labrador Municipal Financial Corporation

Oil and Gas Corporation of Newfoundland and Labrador, including:

- Bull Arm Fabrication Inc.

Provincial Advisory Council on the Status of Women – Newfoundland and Labrador

Provincial Information and Library Resources Board

During 2025, we issued 52 unqualified financial audit opinions for entities (22), special purpose statements (20), and claims (10). This work covered approximately 89 per cent of the annual revenues and expenses of the provincial public sector.

Audits Performed by External Auditors

Atlantic Lottery Corporation Inc.

Board of Commissioners of Public Utilities

College of the North Atlantic

Dairy Farmers of Newfoundland and Labrador

Egg Farmers of Newfoundland and Labrador

Marble Mountain Development Corporation

Multi-Materials Stewardship Board

Municipal Assessment Agency Inc.

Newfoundland and Labrador Education Foundation Inc.

Newfoundland and Labrador Film Development Corporation

Newfoundland and Labrador Hydro and subsidiaries

Newfoundland and Labrador International Student Education Inc.

Newfoundland and Labrador Sports Centre Inc.

Newfoundland Hardwoods Limited

The Rooms Corporation of Newfoundland and Labrador

House of Assembly Compliance Audit

Newfoundland and Labrador's House of Assembly is the elected body that approves legislation and holds oversight of government operations. As outlined in the House of Assembly Accountability, Integrity and Administration Act, the Office of the Auditor General is required to perform and complete a compliance audit of the operations of the House of Assembly at least once during every General Assembly, in addition to the annual audit requirement for financial information of the House of Assembly.

The purpose of the compliance audit is to confirm the adequacy of, and compliance with, legislation, policies, and procedures, particularly those addressed in section 43(9) of the House of Assembly Accountability, Integrity and Administration Act. The tabling of these audit results is informed by that Act - specifically, the Audit Committee of the House of Assembly Management Commission reviews the audit and presents its recommendations to the Management Commission, who in turn holds public meetings and subsequently informs the House of Assembly of their deliberations via tabling of minutes and documents. Compliance audit findings and recommendations may be included in a future Office of the Auditor General report, after the House of Assembly's processes are concluded.

With respect to the compliance audit for the 50th General Assembly, the Office of the Auditor General fulfilled the requirement during 2025. The Office met with the House of Assembly's Audit Committee on August 18, 2025, to advise of the results of the audit and the recommendations made as a result. The final report was submitted to the Speaker on August 27, 2025. On September 15, 2025, the 50th General Assembly was dissolved, which consequently ended the term of that Audit Committee.

The 51st General Assembly officially began on November 3, 2025. The Management Commission formally appointed a new Audit Committee of the 51st General Assembly effective December 15, 2025. As of the date of this report, the Audit Committee has not yet presented its recommendations on the audit to the Management Commission.

We recommend the Management Commission conclude its review of the compliance audit performed in the 50th General Assembly and inform the House of Assembly of the results.



Audit Observations

Statutory Deadlines

The Financial Administration Act requires the tabling of the Public Accounts before November 1 of the following fiscal year. For the year ended March 31, 2025, government satisfied this legislative requirement. Newfoundland and Labrador was the fifth jurisdiction in Canada to table its public accounts in 2025.

Of the 36 entities comprising the government reporting entity besides the Public Accounts, 32 entities (89 per cent) met their statutory reporting deadlines. **Four entities missed their statutory reporting deadlines**, as their records were not presented for audit in a timely manner:

- the audit opinion for the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador for the year ended June 30, 2024 was due December 31, 2024 but was issued on May 29, 2025;
 - the audit opinion for the year ended June 30, 2025 was due on December 31, 2025 but is still incomplete as of the date of this report;
- the audit opinion for the Newfoundland and Labrador Housing Corporation was due September 30, 2025 but was issued on December 10, 2025;
- the audits of Pippy Park Commission and Pippy Park Golf Course Limited for the year ended March 31, 2025, were due September 30, 2025 but are still incomplete as of the date of this report.

Compliance with Engagement Terms

All entities audited by the Office that table an annual report with the House of Assembly are required to provide their draft annual report to the Office of the Auditor General for review prior to tabling. We inform each entity of this requirement during the audit process.

Entities must provide a complete copy of their draft annual reports to the Office for review. We then determine, in accordance with generally accepted auditing standards, whether the financial statements and Independent Auditor's Report, or portions thereof, have been accurately reproduced, and whether the other information contained in the draft annual report is consistent with the audited financial statements. We require an entity's annual report not be finalized or released until the Office has completed this review.

In 2025, we found six entities (17 per cent) did not obtain the Office's consent before publishing their annual report:

- Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador,
- Heritage Foundation of Newfoundland and Labrador,
- Newfoundland and Labrador Housing Corporation,
- Newfoundland and Labrador Immigrant Investor Fund,
- Oil and Gas Corporation of Newfoundland and Labrador,
- Provincial Advisory Council on the Status of Women – Newfoundland and Labrador.



Select Focus Areas

Tobacco Settlement

On March 6, 2025, the Ontario Superior Court of Justice approved a \$32.5 billion settlement agreement under Canada's Companies' Creditors Arrangement Act arising from provincial litigation against three major tobacco companies over healthcare-related costs. The total settlement will be fulfilled through a combination of upfront payment totalling \$6.5 billion, and additional annual payments totalling \$24.7 billion. The annual payments will be calculated as a percentage of the three tobacco companies' net after-tax income each year for at least the next 16 years.

Public sector accounting standards state that if a reasonable estimate can be made, a transaction can be recognized; when a reasonable estimate cannot be made, the transaction would not be recognized in the financial statements but may be disclosed. Given the amounts are to be paid over a significant time period, there is significant uncertainty on collectability and the timing of future payments. **Based on all the information currently available, recognition of the entire tobacco settlement amount is not appropriate.**

The table below identifies the net receivable in fiscal 2024-25, which was accurately recognized in the Public Accounts of \$104.1 million. The remaining balance of the settlement was not recognized in the 2024-25 fiscal year due to the uncertainty related to the future annual payments.

**Table 1
Tobacco Settlement
(\$ Millions)**

	Province's Gross Share of Tobacco Settlement	Amount Recognized in the 2024-25 Public Accounts	Remaining to be Recognized Over at Least the Next 16 Years
Gross Settlement	531.0	138.8	392.2
Less: Legal Costs	132.7	34.7	98.0
Net Settlement	398.3	104.1	294.2

Source: Prepared using information from the Public Accounts.

The entire tobacco settlement was recorded in the 2025-26 Budget which was tabled on April 9, 2025. The appropriate accounting treatment was confirmed with the Office of the Auditor General during the Public Accounts audit in early August 2025. The province stated in its first quarter update on August 18 that it planned to continue to recognize the remaining net revenue in Budget 2025-26. **It is our opinion that such treatment in future budgets would understate the deficit and risk a qualified audit opinion on the Public Accounts.**

Land Transactions

Land purchased by government for public infrastructure is excluded from the requirements of the Public Procurement Act. Acquisition of land is covered under section 38 of the Works, Services and Transportation Act, whereby land within a public works development area shall be acquired either by purchase where the owner is willing to sell the land or by expropriation in accordance with the Expropriation Act.

Additionally, **government officials have confirmed there are currently no formal policies and procedures relating to the disposal of land.** For example, when expropriated land is sold, it has been government's practice to offer the original owners the right of first refusal on the sale; however, this practice is not documented. When land is not expropriated, the Act provides government limited guidance on practices to follow when purchasing land from a willing seller.

As a part of routine financial statement audit, we selected and reviewed two land transactions for further analysis; these transactions detailed below were initiated in fiscal 2024-25.

Kenmount Crossing

Email correspondence on July 18, 2024, between the Department of Transportation and Infrastructure and H3 Development Limited, demonstrates government initiated contact with H3 Development Limited inquiring about land for sale at Kenmount Crossing. Per the correspondence, land was priced at \$485,000 per acre; however, H3 Development Limited indicated they were prepared to offer a significant price reduction should a large acreage be purchased.

On October 26, 2024, government and H3 Development Limited entered into a Memorandum of Understanding which detailed that 10 acres would be donated by H3 Development Limited in return for an official income tax receipt for \$4.25 million (\$425,000 per acre), and the remaining 55 acres would be paid for by the department at \$425,000 per acre (23.4 million).

On November 4, 2024, government announced the location of the new hospital campus at Kenmount Crossing. On March 3, 2025, government released a public advisory stating that 54.8 acres of land had been acquired from H3 Development Limited for \$23.27 million. The statement noted H3 Development Limited also donated 10 acres. Of the 64.8 acres acquired, 17 had been sold to H3 Development by government as part of a 38 acre package land sale for \$84,605 per acre in 2016.

The sale of the land closed on January 31, 2025.

Snow's Lane

On March 3, 2025, government released a public advisory on the status of the sale of land on Snow's Lane noting that a Purchase and Sale Agreement for \$176,000 had been finalized with the land transaction scheduled to close in May. This transaction became a topic of debate in the House of Assembly due to the value of the land given its geographic location. On March 4, 2025, in the House of Assembly, the former Minister of Tourism, Culture, Arts and Recreation indicated that the Auditor General would be asked to review the sale of this land.

As of the date of this report, our office has not received a request related to Snow's Lane.

We recommend government establish formal policies and procedures for land purchases and disposals which fall outside the scope of the Expropriation Act or where the Expropriation Act does not provide guidance.

Legal Services

The Department of Justice and Public Safety is responsible for the maintaining the Office of the Attorney General in addition to operating this specific ministry of government. The Attorney General is responsible for administering criminal justice in the Province; representing the Crown in matters of civil litigation; providing access to legal aid to those persons who are eligible; and providing legal services to all government departments and agencies, among other various legal responsibilities. The Attorney General determines if legal services for departments and agencies need to be outsourced to other firms. This is often based on capacity issues, conflicts, and the need for specialized expertise.

The department employs a staff complement of lawyers to fulfill its mandate. The department does not maintain a list of specific requests for advice they receive from provincial departments and agencies, however, all government departments may use their services during the year. Services typically consist of providing legal opinions, drafting of documents such as commercial agreements and contracts, and representation at litigations.

Agencies normally go through the department they report to in order to request legal services. The Department does not usually provide operational legal services to crown corporations. Some entities, such as Newfoundland and Labrador Hydro and Newfoundland and Labrador Liquor Corporation, have their own in-house legal counsel. Some entities, such as Newfoundland and Labrador Housing Corporation, use the department's services routinely or some, like Innovation and Business Investment Corporation or Pippy Park Commission, may request assistance.

There are no formal policies or procedures to determine which crown corporation or agency would receive legal services from the department.

External Legal Fees – Department

Legal fees paid by all provincial departments for external legal services increased from \$4.8 million to \$5.9 million between fiscal 2021 and fiscal 2025, an increase of 22.8 per cent. We were unable to assess the \$5.9 million in external legal fees spent by government for appropriateness, but could classify by service received.

Of the \$5.3 million in legal expenses incurred by the Department of Justice and Public Safety, \$3.1 million (59 per cent) related to civil law, \$1.6 million (30 per cent) for other inquiries, and \$0.6 million (11 per cent) related to various activities such as Royal Newfoundland Constabulary Public Complaints Commission, Criminal Law, and Adult Corrections.

We recommend government establish formal policies and procedures regarding legal services available to government departments and agencies under the responsibility of the Attorney General. We recommend government review the cost of legal services to ensure the best value for public money.

External Legal Fees - Entities

Our Office reviewed the legal fee invoices for entities we audit for the fiscal period ending March 31, 2025. These entities spent approximately \$3.5 million in external legal fees. This cost could be in addition to legal staff costs. In some cases, the entities advised us on the classifications of their legal expenses themselves, and in others we determined the classification through invoice review.

Of the \$3.5 million spent in legal fees noted above, \$1.5 million (42 per cent) was related to contract and commercial law; \$1 million (29 per cent) was related to advisory and general council; \$1 million (29 per cent) was related to other services, such as litigation, regulatory, and other specialized services. Based on correspondence provided to us, we were unable to assess the \$3.5 million in external legal fees for appropriateness but were able to categorize them. We could confirm that almost \$138,000, or approximately 4 per cent, of the legal advice received related to the work of the Office of the Auditor General.

We recommend all government entities consider if the cost of legal services are in the best public interest, and to explore if the Department of Justice and Public Safety could facilitate solutions, particularly when the work is related to other parts of the public sector.

**Table 2
Legal Fees Incurred Related to the
Office of the Auditor General**

Entity	Cost
Oil and Gas Corporation of Newfoundland and Labrador	\$25,680
Memorial University of Newfoundland	\$112,000
Total	\$137,680

Source: unaudited, compiled from data provided by government crown corporations and agencies.



Budget Transfers

At the beginning of every fiscal year, budgetary appropriations are allocated to all government departments to carry out their planned operations for the next fiscal year. These budgetary appropriations are based on department submissions and budget analysis, and act as a monitoring tool to ensure government funds are used as intended by the House of Assembly.

The Financial Administration Act provides guidance with respect to transfers within departments (redeployment of savings) and across departments (from central allocations such as contingency funding and financial assistance). Transfers may also involve multiple departments, such as when funds are redeployed from central allocations, including ex-gratia or contingency funding, financial assistance, and federal programming. Funding is transferred from these activities to other department programs and activities as required. Transfers may also be made to entities outside of core government once the department receives its funding, such as an operating grant.

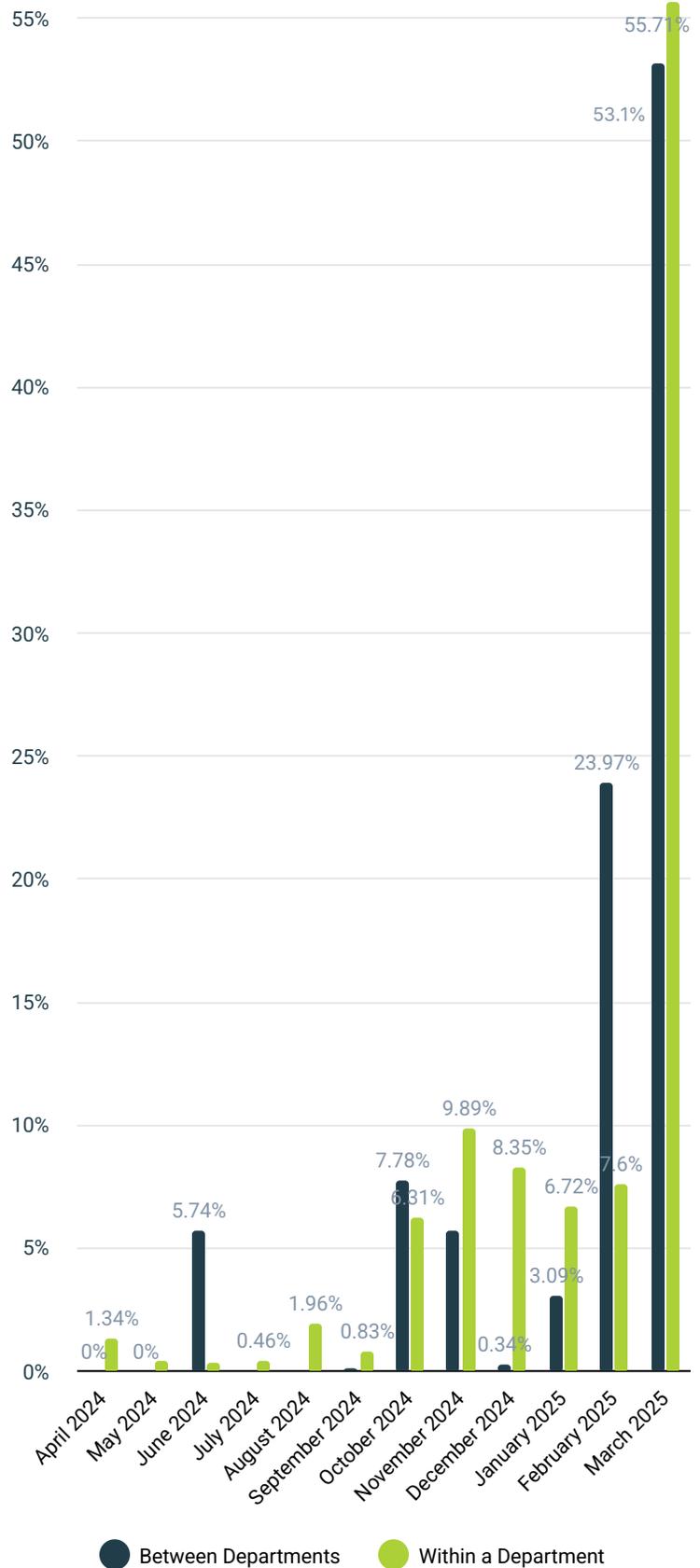
During fiscal 2024-25 - there were transfers of \$430.7 million which included transfers of \$267.5 million within a department, and \$163.2 million involving multiple departments. The departments with the largest portion of transfers were Health and Community Services at \$145.15 million (34 per cent) and Transportation and Infrastructure at \$111.78 million (26 per cent).

Over 50 per cent of all budgetary transfers made during fiscal year 2025 related to our March 2025 period.

For example, on March 25, 2025, a transfer worth \$47.2 million was made within the Department of Health and Community Services to address various current account shortfalls. Approximately \$32 million of the savings related to a capital account was originally approved by the House of Assembly for building improvements and equipment.

We recommend government review year-end transfers, particularly when funds are moved within a department, possibly indicating original appropriations to programs and entities were insufficient or incorrect.

**Figure 1
Budget Transfers by Type**



Source: Prepared using information provided by the Office of the Comptroller General (unaudited)

Fraud Reporting

Pursuant to section 20 of the Auditor General Act, 2021, the Auditor General must report to the Lieutenant-Governor in Council any situation that may involve the improper retention or misappropriation of public money, or any activity that could constitute an offence under the Criminal Code, or another act, which became evident during the audit process. The Act also requires a list of the incidents reported to the Lieutenant-Governor in Council be attached to an annual report.

Incidents are discovered via our audit work or may be reported to the Auditor General by government and its agencies, boards, and commissions in response to inquiries during financial audits. In some instances, these cases may be voluntarily reported to the Auditor General throughout the year.

Since the last report, 490 incidents came to light through audits or were reported to the Office.

Table 3
Summary of Fraud Incidents

Description	Incidents	Percentage
Attempted cheque fraud using remote deposit	314	64%
Income support received under false pretenses	127	26%
Fraudulent artist support program applications	29	6%
Fraudulent family practice start up grant applications	4	1%
Other	16	3%
Total	490	100%

Source: Unaudited, compiled using fraud reported to our Office by government departments and entities.

We continue to be informed of numerous instances of attempted cheque fraud using remote deposit. While there was a decrease in instances of cheque fraud in 2025 (314 incidents down from 582 in last year's report), the majority of these instances related to one-time cheques issued through the Cost-of-Living program. We are pleased to report that based on information provided by government, internal controls are in place to detect these instances, resulting in no loss to government. However, there is still a risk. In instances where an individual cashes a cheque via remote deposit and then cashes the cheque again at a small business, for example, the business may be at risk of having to absorb the loss of the fraudulently cashed cheque.

As we stated last year, in our opinion, eliminating the issuance of cheques in favour of direct deposit should be considered for any future benefit payment programs.

There were additional instances of fraud by external and internal parties. Government grants, student grants, cyber-crime and theft of government assets were reported. Theft of government credit facilities and misappropriation of cash were also reported involving government employees.

If government is committed to a culture of zero tolerance for fraud, more than just messaging is required. Commitment must be demonstrated in government's interactions with both internal and external parties. This involves clear and consistent action whenever fraud is identified, including discipline for employees. We urge government to promote fraud awareness as part of organizational culture – and clearly communicate the consequences of fraudulent behaviour.

Appendix III contains a list of all incidents which satisfies our reporting requirements under the Act.

Update – Health Sector Bonuses

Provincial retention and recruitment efforts have been established for healthcare professionals through a variety of monetary based incentives, beyond what is offered in collective agreements, to retain current healthcare professionals and attract new candidates. The goal is to improve access to primary healthcare and alleviate pressures on systems in understaffed areas. Bonuses are paid out before an individual's yearly return-in-service commitment is fulfilled, with prorated amounts being refunded if a recipient fails to meet these obligations. Bonus programs began in April 2022 and are the responsibility of the Department of Health and Community Services in conjunction with Newfoundland and Labrador Health Services. In our Report on the Province's 2024 Financial Statement Audits, we examined bonus program information from April 2022 to March 2024. This year's report provides a continued analysis of the programs from April 2022 to March 2025, with relevant information up to October 2025 where applicable.

Physicians and nurses are considered for individual review, as compared to other healthcare professionals, due to demand, critical function, and increased retention efforts by the province. For the purpose of this report, nurses includes registered nurses, licensed practical nurses, and nurse practitioners. As well, given the province is still in the early stages of bonus implementation, this topic will continue to be assessed in our future reports. All information presented here was self reported by the Department of Health and Community Services or Newfoundland and Labrador Health Services and is unaudited.

Types of Bonuses

Bonuses for Physicians

There were six types of bonuses for physicians (applications opened between July 6, 2022 to January 1, 2025). Five of these bonuses were addressed in our previous report and continue in this report, one bonus program ended last year (Family Practice Retention), and one new bonus program was added to our analysis this year (Physician Locum Recruitment). They are:

- Physician Signing Bonus Program
- Physician Recruitment Incentive Pilot
- Come Home Incentive
- Family Practice Start Up Program
- Family Care Team Incentive
- Physician Locum Recruitment Program

Bonuses for Nurses

There were four types of bonuses available for nurses (applications opened on various dates between October 4, 2022, to May 26, 2023). The fifth bonus was a signing bonus program initiative reinstated in June 2022. These five bonuses were addressed in our previous report as well. They are:

- Long-Term Care Retention Bonus
- Long-Term Care Recruitment Bonus
- Come Home Incentive:
- Nurse Practitioner Family Care Team Incentive
- Signing Bonus Program



Bonus Payouts

Physician Bonus Payouts

Between April 2023 and September 2025, government paid approximately \$57 million in physician bonuses to 977 individuals. Of the total allocated funding, the Eastern region accounted for approximately 59.4 per cent (\$33.8 million) to approximately 63.4 per cent of the total recipients (619). The average payout per recipient increased sharply from \$41,140 in 2023-24 to \$92,416 in 2024-25 and then decreased to \$77,955 in 2025-26. The number of recipients of physician bonus funding was 601 in 2023-24; 202 in 2024-25, and 174 bonuses were paid up to September 2025 in the 2025-26 fiscal year. We note most physician funding includes multi-year service commitments, which likely cause the data to be skewed to the initial years of project implementation.

Table 4
Physician Bonuses by Zone - April 2023 to September 30, 2025

Zone	2023-24 Fiscal Year		2024-25 Fiscal Year		2025-26 Fiscal Year to Date	
	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid
Eastern Combined	411	16,729,376	108	9,263,333	100	7,837,083
Central	74	3,501,249	38	3,374,717	33	2,120,000
Labrador-Grenfell	20	722,916	21	2,595,000	21	1,867,154
Western	96	3,771,667	35	3,435,000	20	1,740,000
NL	601	\$ 24,725,208	202	\$ 18,668,050	174	\$ 13,564,237
Average	\$41,140		\$92,416		\$77,955	

Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

Note: Physicians include salaried and fee-for-service.



**Table 5
Physician Bonuses by Type - April 2023 to September 30, 2025**

Incentive	2023-24 Fiscal Year		2024-25 Fiscal Year		2025-26 Fiscal Year to Date	
	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid
Come Home Incentive	55	5,070,000	44	3,438,333	55	3,637,083
Physician Signing Bonus	60	6,215,000	76	8,391,800	54	5,490,904
Provincial Locum Recruitment Program	-	-	1	10,000	19	190,000
Family Care Team Incentive	-	-	17	1,135,000	11	706,250
Labrador Incentive	-	-	3	450,000	8	1,200,000
Family Practice Start Up Grant	8	1,200,000	16	2,285,000	8	1,160,000
Locum Part-time Annual Commitment Bonus	-	-	10	160,000	7	130,000
Category A Emergency Department Incentive Program	2	200,000	3	300,000	4	300,000
Physician Recruitment Incentive Pilot Project	8	845,000	14	1,597,917	3	300,000
Hot Spot Incentive	-	-	-	-	3	300,000
Bonavista Incentive	-	-	-	-	1	100,000
Category B Emergency Department Incentive Program	-	-	-	-	1	50,000
Family Practice Retention Bonus	467	11,095,208	12	300,000	-	-
Hot Spot Pilot Project Incentive	-	-	4	400,000	-	-
Carbonear Incentive - Internal Medicine	1	100,000	1	100,000	-	-
Physician Recruitment Incentive Project	-	-	1	100,000	-	-
Total	601	\$ 24,725,208	202	\$ 18,668,050	174	\$ 13,564,237

Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

Note 1: Some incentives displayed in the table are broken up into subgroups based on how data is tracked.

Note 2: The Provincial Locum Recruitment Program includes \$100,000 for 10 recipients across Newfoundland and Labrador between January 1 – October 28, 2025, not captured above.

Note 3: Due to how incentives are tracked, the Family Practice Start Up Grant includes payouts up to October 28, 2025.

Nurse Bonus Payouts

Between April 2022 and October 2025, government paid approximately \$20.4 million across 2,390 nurses, which included long-term care funding. The Eastern region accounted for \$12.0 million across 1,346 recipients. This represents 58.8 per cent and 56.3 per cent respectively of the total funding and recipients across the province. The Signing Bonus Program had a total payout \$5,662,500 over 566 recipients. The average funding per recipient was \$10,004.

**Table 6
Nursing Bonuses by Zone
April 2022 to October 31, 2025**

Zone	2022-23 Fiscal Year		2023-24 Fiscal Year		2024-25 Fiscal Year to Date		2025-26 Fiscal Year to Date	
	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid
Eastern Combined	56	1,313,000	250	3,497,000	115	2,819,000	76	1,454,333
Western	1	14,000	32	1,144,769	59	1,243,577	44	633,923
Labrador-Grenfell	3	66,000	9	284,000	32	576,000	37	392,000
Central	4	39,000	30	675,000	47	727,000	22	351,000
NL	64	\$1,432,000	321	\$5,600,769	253	\$5,365,577	179	\$2,831,256
Average	\$22,375		\$17,448		\$21,208		\$15,817	

Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

Note 1: Nurses include nurse practitioners, registered nurses and licensed practical nurses. Nurse Practitioners under the Nurse Practitioner Family Care Team Incentive were offered the opportunity to extend for another year with their original bonus - the recipient numbers only include new recipients each year.

Note 2: Within Central Region, the Nurse Practitioner Family Care Team Incentive paid out an additional \$ 90,000 which is not included in the table as there was no start date in the data provided.



Table 7
Nursing Bonuses by Type
April 2022 to October 31, 2025

Incentive	2022-23 Fiscal Year		2023-24 Fiscal Year		2024-25 Fiscal Year to Date		2025-26 Fiscal Year to Date	
	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid	Recipients	Total Paid
Signing Bonus Program	39	387,000	245	2,483,000	137	1,321,500	145	1,471,000
Come Home Incentive	19	925,000	43	2,050,000	52	2,287,385	20	943,333
Nurse Practitioner Family Care Team Incentive	6	120,000	33	1,067,769	64	1,756,692	14	416,923
Total	64	\$ 1,432,000	321	\$ 5,600,769	253	\$ 5,365,577	179	\$ 2,831,256

Source Newfoundland and Labrador Health Services and the Department of Health and Community Services.

Note 1: Within Central Region, the Nurse Practitioner Family Care Team Incentive paid out an additional \$ 90,000 which is not included in the table as there was no start date in the data provided.

With respect to the long-term care bonus program, \$5.3 million was paid out as recruitment bonuses and \$4.3 was paid out as retention bonuses. While the funding was similar between the two bonuses aimed at long-term care, the number of recipients and average funding varied. Nearly half the funding directed at recruitment and retention in long-term care was paid to personal care attendants. The chart below summarizes long-term care bonus amounts between April 2023 and October 2025.

Table 8
Long-Term Care Bonuses by Occupation
April 2023 to October 31, 2025

Occupation	Recipients	Total Paid	Average
Personal Care Attendant	1,723	4,455,510	2,586
Licensed Practical Nurse	1,172	3,516,800	3,001
Registered Nurse	398	1,622,350	4,076
Nurse Practitioner	3	24,000	8,000
Total	3,296	\$ 9,618,660	\$ 2,918

Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

Other Bonus Payouts

An agreement was signed between the provincial and federal governments in March 2024 initiating a project called Facilitating the Recruitment of Registered Nurses from India for Entry into Newfoundland and Labrador. The objective of the agreement was to improve the integration of skilled newcomers into the province’s labour market; strengthen the foreign credential recognition assessment and capacity of the province; and support the pre-arrival of registered nurses trained in India to provide work experience to internationally educated individuals when they arrived.

The federal funding budgeted for this initiative was \$5,141,635 over the 2023-2026 fiscal years. As of June 30, 2025, a total of \$3,840,908 had been spent, with \$1,809,760 spent on participant costs. Up to December 9, 2025, there were 248 recipients of this funding actively residing in the province with an average payout of \$15,488 per recipient.

Additionally, the province approved funding to support nurses recruited internationally. This funding was approved in March 2023 for \$4,975,813. The funding was approved to support up to 253 internationally educated nurses recruited as part of the India mission. On a per recipient basis, the funding was allocated to be \$18,906 per nurse plus additional funds used to support recruitment efforts in India. In March 2024, funding was expanded to include internationally educated nurses recruited as registered nurses through other recruitment sites. This funding came with a three-year return-in-service agreement with Newfoundland and Labrador Health Services.

A total of 309 internationally educated nurses availed of support packages through this funding. As of the date of this report, information was not available on actual spending related to the relocation support packages to internationally educated nurses. All of the 248 nurses (including seven nurses recruited through the Dubai initiative) mentioned above, availed of support. An additional 61 nurses not within the India or Dubai project also availed of the support.

Impact of Retention Efforts

Staffing Data - Physicians

Overall, in this early assessment, it appears the incentive programs are having a degree of impact. There was a 13.2 per cent increase (or additional 59 general practitioners) in physicians employed within Newfoundland and Labrador Health Services - up from 447 in March 2024 to 506 in March 2025, which is above the 2022 level of 468.

**Table 9
General Practitioner Staffing Data**

As At March 31						
Zone	2020	2021	2022	2023	2024	2025
NL	495	484	468	440	447	506
Central	89	83	76	70	82	87
Eastern Combined	300	305	297	285	276	310
Labrador-Grenfell	31	29	24	18	18	24
Western	75	67	71	67	71	85

Source: Department of Health and Community Services.

Note: All counts represent a full-time equivalent physician position, meaning that multiple people could be occupying the role at one time. Counts include Salaried and Fee-for-Service Physicians.

Staffing Data - Nurses

Overall, it appears that the nurse incentive programs may be having a degree of impact. The nursing workforce data is displayed in Table 10.

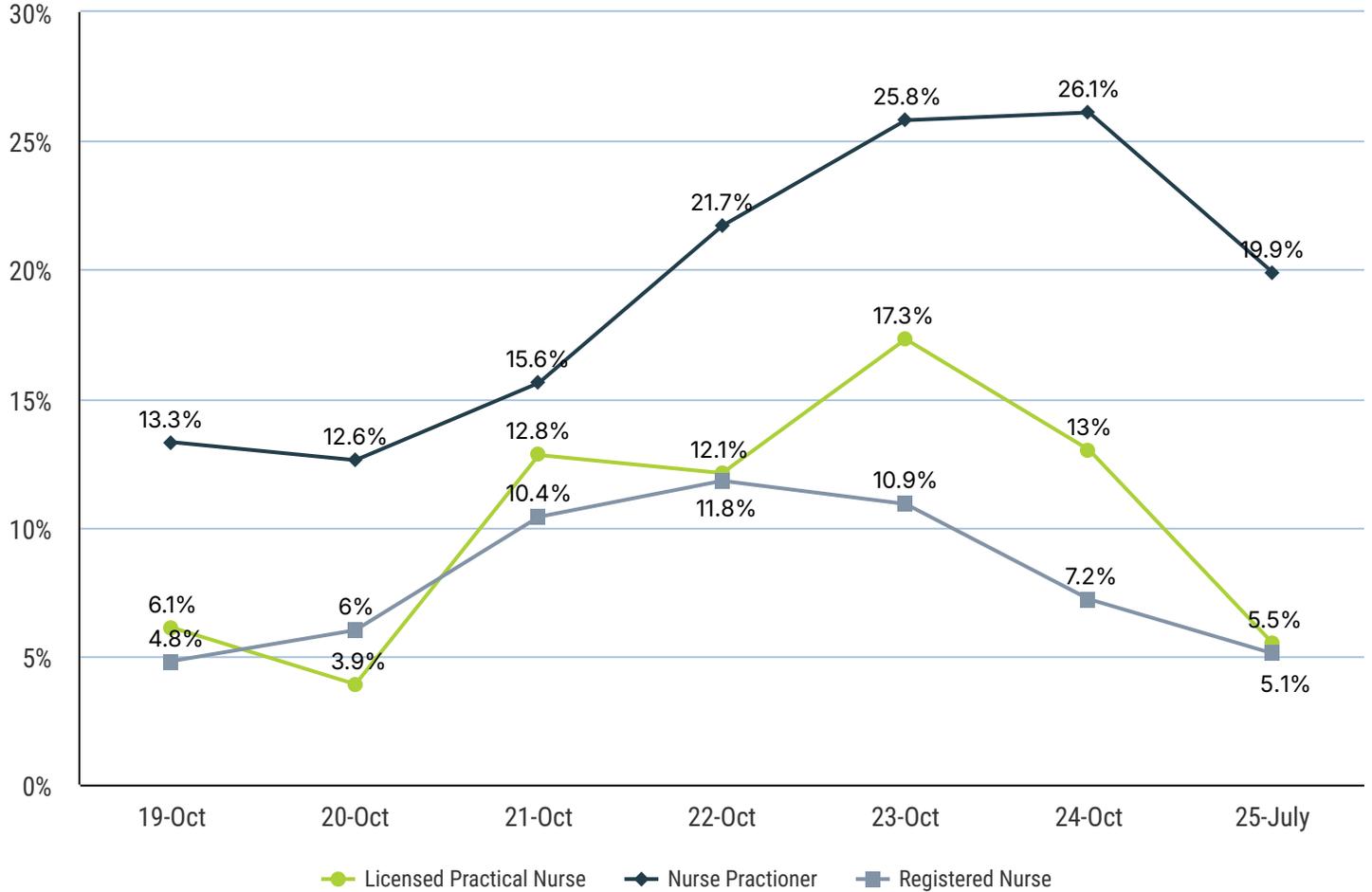
**Table 10
Nurse Workforce**

Occupation	Zone	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-July	Change October 23 – July 25
Workforce Headcount									
Registered Nurse	NL	4,912	4,991	4,990	5,035	5,186	5,422	5,589	403
	Central	631	636	640	633	626	663	719	93
	Eastern Combined	3,155	3,186	3,236	3,272	3,402	3,507	3,581	179
	Labrador-Grenfell	342	363	370	371	401	451	424	23
	Western	784	806	744	759	757	801	865	108
Licensed Practical Nurse	NL	1,973	1,953	1,919	1,880	1,827	1,929	2,021	194
	Central	439	422	423	395	379	395	404	25
	Eastern Combined	979	979	1,003	977	951	1,023	1,073	122
	Labrador-Grenfell	162	163	164	174	162	161	167	5
	Western	393	389	329	334	335	350	377	42
Nurse Practitioner	NL	150	167	173	206	224	232	234	10
	Central	26	26	30	35	35	31	33	(2)
	Eastern Combined	80	92	96	113	126	141	143	17
	Labrador-Grenfell	24	25	25	27	24	22	17	(7)
	Western	20	24	22	31	39	38	41	2

Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

While the workforce increased, the vacancy rate decreased for Nurse Practitioners with a vacancy rate dropping to 19.9 per cent in July 2025. The licensed practical nurse vacancy rate dropped to 5.5 per cent in July 2025. Registered nurses experienced a vacancy rate decrease from 12.1 per cent in October 2022 to 5.1 per cent in July 2025. Figure 2 illustrates these trends.

Figure 2
Workforce Vacancy per cent from October 2019 to July 2025



Source: Department of Health and Community Services, Newfoundland and Labrador Health Services.

Between 2023 and 2025 (fiscal years), a total of 653 new registered nursing graduates were hired. The total new registered nursing graduates hired over the three-year period has increased from 211 in 2023-24 to 226 in 2025-26. Over the three-year period Eastern region combined had the highest percentage of new hires at 496 or 76 per cent followed by Western region at 95 new hires or 14.5 per cent.

Table 11
Registered Nurse New Grad Breakdown 2023 to 2025 (Fiscals)

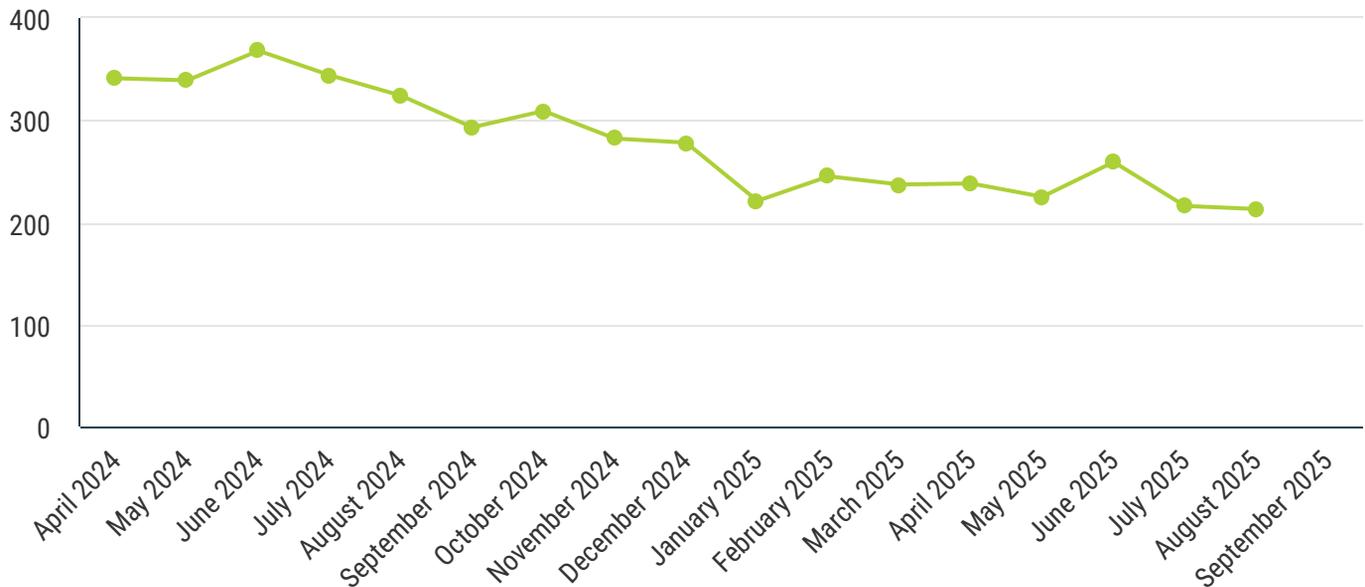
Zone	2023 Fiscal Year		2024 Fiscal Year		2025 Fiscal Year		Total	Total %
	Number of RNs	Total %	Number of RNs	Total %	Number of RNs	Total %		
Registered Nurse New Grad Job Offers								
Eastern Combined*	172	76%	174	73%	198	74%	544	75%
Central	14	6%	12	5%	15	6%	41	5%
Labrador-Grenfell	4	2%	9	4%	14	5%	27	4%
Western	35	16%	43	18%	39	15%	117	16%
Total Offers	225		238		266		729	100%
Registered Nurse New Grad Job Declines								
Eastern Combined*	6	43%	14	64%	28	70%	48	63%
Central	0	0%	0	0%	3	7.5%	3	4%
Labrador-Grenfell	0	0%	0	0%	3	7.5%	3	4%
Western	8	57%	8	36%	6	15%	22	29%
Total Declines	14		22		40		76	100%
Registered Nurse New Grad Hires								
Eastern Combined*	166	79%	160	74%	170	75%	496	76%
Central	14	6%	12	6%	12	5%	38	6%
Labrador-Grenfell	4	2%	9	4%	11	5%	24	4%
Western	27	13%	35	16%	33	15%	95	14%
Total Hires	211		216		226		653	100%
Acceptance %	94%		91%		85%		90%	

Source: Newfoundland and Labrador Health Services.

*Note 1: *Most offers declined were to accept offers at other zones within NLHS. Therefore, the number of declines at Eastern zone is a positive result, as it MAY reflect NLHS's efforts to push new grads to consider other zones/rural.

With respect to agency nursing contracts, the Office of the Auditor General released a performance audit in June 2025 that found significant usage of agency nurses. As of the time of that report, the head count of agency nurses as at March 2025 was 237 contracts. As of September 2025, this figure had decreased to 208. The health authority has commented that they project the number to be 60 contracts by April 2026.

Figure 3
Provincial Agency Nurse Usage from April 2024 to September 2025



Source: Department of Health and Community Services, Newfoundland and Labrador Health Services

Monitoring

For many years, the four regional health authorities had a human resource planning subcommittee that monitored health professional recruitment and retention. It was dissolved in 2024 when this oversight was centralized within Newfoundland and Labrador Health Services, with several other committees, taskforces, and forums created to provide oversight.

The Department of Health and Community Services collects data from Newfoundland and Labrador Health Services regarding recruitment and retention initiatives monthly. The department also has a team dedicated to governance and evaluation for all incentive programs, with a report in progress evaluating each incentive program. When Treasury Board approved the various incentive programs, it included an evaluation report date for the specific incentive.

A report on the evaluation of the Registered Nurses Locum Project was originally scheduled to be completed October 31, 2025, with an extension granted until December 31, 2025. At the date of this report release, the evaluation is scheduled to be completed on February 28, 2026. The Facilitating the Recruitment of Registered Nurses from India for Entry into Newfoundland and Labrador project has a scheduled end date of February 15, 2026, with a report on key findings and scalability due in June 2026.

Given the level of spending and recruitment difficulties in the healthcare industry, government should continue to make it a priority to monitor the effectiveness of the incentives discussed in this report and provide updates to the public on the effectiveness of the incentives. We also recommend government continue to report publicly on their progress in reducing the reliance on agency nursing contracts to 60 contracts by April 2026.

Opportunities for Improvement

During financial statement audits, we often identify opportunities for management to improve various areas of operation, such as accounting practices, governance, internal controls, or compliance with policies, legislation, and regulations. The Office issues management letters to explain these areas of opportunity; offer recommendations on improvements; and receive a response from the organization. Issues raised in management letters do not indicate financial statements are materially misstated; rather the issues are deemed by the auditor to be important enough to report to an entity's board of directors or those charged with governance. By ensuring those charged with governance are aware of these opportunities, the Office provides additional value beyond the audit opinion.

Some management letter issues are resolved in the year following the letter's release, while others remain an issue in subsequent letters. It is important to note that the increase in management letter points from the prior year is primarily due to the Office auditing more government entities, which has resulted in a greater number of observations being identified.

The table below provides a high level summary of the government reporting entity's management letter topics provided by the Office and external auditors during the fiscal year 2024-25.

Table 12 - Management Letter Issues

Categories	Public Accounts	Entities Audited by the Auditor General	Entities Audited by External Auditors	Total Management Letter Points
Internal Controls and Processes	2	50	8	60
Accounting Practices	7	20	7	34
General Information Technology Controls	1	20	-	21
Compliance	-	11	-	11
Governance	-	5	1	6
Total	10	106	16	132

Of the 132 opportunities for improvement outstanding at this time, 57 or 43 per cent, were raised in prior years and 19 (14 per cent) of the recommendations are outstanding for more than two years.

We continue to strongly recommend those charged with governance of departments and entities direct management to have all 132 opportunities for improvement resolved in a timely manner, particularly the 57 points that have been outstanding for more than a year. We suggest the Comptroller General, as the statutory officer responsible for the preparation of the province's Public Accounts, exercise oversight of these opportunities for improvement.



Public Accounts

Ineffective Tangible Capital Asset Management

Outstanding for at Least Three Years

In prior management letters, we noted the management of work-in-progress assets continues to be a significant area of concern. Tangible capital assets represent a significant expenditure of public money; however, year over year, the Office notes a severe lack of oversight in the financial reporting of these expenditures, which is exasperated by the lack of accounting knowledge.

We note government subsequently made all necessary corrections to work-in-progress and recognized the applicable amortization in the current year. As errors were identified during interim work, the related amortization was corrected at this time. However, it consumes valuable resources within our Office and government to continually correct such fundamental accounting treatments.

During the audit, we tested 28 work-in-progress assets with a total cost of \$192.0 million to determine whether they were in service. We found concerns with \$9.1 million in costs related to three assets from our review:

- One asset costing \$1.6 million should have been removed from work-in-progress. The asset did not meet the criteria to be capitalized and should have been expensed; and
- Two assets totalling \$7.5 million were transferred into service during the year. Upon further inquiry, the assets were identified as work-in-progress.

We also compared in-service dates on record for the Office of the Comptroller General and identified the following inconsistencies for seven of the 28 assets tested:

- Four in-service dates recorded by the Office of the Comptroller General were earlier than the dates provided by respective departments. This included four assets within the Department of Transportation and Infrastructure that had discrepancies ranging from 298 days to 1,132 days;
- One asset was recorded as in-service but had been disposed of based on inquiries with the Department of Transportation and Infrastructure;
- One asset was recorded as in-service but was identified as work-in-progress by the Department of Transportation and Infrastructure; and
- One asset was recorded as work-in-progress but was identified as in-service by the Department of Education and Early Childhood Development, however, further analysis determined this asset should have been expensed.

In the prior year's management letter, we recommended the Office of the Comptroller General require departments to review work-in-progress assets at least annually and they provide us with an accurate list of work-in-progress assets, certified by the applicable Deputy Minister, for inclusion with the departments' Public Accounts submissions. Of the four departments we selected for testing, one did not have a listing of work-in-progress assets certified by the Deputy Minister.

We again recommend the Office of the Comptroller General ensure an accurate list of work-in-progress assets certified by the applicable Deputy Minister is obtained at least annually for all departments. We also recommend departments ensure they provide accurate and timely information related to tangible capital assets to the Office of the Comptroller General.

Departmental submissions should also be reviewed for accuracy and submitted monthly to ensure appropriate record keeping of changes with Tangible Capital Assets.

Lack of Effective Inventory Management

Outstanding for Two Years

Inventory management is an area of risk for government, given there are a variety of items housed in many locations across the province. The nature of some of these items makes them inherently susceptible to the risk of theft or loss, such as automotive and mechanical parts, medical supplies, salt and sand, or weapons and ammunition.

In prior years, it was noted a comprehensive inventory management manual had been delivered to the Department of Transportation and Infrastructure but had not been placed into operation because the department wished to make additional edits. This is despite the fact the department had the manual for many years. In the current year, the manual has still not been placed into operation and the department has not developed any other alternative inventory management policies and processes.

We again recommend government ensures inventory management policies are documented, appropriate, and address the risk of their inventory, to ensure appropriate stewardship over public assets.

Significant Mining Tax Audit Delays

Identified in 2025

During the audit of of Public Accounts, we identified significant delays in the completion of mining tax audits by the Department of Finance (Tax Administration Division). The department completed three audits during the year ended March 31, 2025, with two of these audits having significant delays:

**Table 13
Notable Mining Tax Audits Completed During the Year Ended March 31, 2025**

	Audit Period	Years after audit period	Tax and Interest Owing
Company A	January 2006 – December 2008	15	Tax: \$1.9 million Interest: \$1.9 million
Company B	January 2011 – December 2013	10	Tax: \$0.7 million Interest: \$0.4 million

The department has an internal policy to waive interest on audit assessments for periods in excess of 36 months. This provides relief to the taxpayer for cases where the audit was delayed due to actions of the department.

Conducting audits on tax returns more than five years after the assessment period could result in significant funds owing to government not being identified; an increased risk of uncollectible taxes; and more difficulty completing audits due to the possibility of unavailable information and tax administration staff.

We recommend the Department of Finance complete mining tax audits in a timely manner.

Lack of Compliance with Federal Agreement Terms

Outstanding for One Year

Under the Early Learning Childhood Care Agreement and the Canada-Wide Agreement (the agreements), the province is required to provide the federal government with an annual report showing the results attributable to its funding and an audited financial statement of revenues received from the federal government under each agreement, both of which must be submitted no later than six months after the fiscal year end.

As of March 31, 2025, the Department of Education and Early Childhood Development has not submitted an annual report and audited financial statements for the 2023-24 fiscal year. This resulted in delayed payments by the federal government under its agreement. Additionally, the delay in providing these audited financial statements has made it challenging to accurately calculate the amounts owed to/from the federal government. This issue was raised in the prior year's management letter on Public Accounts.

We again recommend the Department of Education and Early Childhood Development ensure all reporting requirements under federal agreements are completed by the required timelines, to avoid delays in the province receiving federal funding and to ensure compliance with the terms of the agreements.

Incomplete Accounts Payable Reconciliation Process

Outstanding for One Year

During the audit of Public Accounts, we tested the accounts payable reconciliation process to ensure its accuracy and completeness. According to departmental guidelines, this reconciliation process is supposed to be completed daily to ensure financial records are accurate, and that any differences are resolved quickly. However, when we sampled 30 random dates, we found, for 73 per cent of those samples, multiple days were reconciled at once because the daily reconciliations were not completed as required.

Due to the infrequent nature of reconciliations, there were multiple instances where outdated information was attached as support for reconciliations, which impacted the quality of support provided. The lack of timely reconciliation of the accounts payable module can lead to critical issues with the integrity of data within the financial management system.

We again recommend the Office of the Comptroller General ensure accounts payable reconciliations are completed based on the timelines outlined by their own guidelines.



Issues with Preparation of Public Accounts

Outstanding for Multiple Years

Concerns continue to be raised with respect to some processes and systems used to prepare the Consolidated Summary Financial Statements. The system relies heavily on manual processes and spreadsheets, which are prone to error or omission. During the audit, we observed numerous instances where submissions were incorrect and required correction by the Office of the Comptroller General.

Government's financial management system operates on a modified cash basis of accounting, in accordance with the 'write-back' requirements of the Financial Administration Act. Customizations have been made to the Oracle financial management system as a result, but the system does not produce full accrual financial information. It is a reasonable expectation to get this information from government's financial management system.

Further, the write-back period is an impediment to an earlier release date of the Public Accounts, because it requires the province's books to remain open for up to one month after the year-end to facilitate processing certain transactions which relate to the previous year. Newfoundland and Labrador is the only jurisdiction in Canada to follow this practice.

We again recommend government review the Financial Administration Act to reassess the requirement for government's financial management system to operate on the modified cash basis of accounting. In the interim, the Office of the Comptroller General should continue its efforts to have departments, Crown corporations, and agencies provided complete and accurate information for consolidation in a timely manner including targeted training on the basics of accrual accounting and the applications used to prepare the Public Accounts.

Outdated Guidance Documents

Outstanding for One Year

The Office of the Comptroller General is responsible for providing policy support and guidance to government departments. One example of such guidance occurs through financial management circulars, which assist departments in handling financial operations by clarifying financial principles, as well as policies and procedures approved by Cabinet or Treasury Board. During this year's audit of Public Accounts, we again found certain relevant circulars had not been updated in many years. Out of 29 financial management circulars reviewed, 23 had not been updated since 2010 or earlier, and most updates for the remaining circulars were in 2020.

Outdated policies can result in a lack of clarity on key financial procedures, thereby increasing the risk of non-compliance and negatively impact the integrity of financial records. Failure to update policies in line with changing laws, regulations, or organizational practices may hinder the province's ability to respond effectively to new financial challenges.

We again recommend the Office of the Comptroller General prioritize the periodic review and timely update of all financial management circulars to support sufficient finance capacity across government.

Offshore Carryback Costs Undetermined

Outstanding for Multiple Years

The Office of the Auditor General has repeatedly recommended government determine the impact the carryback of expected decommissioning costs would have on offshore royalties and ensure these costs are accounted for appropriately in the Public Accounts. As noted last year, the province could estimate the future liability for decommissioning costs from oil production facilities' operators given they disclose this information in their financial statements. Government previously indicated it would continue to work with the Department of Industry, Energy and Technology to review the current projects to determine if an estimate of the decommissioning costs can be determined; how these costs will factor into the royalty calculation; and whether there will be any carry back amounts. Further inquiries during the current audit indicated that government was still working with the department.

We again recommend government conclude its work to determine the impact the carry back of expected decommissioning costs will have on offshore royalties and ensure these costs are accounted for in the Public Accounts in accordance with the Canadian Public Sector Accounting Standards.

Government Reporting Entity Incompleteness

Outstanding for Multiple Years

In previous management letters on Public Accounts, we recommended the province consolidate the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). The rationale for this is based on Section 10 of the Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act. Specifically, it states that the Board consists of seven members; three to be appointed by the federal government; three to be appointed by the province; and a chair who is to be jointly appointed by both the province and the federal government. As the intent is clearly shared control, we continue to disagree with the province's assessment that in theory federally appointed members would control decision making. Furthermore, the decision by the Comptroller General to exclude the C-NLOPB results in the total assets, liabilities, revenues, and expenses of the province being understated without cause.

We again recommend the C-NLOPB be consolidated as a government partnership to reflect shared control similar to other government partnerships reflected in the Public Accounts.

Review of General Information Technology Controls

Identified in 2025

Our Office completed a review of general information technology (IT) controls for government's financial management, human resource management, and cash receipting system, as well as the financial management system for NLSchools. We obtained the assistance of a private firm to complete portions of this review and found three control deficiencies related to NLSchools, including one high risk deficiency and two control deficiencies related to government's cash receipting system.

The results of our controls testing identified nineteen controls, with 14 (74 per cent) considered effective. The responsible departments were provided additional information in August 2025 outlining relevant details on the five deficiencies that were found and if there were compensating factors or corrective actions needed. Three deficiencies that require such action all related to NLSchools, particularly around lack of segregation of duties, lack of oversight and lack of user access reviews.

We recommend government correct the deficiencies identified with its general information technology controls in a timely manner.

Entities

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador (French School Board)

Poor Controls Regarding Employee Terminations

Outstanding for One Year

As noted in last year's management letter, a teacher was not removed from payroll and continued to receive a pay cheque for two months after their employment ended. This resulted in an overpayment of approximately \$3,700. Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador only became aware of the overpayment when the former employee contacted them to advise that they were still being paid. As of April 2025, Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador has only collected \$357 of the overpayment.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador improve controls around the termination of employees and escalate their actions to recover the \$3,400 owing from the former employee.

Weaknesses with Cheque Processing Controls

Outstanding for One Year

During the audit, we again found weaknesses in cheque processing controls. Cheques are printed by the Accounting Manager with electronic signatures, one of which is a Board member's signature. The Assistant Director of Education – Finance and Administration reviews the cheques and initials the cheque stubs prior to them being released. However, it is possible for the Accounting Manager to print cheques and not present them to the Assistant Director for review prior to release. This could result in cheques not being properly reviewed before being released or fraudulent payments not being detected.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador maintain a cheque log which is reviewed by the Assistant Director of Education - Finance and Administration to ensure that the numerical continuity of cheques is accounted for and that all cheques are properly approved.

Inappropriate Use of Board Member Signature

Outstanding for One Year

During the audit, we again found that two signatures are automatically printed on cheques, one of which is that of a Board member. Unless Board members are intending to be involved in reviewing payments, it would be more appropriate for both cheque signatories to be members of management who are responsible for establishing an effective system of internal control.

We again recommend Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador change the electronic signature from the Board member's to that of a member of management.

Issues with School-Generated Funds

Outstanding for One Year

Again this year, we found that Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador does not have formal policies for the use and management of school-generated funds within the Board. There is also a lack of segregation of duties at the school level, as administration staff process purchases and approve financial transactions and there is no formal and defined separation of duties between principals and administration staff in relation to the handling of school funds.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador adopt a formal policy for managing school-generated funds, including initiation of purchases, review of the transactions, and making sure there is a proper segregation of duties.

Outstanding Claims

Identified in 2025

During the audit of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, we noted two claims totalling \$68,860 were not submitted to the Department of Education and Early Childhood Development for reimbursement until seven and eight months after year end, respectively. This creates a risk that government may reject the claims due to missed deadlines, potentially resulting in non-collection for Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador.

We recommend Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador implement a formal process to ensure reimbursement claims are submitted on a timely basis.

Outstanding Tax Returns

Identified in 2025

During the audit of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, we found Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador did not submit two semi-annual Harmonized Sales Tax returns covering the period from January 1, 2023, to December 31, 2023, until June 2024. These returns represented outstanding refunds of approximately \$85,000. Submitting the Harmonized Sales Tax returns on time would help improve cash flow, and ensure compliance with Canada Revenue Agency requirements.

We recommend Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador submit their Harmonized Sales Tax returns in a timely manner.

Ineffective Tangible Capital Asset Management

Identified in 2025

During the audit of Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador, we found that Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador does not maintain a detailed listing of tangible capital assets. From review of the details provided, Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador still has assets on their books purchased as far back as 1998. These assets are fully depreciated and there is no risk of misstatement on a net book value basis, however, the total cost and accumulated depreciation of these accounts are likely overstated on the financial statements.

We recommend that Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador conduct a detailed review of their tangible capital assets and prepare a comprehensive asset listing to help better manage these assets.



Ineffective Tangible Capital Asset Management

Outstanding for One Year

The Department of Transportation and Infrastructure manages large capital projects and certain repairs and maintenance for Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador. They also pay for many of these costs and then invoice the Board. During the audit, it was again noted that Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador does not receive support for third-party purchases made on their behalf by the department. The support is a crucial accountability control that ensures the expenditures are accurate and reasonable. Not having the ability to review this support could result in an error in the reporting of tangible capital assets.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador obtain support for capital purchases and repairs and maintenance made by the department.

Lack of Revenue Documentation

Outstanding for One Year

Again this year, we found supporting documentation for deferred revenue was difficult to obtain, which created challenges in verifying the related deferred revenue balances. The lack of documentation increases the risk of errors in reporting deferred revenue and may lead to non-compliance with funding agreements.

We again recommend supporting documentation for all grant funding be kept on hand to support deferred revenues.

Lease Renewal Issues

Outstanding for One Year

During the audit, we again noted that Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador leases space in one of its buildings to other tenants. Some tenant leases expired in 2023 and, as of the completion of the audit, had not been renewed. We saw evidence that lease agreements were sent to the tenants, but these were never signed and returned to Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador. We do note that rent payments are being received. Not having a signed lease agreement creates the risk of rent not being collectable or other disputes with the tenant.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador conclude its work on the lease renewals.

Ineffective Credit Card Usage

Outstanding for One Year

During the audit, per our review of board meeting minutes, we again noted the Board is using three types of credit cards for travel expenses and purchases. The Government of Newfoundland and Labrador has a corporate card program which includes built in card controls and access to reporting on card spending which can enhance controls over card usage.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador consider participating in government's corporate card program.



Poor Preparation of Year End Accounts

Outstanding for One Year

During the audit, we received many adjusting entries after the initial general ledger listings and trial balance were provided. The large number of adjustments impacted audit efficiency significantly as it created a situation where work that has been completed and reviewed needed to potentially be revised. It can also affect audit work such as sampling and analysis.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador ensures accurate financial information be presented for audit.

Lack of a Fraud Management Policy

Outstanding for One Year

During the audit, we again noted the Board does not have a fraud management policy. Having a fraud management policy is an important part of an internal control framework. A policy would clarify employee's roles and responsibilities regarding fraudulent behaviour and outline processes to be followed if it was suspected fraud had occurred. It is noted the Government of Newfoundland and Labrador has a Fraud Management Policy which some other government entities have adopted.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador implement a fraud management policy.

Late Budget Approval

Outstanding for One Year

During the audit, we again noted the annual budget was approved by the Board five months into the fiscal year. Delaying the preparation and approval of its budget can impact the Board's ability to use the budget properly as an accountability and planning tool.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador ensure its budget is approved in a timely manner to increase its effectiveness as an accountability tool.

Unsigned Board Minutes

Outstanding for One Year

During the review of board meeting minutes, we noted again that minutes are not signed by a Board member to indicate the approval and finalization of the minutes.

We again recommend the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador ensure all minutes are signed by a Board member to indicate approval.

Dairy Farmers of Newfoundland and Labrador

Reporting Requirement with Federal Agency

Identified in 2025

The external auditors of the Dairy Farmers of Newfoundland and Labrador noted that Atlantic Canada Opportunities Agency indicated they had not received required reports and information related to the Engineering and Cost Oversight project from the Real Dairy Company. In the absence of this information, Atlantic Canada Opportunities Agency could request repayment of advance and the Dairy Farmers of Newfoundland and Labrador may be exposed to risk as the main proponent of the project.

The auditors recommend the Dairy Farmers of Newfoundland and Labrador work with Atlantic Canada Opportunities Agency and the Real Dairy Company to ensure all required project reporting is provided.

Segregation of Duty Gap

Outstanding for One Year

The external auditors of the Dairy Farmers of Newfoundland and Labrador again identified a significant control weakness related to segregation of duties. It was identified that, in documenting the financial reporting systems, all accounting functions essentially reside with a single individual. A lack of segregation of duties can create opportunities for misappropriation of funds and fraudulent activities.

The external auditors continue to recommend the Dairy Farmers of Newfoundland and Labrador review its policies and processes on an ongoing basis to determine if possibilities for segregation of duties exist.

Transportation Division Deficit

Identified in 2025

The external auditors of the Dairy Farmers of Newfoundland and Labrador identified, in prior years, the Board approved a levy on production to be allocated to cover costs of the transportation division. In 2024, the methodology was changed to various flat rates in different months. There was no indication of Board approval of these changes in the board minutes. As a result of these allocations, the transportation division recorded a net deficit of \$33,259.

The auditors recommend the Dairy Farmers of Newfoundland and Labrador review projected future costs and develop budgets to monitor performance and ensure costs are covered.



Egg Farmers of Newfoundland and Labrador

Segregation of Duty Gaps

Identified in 2025

The external auditors of the Egg Farmers of Newfoundland and Labrador noted limited segregation of duties due to there only being two staff members at the organization.

The auditors recommended accounting duties be segregated among employees of the Egg Farmers of Newfoundland and Labrador.

Journal Entry Procedure Gap

Identified in 2025

The external auditors of the Egg Farmers of Newfoundland and Labrador noted there was no documented review and approval of journal entries. Lack of proper approval increases the risk of fraud and error.

The auditors recommended the Egg Farmers of Newfoundland and Labrador maintain documentation to support the proper approval of journal entries.

Heritage Foundation of Newfoundland and Labrador

Lack of Compensation Documentation

Outstanding for One Year

During the prior year audit, it was noted that documentation could not be located in support of compensation arrangements for a member of staff, including step increases. The Foundation was unable to provide evidence that the Foundation's Board or Treasury Board had approved the alternative increases.

We recommend the Foundation continue to review the current matter with Treasury Board Secretariat.

Marble Mountain Development Corporation

Purchasing Discrepancies

Outstanding for Two Years

The external auditors of Marble Mountain Development Corporation again indicated the Corporation's Purchasing Policy, while based on the Public Procurement Act, has different limits for calls for bids and purchase documentation. Auditors identified four of eight purchases that did not have proper approval in accordance with the Corporation's policy as it was over \$10,000, and purchased without a public call for bids.

In addition, required documentation of quotes, or a fair and reasonable price, was not provided for 15 of 15 (100 per cent) of applicable samples. Also, four of 29 samples had no purchase order, one contract was not signed, and nine of 23 samples did not have prior approval as required by the Corporation's Purchase Order Policy.

The auditors continue to recommend all policies be followed by the Corporation's staff.

Inventory Mismanagement

Outstanding for One Year

In the prior year inventory count, the external auditors of Marble Mountain Development Corporation identified that staff were using mountain bikes purchased by the Corporation. One bike was also missing and had not been found. During the 2024-25 audit, 14 bikes were sold at less than cost without documentation of approval from the Board, and 10 of those sold were to related parties without supporting documentation for the fair value of the bikes. One bike was removed from inventory before payment was received, and that payment was still receivable from an employee at year-end.

The auditors continue to recommend inventory sold at less than cost should have documentation of Board approval and fair value before sale. Items should not be removed from inventory until payment is received.

Gross Margin Concerns

Outstanding for Two Years

The gross margin on food and beverage operations increased four per cent from last year, but it was less than the usual before the Covid-19 pandemic. In 2024-25, the gross margin was 57 per cent versus 60 per cent in 2018-19. Staff indicated the reduction is likely due to staff turnover, price markups, and spoilage.

The external auditors continue to recommend staff track and document changes in markup and spoilage.

Cheque Signing Issues

Outstanding for Two Years

A key control in the Corporation's purchase process is to have all cheques signed by two individuals with a review of the supporting documents. The auditor's review of a sample of cheques again identified five cheques signed by only one person.

The auditors continue to recommend all cheques be signed by two individuals as per the Corporation's standard procedures.

Contract Management Issues

Outstanding for Two Years

The external auditors again found a contract to lease office space to a third party expired in 2017 with no extension or renewal. Another contract stipulated that audited financial statements be obtained from the third party, but they were not. In addition, there were no contracts for two of seven marketing agreements. For the five agreements with contracts, two did not have the required signatures, and four did not have all terms fulfilled, resulting in lost contributions valued at \$19,480. For employment contracts, five of 11 contracts were not signed by the Chair; one of three termination letters were not signed by the Chair; one termination letter was not signed; and there was no approval of accommodations provided by the Corporation from May to September 2025 because accommodations were for a one-year term and expired on April 30, 2024 in the 2023-24 contract.

The auditors continue to recommend all current contracts be signed by all parties, ensure they are enforced, and ensure responsibilities are clear.

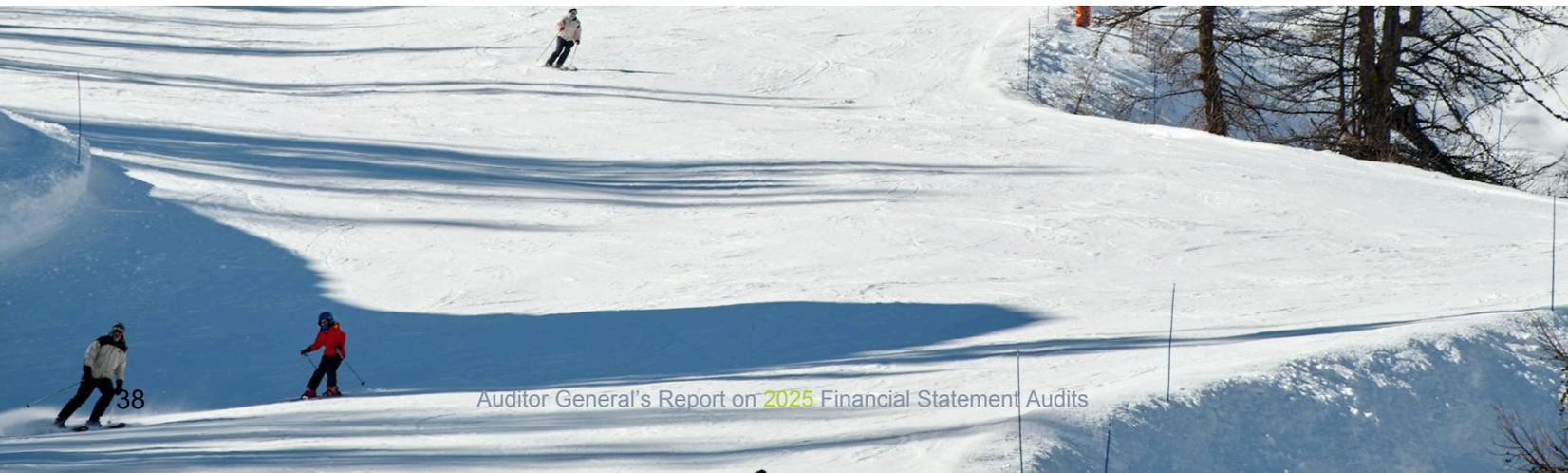
Lack of Board Approvals

Outstanding for One Year

The external auditors of Marble Mountain Development Corporation again identified there was insufficient documentation of Board approval or discussion of the operating budget. For the 2026-27 year, if the budget is not prepared or approved, accounting standards require the non-compliance be reported in the financial statements.

Board approval was also not documented for a \$50 credit offered to 2024-25 season pass holders as compensation for lift issues, which totalled \$45,000. All expenses over \$10,000 should be approved by the Board because tenders are required by the Corporation's Purchase Order Policy. In addition, the board minutes were not being signed as required by the Corporation's by-laws.

The external auditors again recommend all budgets, including a budget for each division, should be documented in the minutes before the budget submission to government in October of each year. The external auditors also recommend the Corporation follow all policies.



Financial Statement Presentation Concern

Outstanding for Two Years

The external auditors of Marble Mountain Development Corporation again indicated that Canadian public sector accounting standards require financial statements to disclose the gross amounts of revenue and expenses – yet they noted the financial statements for the Corporation disclose net surplus/deficit for divisions.

The auditors continue to recommend management and those charged with governance update the financial statement presentation to meet current accounting standards.

Memorial University of Newfoundland

Salaries Paid Outside of Salary Scale

Identified in 2025

During the audit of Genesis Group Inc., we identified that an employee was being paid greater than the maximum range amount on the board approved salary scales. The employee was awarded a general economic increase and a merit-based increase, resulting in an annual salary above the maximum salary range for their position. We noted these increases were approved by the Board Chair. As an entity owned by Memorial University, we would expect employees be paid within established pay scales.

We recommend Genesis adhere to established and approved pay scales.

Unsecured Assets

Identified in 2025

During the audit of Canadian Centre for Fisheries Innovation, we found there were several assets stored on site in a room which was not always locked, some of which were easily moveable. This unsecured access poses a risk of unauthorized access and potential theft of assets.

We recommend the Canadian Centre for Fisheries Innovation improve controls over physical access to these assets.



Ineffective Collection of Receivables

Identified in 2025

During the audit of Memorial University, we noted receivables from students totalled more than \$19 million. Of this, approximately \$3.6 million (19 per cent) in student tuition and fees was outstanding for over one year, with \$1.9 million (10 per cent) outstanding for over two years. While we concluded that management's estimate of the allowance for doubtful accounts was reasonable, delayed follow-up and collection efforts on receivable balances increases the risk of non-collection.

We recommend the University ensure adequate resources are dedicated to the collection process.

Outstanding Cheques

Identified in 2025

During the audit of Memorial University, we reviewed a sample bank reconciliation and identified cheques totalling \$1.9 million which were been outstanding for more than one year. These long-outstanding items are stale-dated and result in an understated cash balance.

We recommend the University review these items and consider writing off or reissuing cheques as appropriate. The University should also consider developing a policy for regular review of outstanding cheques to monitor for timely clearance.

Unapplied Payments

Identified in 2025

During the audit of Memorial University, we noted many unapplied cheques at year end, with a total balance of \$10.1 million (up from \$3.1 million in the prior year). This represents payments received which have not yet been applied against the appropriate accounts receivable balances. Delays in clearing unapplied receipts may impact the accuracy of financial records, and delay revenue recognition and recording of the receipts against receivables. This may also negatively impact collection efforts due to accounts not being up to date.

We recommend the University prioritize timely investigation and resolution of unapplied cheques and consider developing processes and procedures to reduce their occurrence and accumulation.

Ineffective Employee Leave Management

Identified in 2025

During the audit of Memorial University, we noted some departments were keying leave quarterly instead of bi-weekly. This results in leave balances not being current, which increases the risk of overdrawn leave balances or overpayments of leave to employees.

We recommend the University enforce the requirement for bi-weekly leave keying and implement monitoring procedures to ensure compliance with leave reporting.

Overreliance on a Key Role

Identified in 2025

During the audit of Memorial University, we noted that the University relies heavily on one individual, for a significant amount of financial reporting processes. This includes knowledge of the overall financial reporting process, the preparation, approval and distribution of consolidated financial statements and account reconciliations.

Reliance on a single individual, to this extent, exposes the organization to risks related to loss of knowledge and experience if this individual were to leave the organization. This could severely disrupt the financial reporting capabilities of the organization reducing the effectiveness of the accountability processes.

We recommend the University implement steps to improve the continuity of knowledge in the financial reporting process such as written documentation of key processes and cross-training.

Compliance with the Memorial University Act

Identified in 2025

The Memorial University Act states that, “the board shall not incur liability or make an expenditure beyond the amount unspent of a grant made to the university by the Legislature of the province and the estimated revenue of the university from other sources for the current year, unless an estimate of the expenditure has been first submitted to and approved by the Lieutenant-Governor in Council.”

The Act provides for an exception that “the board may, without the consent of the Lieutenant-Governor in Council, incur liability or make an expenditure not to exceed the amount of 1/4 of one per cent of the total of:

- (a) A grant made to the university by the Legislature; and
- (b) Estimated revenue of the university from other sources for the current year”

During the audit of Memorial University, it was noted that the University is not in compliance with the Memorial University Act Subsection 36 (1) and (2). Based on the financial statements for the current year, the current year deficit is 0.4 per cent of total revenues. In addition, the University was not in compliance with the Act in the prior year, with the prior year deficit at 2.1 per cent of prior year total revenues.

This limitation was imposed in the legislation to act as a safeguard against overspending. As a public body which is heavily reliant on funding from the province for its operations, compliance with legislation and spending within funding allocations are critical to proper financial management.

We recommend that the University comply with its legislation.

Lack of Fraud Risk Assessments

Identified in 2025

During the audit of Canadian Centre for Fisheries Innovation, we found the Canadian Centre for Fisheries Innovation does not assess the risk of fraud in its operations. Without considering the risk of fraud, management may be exposed to unknown risks which it is unable to manage.

We recommend the Canadian Centre for Fisheries Innovation consider fraud risks within its operations and take steps to address any risks identified.

Incomplete Accounts Receivable Policy

Identified in 2025

During the audit of Genesis Group Inc., we found no evidence of Board approval of the Write-off Procedure Internal Memo, which was provided to us during the audit as support for write-off. During the year, \$16,633 in accounts receivable were written off. While it is noted that the write-off of accounts receivable is rare, it is good practice for management to develop a write-off policy to be either approved by the Board or subsequently reported to the Board.

We recommend the Board of Directors for Genesis approve a policy with respect to the write-off of accounts receivable.

Refunds of Contributions

Identified in 2025

During the audit of Memorial University of Newfoundland Pension Plan, we noted several outstanding balances related to contribution refunds, some dated as far back as 1989, with most balances outstanding from 2006-2023.

We recommend the listing of refunds outstanding be organized by the length of time the payable has been outstanding, and reviewed regularly to ensure timely payments are made.

Lack of Revenue Tracking

Identified in 2025

During the audit of Memorial University Recreation Complex Inc., we found deferred revenue related to visitor pass revenue was approximately \$72,000 as at March 31, 2025. This represents amounts paid by individuals for future use of the facilities. We noted this balance includes deferred revenue from visit passes purchased as far back as 2016. The total deferred revenue from passes issued from 2016 to 2022 is approximately \$53,000, representing thousands of passes. While the official expiry dates on many of these passes is noted as 2099, the likelihood of their use decreases over time. There is a risk of potentially overstating the amount of deferred revenue.

We recommend Memorial University Recreation Complex Inc. develop a policy to account for the reported value of outstanding visit passes which recognizes their decreased likelihood of redemption as they age.

Lack of Timely Reconciliations

Identified in 2025

During the audit of Memorial University of Newfoundland Pension Plan, it was noted there was only one reconciliation completed per year at year-end for the pension plan. During this year's reconciliation, an unsupported difference of \$1.36 million was discovered in the opening balances of the interfund account. The risk that an error would go undetected for a year increases the risk of a potential error in the final statements.

We recommend Memorial University of Newfoundland Pension Plan perform reconciliations more frequently to ensure accurate balances owing to/from the University.

Poor Monitoring of Account Balances

Identified in 2025

During the audit of Genesis Group Inc., we identified material errors in the opening balances of accounts receivable and accounts payable. These amounts represent an accumulation of entries over multiple years which could not be supported. The result was an overstatement of accounts receivable and an understatement of accounts payable. As a result, these errors have been corrected by management with prior period balances being restated. These errors could have been detected with closer monitoring of the activity in these accounts.

We recommend Genesis review its process for account reconciliations.

Poor Monitoring of Account Balances

Identified in 2025

During the audit of Canadian Centre for Fisheries Innovation, we found material errors of \$158,000 in the opening balance of accounts payable. As a result, management corrected the balance, with prior period balances being restated. These amounts represent amounts owing to the Marine Institute, which were not recorded in the 2023-24 fiscal period. In addition, there was an additional \$62,600 owing to the Marine Institute related to the 2024-25 fiscal period, which was identified late in the audit process. These errors could have been detected with closer monitoring of the activity in these accounts.

We recommend the Canadian Centre for Fisheries Innovation perform regular reconciliations of its accounts to ensure appropriate audit readiness and oversight.

Use of Manual Processes

Identified in 2025

During the audit of Memorial University, we found the University relies heavily on spreadsheets and manual processes, such as manual journal entries, to prepare the consolidated financial statements. Other activities, such as tracking of leave for staff across different departments and faculties, use manual processes. These manual processes lack automated information technology controls and are prone to error.

We recommend the University assess where there is availability to better systemize or automate critical functions which currently rely on spreadsheets or other manual processes. Where spreadsheets are required, the University should implement policies and procedures around version control, review, and restriction of access.

Absence of Approvals

Identified in 2025

During the audit of Memorial University of Newfoundland Pension Plan, we noted that investment statements are received daily from a pension administrator by email and are reviewed by an individual in the department. However, there is no evidence of approval or review noted on the investment statements.

We recommend Memorial University of Newfoundland Pension Plan maintain appropriate record of the review of the daily investment statements from the pension administrator, with supporting signature or initials on the document.

Ineffective Communication

Identified in 2025

Memorial University of Newfoundland Pension Plan is not consolidated with Memorial University, however certain financial disclosures related to the Pension Plan are included on the University's financial statements. Currently there is no communication to reconcile financial balances and ensure consistency with financial statement presentation between the Pension Plan and the University. The University acts as treasury to the interfund account where contributions to the pension plan and expenses paid on behalf of the pension plan flow through the interfund account only. This lack of communication can lead to errors in balances between the entities.

We recommend, because the University is involved in payments on behalf of the pension plan, the pension plan confirm year-end amounts and balances with Financial and Administrative Services at the University to ensure consistency, and as a check for potential errors and misstatements in financial information.

Lack of a Management Agreement with Canadian Centre for Fisheries Innovation

Identified in 2025

During the audit of Memorial University, we found the Canadian Centre for Fisheries Innovation, a separately incorporated entity of the University, does not have a current management agreement with the University. The lack of a management agreement may lead to uncertainty over roles and responsibilities, weakened oversight, and inconsistent reporting practices.

We recommend the University establish a management agreement for the Canadian Centre for Fisheries Innovation, consistent with those established with the other separately incorporated entities.

Unsigned Agreements

Identified in 2025

During the audit of Memorial University, we noted that the University and Newfoundland and Labrador Health Services have been operating under a Shared Costs and Services Agreement since May 27, 2019. However, the agreement is currently not signed by either party. Operating under an unsigned agreement weakens the enforceability of the agreement and exposes the University to risks, such as potential disputes regarding roles and responsibilities and allocations of shared costs.

We recommend the University work with Newfoundland and Labrador Health Services to finalize a signed shared costs and services agreement.

Segregation of Duty Gaps

Identified in 2025

During the audit of Canadian Centre for Fisheries Innovation, it was noted the Managing Director's signature is required on journal vouchers and purchase requisitions. The signature is added to these documents electronically by the Office Manager and then emailed to the Finance department for processing. However, when the documents are sent, the Managing Director is not copied on the correspondence. This creates a risk that the director's electronic signature could be added to documents they did not approve.

We recommend the Managing Director be copied in all communications to the Finance department regarding approved transactions to strengthen oversight and accountability.

Lack of Actuary Engagement Letter

Identified in 2025

During the audit of Memorial University of Newfoundland Pension Plan, we determined that Memorial University of Newfoundland Pension Plan did not have a formal engagement letter from the actuary. An engagement letter defines the scope of work, responsibilities, and deliverables of the Actuary and supports accountability and helps manage risk. The actuary performs the valuation of the plan's pension obligation and benefit accrual.

We recommend Memorial University of Newfoundland Pension Plan work with the actuary to develop an engagement letter.



Lack of Actuary Engagement Letter

Identified in 2025

During the audit of Memorial University, we determined the University did not have a formal engagement letter from the actuary. An engagement letter defines the scope of work, responsibilities, and deliverables of the Actuary and supports accountability and helps manage risk. The actuary performs valuations of the University's Other Post-Employment Benefits liability.

We recommend the University work with the actuary to develop an engagement letter.

Newfoundland and Labrador Crop Insurance Agency

Ineffective Tangible Capital Asset Management

Identified in 2025

During the audit it was noted the Agency did not have a formal tangible capital asset policy in place. While there are no capital assets currently recorded on the Statement of Financial Position, in the absence of a formal policy, there is a risk that some expenses may not receive the proper consideration of whether they meet the criteria of capital expenditures as outlined in the Public Sector Accounting Standards.

We recommend Newfoundland and Labrador Crop Insurance Agency develop and implement a comprehensive tangible capital asset policy which includes thresholds for when capitalization will be considered.

Newfoundland and Labrador Health Services

Ineffective Tangible Capital Asset Management

Outstanding for Two Years

During the audit of Newfoundland and Labrador Health Services, it was again noted there were no fixed asset registers for the Eastern, Central, Western, and Labrador-Grenfell zones to track tangible capital assets. While additions and disposals are calculated annually, tangible capital assets are not individually identifiable and do not include details, such as their date of acquisition, cost or identifying information. Without fixed asset listings there is an increased risk that information on capital assets, such as disposals, amortization, and retirement obligations, are not recorded accurately or in a timely manner.

We again recommend Newfoundland and Labrador Health Services create and maintain a tangible capital asset listing with important details to allow for tangible capital assets to be recorded and tracked with increased accuracy.

Ineffective Tangible Capital Asset Management

Identified in 2025

During the audit of Newfoundland and Labrador Health Services – Cottages and Hostels, it was identified that certain tangible capital assets are not being amortized. Although the compliance framework for tangible capital assets differs from Public Sector Accounting Standards, there is a risk the net book value of tangible capital assets reported on the financial statements is overstated.

We recommend Newfoundland and Labrador Health Services regularly review the net book value of tangible capital assets that are not being amortized to ensure the net book value is not overstated.

Lack of Appropriate Inventory Tracking

Outstanding for Two Years

During the audit of Newfoundland and Labrador Health Services, it was again noted the current inventory system does not have functionality to track expiry dates of inventory. Additionally, there is no formal procedure to identify and monitor inventory that will be expiring during the next 12 months, ensuring required write-downs are recorded in a timely manner. As a result, there is an increased risk that expired items will remain in inventory and are overstated in the financial statements.

We again recommend Newfoundland and Labrador Health Services implement a process to track expiration dates of inventory to ensure that inventory write-downs are recorded in a timely manner.

Weaknesses with Attendance Data

Outstanding for One Year

During the audit of Newfoundland and Labrador Health Services, it was again noted there are control weaknesses in payroll tracking and recordkeeping processes. Issues observed include:

- retroactive pay was sometimes overwritten;
- smoothing arrangements not being tracked properly;
- payroll exception reports not stored in a centralized system; and,
- attendance data was not always complete or signed by the appropriate personnel.

We again recommend Newfoundland and Labrador Health Services ensure all timesheets are approved by appropriate personnel in a timely manner. We also recommend Newfoundland and Labrador Health Services review their payroll tracking and recordkeeping procedures to ensure proper documentation.

Lack of Enforcement of Union Agreements

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, it was noted that management does not always enforce the vacation expiry limits as stipulated in the applicable union agreements. By not enforcing these limits, Newfoundland and Labrador Health Services is accruing vacation liabilities in excess of what is contractually required under the union agreement, possibly incurring expenses that could be avoided.

We recommend Newfoundland and Labrador Health Services enforce a vacation policy that is in line with the union agreements.

Outstanding Cheques

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, we identified that outstanding cheques over six months old were not consistently cancelled in the system, despite being voided and reissued in banking records. As stated in the Outstanding Cheques policy, cheques that remain outstanding for more than six months are to be voided.

We recommend Newfoundland and Labrador Health Services ensure that once a cheque is voided in the bank, the related entry is also updated in a timely manner. A reconciliation process should be established between the bank records and the system to identify and correct discrepancies.

Deficiencies with Accruing Liabilities

Outstanding for One Year

During the audit of Newfoundland and Labrador Health Services, deficiencies in the process for recording accruals were identified. Some invoices without purchase orders that were received after the year-end deadline for recording accruals for fiscal year 2025 were not accrued. Additionally, there is no process in place to reconcile outstanding balances with vendors at year-end to ensure all recorded payables for vendors match the actual balance for products or services relating to year-end. This increases the risk that accruals are not accurately recorded and may be misstated in the financial statements.

These issues were identified in several zones within Newfoundland and Labrador Health Services through testing of accounts payable, typically related to nursing agency expenditures, and tangible capital asset additions.

We again recommend Newfoundland and Labrador Health Services review its internal processes for recording invoices without purchase orders to ensure year-end accruals are accurate and to ensure the financial statements are complete.

We also recommend that Newfoundland and Labrador Health Services implement a process for vendor statement reconciliations to ensure that recorded payables match the actual balance for products and services related to year-end.

Newfoundland and Labrador Health Services should also ensure accruals for nursing agencies and other significant contracted services are recorded based on services rendered up to year-end.

Accuracy of Allowance for Doubtful Accounts

Outstanding for One Year

During the audit of Newfoundland and Labrador Health Services, it was again noted the allowance for doubtful accounts was based on fixed percentages that were chosen over a decade ago. The Office could not conclude whether the estimates currently used are supported by current information. Continued reliance on outdated assumptions increases the risk that the allowance for doubtful accounts may not accurately reflect expected credit losses which could impact the accuracy of the organization's financial reporting.

We again recommend Newfoundland and Labrador Health Services re-evaluate their calculation of allowance for doubtful accounts to ensure estimates are supported by current information.

Workers' Compensation Outstanding Balances

Outstanding for One Year

During the audit of Newfoundland and Labrador Health Services, it was again noted there are several workers compensation receivable balances that have been outstanding for many years. Given the length of time, there is a risk these balances would most likely be uncollectible by Newfoundland and Labrador Health Services. As a result, the workers' compensation receivable accounts may be overstated.

We again recommend Newfoundland and Labrador Health Services establish a process to periodically review the age and collectability of workers compensation balances and ensure amounts which are deemed uncollectible are written off.

Lack of Accounts Payable Reconciliations

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, it was noted that the Scheduled Payment Report, generated in the morning by an accounts payable clerk, differed from the total payments issued by the end of the day. No reconciliations were performed to track or explain the differences between the Scheduled Payment Report and the final payments issued. Without performing reconciliations, there is a risk that payables may be processed and paid without proper management oversight and that a complete audit trail of payment approvals is not maintained.

We recommend Newfoundland and Labrador Health Services implement a formal reconciliation process to identify and explain differences between the Scheduled Payment Report and payments issued at day-end.

Lack of Expense Documentation

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, we identified one expense sample that did not include any documented evidence of management approval. Invoices, which are submitted to Accounts Payable without going through the purchasing department, require appropriate authorization from management to ensure proper oversight and segregation of duties.

We recommend Newfoundland and Labrador Health Services ensure all invoices are supported by clear and documented evidence of appropriate management approval prior to processing. This control is essential to maintain accountability and prevent unauthorized payments.

Segregation of Duties

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, it was noted that members of management had the ability to both post and approve journal entries without any authorization or approval from another member of management. While no instances of this were observed, the ability for one member of management to both post and approve entries increases the risk of management override of controls, which may result in misstated financial information or undetected errors and irregularities.

We recommend Newfoundland and Labrador Health Services implement controls to ensure all journal entries are subject to formal review and approval by a separate member of management prior to posting.

Errors with Deferred Contribution Recordkeeping

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, we noted multiple errors in the tracking of projects and deferred contributions. More specifically, expenditures for several projects exceeded the allocated funding to date, and revenue was prematurely recognized. As a result, the deferred contributions liability was understated. In these instances, the adjusting entries were not corrected by management in the financial statements. Revenue was also recognized for a project that had no formal project approval in place. In this case, the revenue and related reduction of deferred contributions were not corrected by management. These issues increase the risk of misstated financial statements and non-compliance with accounting standards.

We recommend Newfoundland and Labrador Health Services strengthen its controls over the tracking of project funding and the recognition of related deferred contributions and revenue.

Lack of Oversight of Manual Processes

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, several errors were noted in the vacation and time owed accrual working papers. The errors appeared to be manual in nature, including the use of incorrect pay rates and inaccurate leave bank balance calculations. These issues indicate a lack of review of manually prepared supporting documents, which increases the risk of misstated liabilities. Given the size and complexity of payroll accruals, errors in inputs or calculations may result in material misstatements if not detected through a formal review process.

We recommend Newfoundland and Labrador Health Services implement appropriate review of manual calculations, extensions and data inputs to detect potential errors.

Lack of Formal Processes for an Invoicing System

Outstanding for One Year

During the audit of Newfoundland and Labrador Health Services, it was again noted there is a lack of a formal policy regarding a system's handling of exception invoices in the system. The system is being used to assist with the posting of purchase order invoices. Any invoices with issues are left outstanding as exceptions to be addressed by accounts payable staff members. Without formal policies or procedures, the approach to handling exception invoices may vary among different users or accounts payable staff members. This lack of accountability can result in delays in addressing invoice issues and may lead to frustration among vendor and other stakeholders if payments are delayed.

We again recommend Newfoundland and Labrador Health Services establish clear and standardized policies and procedures for managing outstanding invoices for the system. They should define roles and responsibilities, escalation protocols, and guidelines for communication and resolution processes, and ensure these policies are documented and accessible to all relevant stakeholders.

Issues with Replacement Reserves

Identified in 2025

During the audit of Newfoundland and Labrador Health Services – Cottages and Hostels, it was identified that replacement reserves within the Western zone have spending in excess of the replacement reserve funds available. This could also result in a shortfall of funds for future capital needs and may not align with the intended use or restrictions of the replacement reserves.

We recommend Newfoundland and Labrador Health Services implement monitoring controls to ensure spending from replacement reserve funds does not exceed available balances. Management should also review the current oversight process and consider establishing formal approval thresholds or reporting requirements to strengthen accountability and compliance with funding restrictions.

Sufficient Cash for Replacement Reserves

Identified in 2025

During the audit of Newfoundland and Labrador Health Services – Cottages and Hostels, it was identified that various zones do not maintain separate bank accounts for their replacement reserves. However, it was noted that sufficient cash was held to cover the reserve balances. Replacement reserves are intended to be set aside for future repairs or capital needs that have been approved by Newfoundland and Labrador Housing Corporation and insufficient cash backing these reserves may impact the organization's ability to meet those obligations when required.

We recommend Newfoundland and Labrador Health Services review its procedures for managing replacement reserves to ensure sufficient cash is available to support the recorded balances.

Lack of Purchase Documentation

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, while testing samples of expenses, we identified an issue where an equipment rental originally acquired in September 2016 did not have any available documentation to support the purchase authorization. Without supporting documentation, it is not possible to verify whether the transaction was appropriately authorized in accordance with procurement procedures. This increases the risk of unauthorized or unsupported expenditures.

We recommend Newfoundland and Labrador Health Services ensure documentation supporting purchase approvals is retained in a centralized and accessible location.

Lack of an Internal Audit Function

Identified in 2025

During the audit of Newfoundland and Labrador Health Services, it was noted Newfoundland and Labrador Health Services does not have an established internal audit function. Through discussions with management, we identified that several finance staff perform limited internal audit activities on an informal and ad hoc basis. These staff are not dedicated to an internal audit function, do not hold internal audit credentials, and are regularly reassigned to other operational responsibilities. As a result, the value and independence of internal audit activities is significantly limited.

The absence of an internal audit function limits the entity's ability to proactively identify control deficiencies, assess operational risks, and evaluate the effectiveness of internal controls on an ongoing basis.

We recommend Newfoundland and Labrador Health Services formalize an internal audit function by appointing appropriately qualified and independent staff and ensuring dedicated resources are in place.

Newfoundland and Labrador Sports Centre

Delay in Filing Tax Returns

Outstanding for One Year

The external auditors of Newfoundland and Labrador Sports Centre again noted there was a delay in filing several Harmonized Sales Tax returns during the year.

The auditors continue to recommend that overdue remittances be filed as soon as possible and Harmonized Sales Tax remittances be filed annually before the filing deadline.

Reconciliation of Taxes

Outstanding for Two Years

The external auditors of Newfoundland and Labrador Sports Centre again noted that Harmonized Sales Tax had not been reconciled to the general ledger. The payable or refund was being applied to the Harmonized Sales Tax (HST) collected on the sales accounts rather than being allocated to both the HST collected and the Input Tax Credit accounts. A lack of reconciliation could result in Harmonized Sales Tax reporting errors.

The auditors continue to recommend the Newfoundland and Labrador Sports Centre ensure the general ledger accounts are cleared when HST returns are filed and ensure HST is reconciled to the general ledger.

Ineffective Receivable Collections

Outstanding for One Year

The external auditors of Newfoundland and Labrador Sports Centre again noted an increase in trade receivables aged over 30 days, indicating that receivable collections are slow. This can result in more accounts becoming doubtful of collection and being written off.

The auditors continue to recommend the Centre pursue timely collection of outstanding accounts.

Newfoundland and Labrador Housing Corporation

Expired Grant Agreements

Identified in 2025

During the audit of Newfoundland and Labrador Housing Corporation, we found three instances where payments were made in the current year on expired grant agreements. Additionally, some of the expired agreements required entities to provide the Corporation with annual audited financial statements within six months of their respective year-ends. The most recent audited financial statements the Corporation could provide relating to these agreements were as of March 31, 2023. Not having updated agreements opens the Corporation up to the risk that payments could be made to entities no longer eligible to receive funds.

We recommend the Corporation ensure updated agreements are obtained and signed. The Corporation should also perform reviews to ensure all conditions within agreements are being met within the timelines outlined.

Rent-Geared-to-Income Verification Issues

Identified in 2025

The Corporation uses rent-geared-to-income forms to determine the amount of rent supplement a tenant is entitled to based on 25 per cent of their adjusted monthly income. Completing these forms is essential to ensure tenants are receiving the correct benefits. During the audit, we found four instances where payments were still being made outside the lease period indicated on the completed form. Two of which indicated the lease period has been over for more than a year. Without proper income verification updates, the program may not be effective since tenants could be over or under paid monthly.

We recommend Newfoundland and Labrador Housing Corporation update its rent-geared-to-income forms at the end of the lease period with income verification completed for the new lease period.

Inconsistent Review Processes

Outstanding for One Year

During the audit of Newfoundland and Labrador Housing, we again identified that different review processes were being followed in different regions of the province. The Avalon region's process is to review 10 per cent of staff's rent-geared-income transactions; however, the procedure in the Western region is to review all rent-geared-income transactions. This process is not documented in a policy and there is no formal process or policy in place to determine that the 10 per cent threshold in the Avalon region is being met.

Without proper review processes and documentation for rent-geared-income transactions, the Corporation risks overpaying or underpaying the tenant. Three of 18 samples under the Canada Housing Benefit program and one of two samples under the Rent Supplement program did not have rent-geared-income documentation in place to cover the relevant period.

We again recommend the Corporation ensure rent-geared-income reviews are completed on a timely basis so that there are no lapses in coverage.

Rental Assistance Agreements

Outstanding for One Year

During the audit of Newfoundland and Labrador Housing, we again identified improper documentation around rental agreements between the Corporation and the client. The Corporation's policy states that "when a selected client has accepted the rental accommodation, the Corporation will enter into a Rental Assistance Agreement with the client" and that "the Rental Assistance Agreement is filed in the client file."

We found the Corporation was unable to provide an agreement for two of 18 payment samples made under the Canada Housing Benefit program and one of two payment samples made under the Rent Supplement program. Additionally, we noted the Corporation is not consistently tracking that rental agreements are sent to the client, or noting additional follow-up attempts regarding the agreement.

We again recommend the Corporation ensure housing officers follow-up with clients to obtain current signed rental agreements. Rental agreements, along with any other correspondence with the client, should be kept in the Corporation's record's manager.

Improper Documentation of Client Agreements

Outstanding for One Year

During the audit of the Canada Housing Benefit program under the National Housing Strategy, and the Rent Supplement program under the Social Housing Agreement, we again found inadequate documentation related to unit rent being charged by landlords. We sampled 18 payments made under the Canada Housing Benefit program and two payments under the Rent Supplement program. The Corporation was only able to provide support from a landlord for the rent being charged in seven samples.

Of the remaining 13 samples, we sent confirmations to 10 landlords to confirm the rent during the fiscal audit period. Two of the responses received (20 per cent) did not match the Corporation's rent-geared-income records, resulting in potential incorrect subsidy payments. This leads to a risk that the subsidy payable by the Corporation may be miscalculated, resulting in an incorrect subsidy amount being paid to the landlord or tenant.

We again recommend the Corporation ensure regional housing officers adhere to the terms of the lease administration policies so that annual reviews of tenant information are documented appropriately.

Errors with Subsidy Calculations

Identified in 2025

During the audit of Newfoundland and Labrador Housing Corporation Federal Claims, we noted four instances where changes in a client's rent were not reflected in the subsidy calculation on a timely basis even though it was communicated by the landlord in advance. As a result, the housing benefit payable to the landlord remained at the previous amount for an extended period, and a retroactive payment was required to correct the accumulated difference. This increases the risk of inaccurate subsidy payments.

We recommend the Corporation strengthen controls to ensure rent change notifications are promptly captured and processed into the system.

Issues with Expense Tracking

Outstanding for One Year

During the audit of Newfoundland and Labrador Housing – Federal Claims, we again encountered difficulty determining the exact population that made up the expenses claimed under various claim categories. The general ledger detail amount and the claim amount did not always match, due to expenses being allocated differently for accounting purposes and claim purposes. This manual process may cause expenses to be missed from a claim or an ineligible expense be incorrectly claimed.

We again recommend the Corporation create a report that has transaction details including items such as date, invoice, project, and description for each eligible claim.

Ineffective Account and Payment Controls

Identified in 2025

During the audit of Newfoundland and Labrador Housing Corporation Federal Claims, we identified one instance where a delay in setting up an account for a client who had moved to a new property resulted in a missed monthly payment, which was issued retroactively. In the same payment batch, an additional payment was processed in error, resulting in an overpayment and additional administrative work to correct or recover such payments.

We recommend the Corporation enhance controls around account setup or modification and thoroughly review batch payments for errors before processing.

Bank Reconciliation Gaps

Identified in 2025

During the audit of Newfoundland and Labrador Housing Corporation, we noted bank reconciliations were not being reviewed in a timely manner. We identified two instances where reconciliations were reviewed more than six weeks after month-end, and one instance where the bank reconciliation was reviewed more than four months after month-end. Timely completion and review of bank reconciliations are essential to ensure there are no errors or fraud present.

We recommend Newfoundland and Labrador Housing Corporation complete and review bank reconciliations within 30 days of the month ending. Newfoundland and Labrador Housing Corporation Federal Claims

Canada Revenue Agency Memorandum of Understanding

Identified in 2025

The Corporation has a Memorandum of Understanding with the Canada Revenue Agency that is scheduled for review in 2026. During the March 31, 2024, claims audit, the absence of a clear audit clause in the Memorandum of Understanding resulted in delays in obtaining necessary information to develop an audit opinion on two of the agreements. Including an explicit audit clause in the renewed Memorandum of Understanding would provide clarity on the auditor's right of access to relevant information, support timely completion of audit procedures, and reduce the risk of future delays in issuing the audit opinion.

We recommend the Corporation work with the Canada Revenue Agency to include a clear and specific audit clause in the renewed Memorandum of Understanding, outlining the auditor's right of access to relevant supporting information.

Noncompliance with Auditor General's Engagement

Identified in 2025

During the audit of Newfoundland and Labrador Housing Corporation, we noted the Corporation had tabled its 2024-25 annual report on September 12, 2025, prior to the completion of the March 31, 2025 audit and without providing the Office of the Auditor General with a draft copy to review beforehand. While the annual report tabled did not include the financial statements, page nine refers to total revenue and total expenditures and references audited financial statements. This could mislead readers into thinking these numbers are audited numbers.

We recommend Newfoundland and Labrador Housing Corporation provide our Office with a draft copy of their annual report prior to tabling it in the House of Assembly on a go forward basis in compliance with the signed engagement letter.

Newfoundland and Labrador Legal Aid Commission

Ineffective Tangible Capital Asset Management

Outstanding for Two Years

The Newfoundland and Labrador Legal Aid Commission has capital assets in its financial statements which are more than 20 years old, with a cost of \$2.2 million. Given the passage of time, it is likely that some of these assets are no longer in productive use or even in the Commission's possession.

We again recommend the Commission regularly review and update its list of tangible capital assets.

Oil and Gas Corporation of Newfoundland and Labrador

Ineffective Leave Tracking

Outstanding for One Year

During the prior year audit, we identified that leave used by several employees was not being properly tracked. As a result, the Corporation was unable to determine actual leave balances or if all employees had taken the minimum number of days required by government's Paid Leave Policy. Proper leave tracking is important to human resource management. In addition, requiring employees to use a minimum amount of leave annually serves as a fraud prevention control.

We again recommend the Corporation ensure appropriate management of leave balances, including appropriate usage of the leave system to properly approve leave and monitor leave balances.

Pippy Park Commission

Inappropriate Use of Resources

Identified in 2025

During the audit we became aware of an arrangement that was in place for multiple years between certain employees and a privately owned business. It stated that some employees were maintaining equipment for the private company in exchange for free usage of the private business. It was further stated that equipment belonging to the City of St. John's was also being maintained by Pippy Park Golf Course employees. It is not known what, if anything, the employees were receiving in return for that work. We were informed in January 2025 by Corporation officials that there are no such arrangements currently in effect.

Such arrangements result in a misuse of public resources. It is not appropriate for Pippy Park Golf Course employees to use their positions for personal gain by making arrangements to perform work for other entities.

We recommend the Pippy Park Golf Course communicate to all employees the expectations around ethical behaviour and the requirements of the Conflict of Interest Act, 1995.

Conflict of Interest

Identified in 2025

During the audit of Pippy Park Commission, we found a consultant was engaged in June but work could not be completed at that time due to employees' refusal to meet with the consultant. The consultant was paid \$3,825. The Board Chair then engaged the Board and undertook the work themselves and was paid \$5,680 from May 2023 to October 2023, using per diem rates under the Guidelines for Rates of Remuneration for Boards, Agencies, Commissions. These guidelines are intended to compensate board members for attendance at formal meetings, not for other types of work. As well, any exceptions require prior approval. We also found payment approvals lacked proper segregation of duties and were signed by the Chair and an employee with a conflict of interest involved in a matter under investigation.

Without adherence to the guidelines and proper approval process, there is an increased risk of inappropriate payments and conflicts of interest.

We recommend the Commission apply the Guidelines for Rates of Remuneration for Boards, Agencies, and Commissions appropriately. The Commission should also ensure proper segregation of duties in the approval of all payments.

Inappropriate Termination Payments

Identified in 2025

During the audit we reviewed documentation related to an employee who was terminated without cause. As Pippy Park Golf Course was unable to provide the former employee's employment contract, we were unable to confirm if the termination was in accordance with their contractual provisions as required by government's Termination of Employment Policy. The former employee was provided six weeks' notice and on termination was paid one year salary, 21 sick leave days, five vacation days, and a lump sum payment to a registered retirement plan. It is not usual practice for employees to be paid sick leave upon termination and the termination offer does not mention the payout of sick leave. In addition, the Corporation did not report a lump sum payment transferred to a registered retirement plan on the employee's T4.

We recommend the Pippy Park Golf Course ensure any future termination payouts are in accordance with government practice. The Corporation should work with the Pippy Park Commission and Treasury Board to determine if recovery of the sick leave payment is possible. The Corporation should correct the former-employee's T4 for this issue and accurately record payments to employee on T4s going forward

Inadequate Overtime Expense Controls

Identified in 2025

During the audit of Pippy Park Commission, we found a Commission employee banked seven days' time off in lieu in relation to "golf course weekend check-ins." We could not find evidence of documented pre-approval to incur overtime costs by the former employee. In addition, the payments were approved by the same employee. Employees should never approve their own overtime. Without appropriate pre-approval and independent authorization of overtime, there is an increased risk of unauthorized payments and non-compliance with established policy. It is also good practice to obtain written pre-approval of overtime, and this is a requirement of government's management overtime policy.

We recommend the Commission ensure documented pre-approval of overtime and ensure that payments are appropriately approved.

Inappropriate Employee Contracts

Identified in 2025

During the audit of Pippy Park Golf Course, we found two employees were hired under contract - one for an existing position and the other for a newly created position. According to government's Employment Contract Policy, the use of employment contracts "is not intended to be used as an alternative to the recruitment and selection procedures of the Public Service Commission as they relate to the merit principle, or the classification and creation of positions procedures covered by Treasury Board personnel administration procedures."

We noted several issues with these contracts, salaries were negotiated outside approved government scales; the creation of the new position was not approved by Treasury Board; and, benefits offered (pension, group insurance, and leave allowances).

These were not consistent with government benefits. In addition, the contracts did not include required details such as duration, duties, hours of work and deductions.

We recommend the Pippy Park Golf Course work with the Pippy Park Commission to gain clarity on the extent of autonomy the Corporation has related to human resource policies and compensation practices.

Outdated Policies

Identified in 2025

During the audit of Pippy Park Commission, we noted the Commission's capital asset policy is outdated and deficient in some areas. The policy has not been updated since it was developed during the fiscal year 2016-17. It was also noted during the audit that there was some confusion around processes for the write-off of account receivable and the issuance of refunds. The Commission has a write-off policy but does not have a policy to guide the refund process. Without clear up-to-date policies, there is an increased risk of inconsistent practices, inappropriate approvals and financial reporting errors.

We recommend the Commission review and update their capital asset and write-off policies. The Commission should also consider development of a refund policy.

Outdated Policies

Identified in 2025

During the audit of Pippy Park Golf Course, we noted Pippy Park Golf Course capital asset policy is outdated and deficient in some areas. The policy has not been updated since it was developed during the fiscal year 2016-17. It was also noted that there was some confusion around processes for the write-off of accounts receivable and the issuance of refunds. The Corporation has a write-off policy but does not have a policy to guide the refund process, such as who can approve refunds, the documentation required, or circumstances where refunds can be issued.

We recommend Pippy Park Golf Course review and update their capital asset and write-off policies. Pippy Park Golf Course should also consider development of a refund policy.

Lack of Fraud Risk Assessments

Identified in 2025

During the audit of Pippy Park Commission, we noted the Commission does not have a fraud risk assessment process in place. A formal fraud risk assessment process can assist the Commission in understanding where fraud is most likely to arise and allow them to develop appropriate policies in response.

We recommend the Commission consult with the Office of the Comptroller General to document a fraud risk assessment process.

Ineffective authorities management

Identified in 2025

During the audit of Pippy Park Golf Course, we noted a credit agreement letter dated February 28, 2025 had a former employee listed as the main signing authority for Pippy Park Golf Course. This employee had not been employed at Pippy Park Golf Course for seven months. Timely removal of signing authorities from banking facilities following termination is a control that reduces the risk of unauthorized activity and decision making, which can lead to fraud and misappropriation of funds. When terminated employees retain signing authority in error, there is an increased risk of unauthorized banking activity.

We recommend Pippy Park Golf Course ensure bank signing authorities are updated regularly.

Breach of Loan Covenants

Identified in 2025

During the audit it was noted Pippy Park Golf Course is required to provide the bank with audited annual financial statements within 120 days after the end of each fiscal year. Due to Pippy Park Golf Course not having their March 31, 2024, year-end financial information ready for audit, our Office was required to temporarily withdraw from Pippy Park Golf Course audit. As a result, Pippy Park Golf Course is in breach of the bank's reporting requirement.

Although the bank did not take action in this instance, the breach of reporting requirements increases the risk the bank may cancel the credit agreement letter, resulting in immediate demand for repayment of all outstanding loans and future difficulties in obtaining financing.

We recommend Pippy Park Golf Course ensure compliance with reporting requirements.

Pooled Pension Fund

Slow Journal Entry Processes

Identified in 2025

During the audit of Newfoundland and Labrador Pooled Pension Fund, we noted issues with the timeliness of journal entry preparation and approval. Timely preparation and posting of journal entries is essential to ensure accurate and up-to-date financial reporting. Ongoing delays in this process increase the risk of errors and reduce the effectiveness of internal controls.

We recommend Newfoundland and Labrador Pooled Pension Fund ensure that journal entries are prepared, reviewed, and posted in a timely manner, with all relevant dates and signatures documented to support accurate financial reporting.

Missing Reconciliations

Identified in 2025

During the audit of Newfoundland and Labrador Pooled Pension Fund, we found that the reconciliation of the Vital Statistics report is no longer being conducted. This procedure was performed monthly in prior years to identify deceased pensioners not yet reported to Pension Payroll to ensure there were no payments made to ineligible accounts. Furthermore, the version of the report provided during our walkthrough lacked the reconciliation columns present in prior years.

We recommend that Newfoundland and Labrador Pooled Pension Fund ensure that vital statistics reports are reconciled to pension payments on a regular (monthly) basis.

Poor User Access Management

Identified in 2025

During the audit of Newfoundland and Labrador Pooled Pension Fund, we noted that removal of system access was not completed in a timely manner. Although the system administrator was notified shortly after an employees' departures and a new employees' start date, the requests were not processed because the required forms were missing the Manager of Pension Investments' signature. As a result, access for the departed employees remained active for approximately seven months. This increases the risk of unauthorized access or misuse of information.

We recommend Newfoundland and Labrador Pooled Pension conduct more frequent review of user access for software to ensure only appropriate staff have access.

Bank Reconciliation Gaps

Identified in 2025

During the audit of Newfoundland and Labrador Pooled Pension Fund, we identified that bank reconciliations were not completed and approved on a timely basis. Specifically, we identified that 26 out of 36 bank reconciliations were not prepared and reviewed by the Office of the Comptroller General within 60 days of month end. In some cases, reconciliations were not prepared and reviewed by the Office of the Comptroller General until six months after month end. We also noted in 10 of 36 instances, final approval of the bank reconciliations was not completed in a timely manner, within 30 days of review. Timely completion, review, and approval of bank reconciliations are critical for ensuring the accuracy and integrity of financial records.

We recommend that Newfoundland and Labrador Pooled Pension Fund ensure that bank reconciliations be prepared monthly and reviewed and approved on a timely basis.

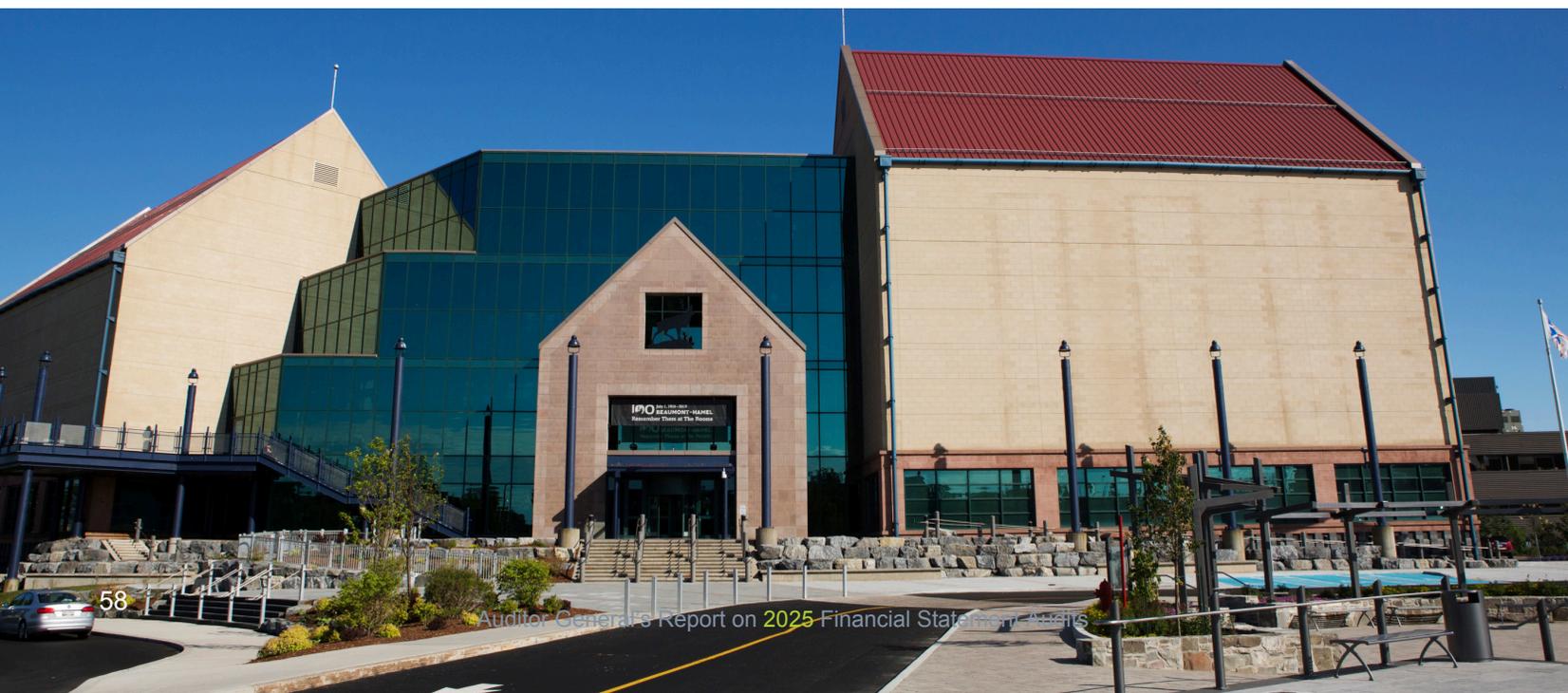
The Rooms Corporation of Newfoundland and Labrador

Bank Reconciliation Gap

Identified in 2025

The external auditors of The Rooms Corporation noted there were items on the bank reconciliation that did not match with management's working paper or the general ledger. Based on discussions with management, this was due to an issue with the financial accounting software, and management was working with an external team to resolve the issue.

The auditors note the adjustment is trivial in nature and management expects to have this corrected in the August 2025 bank reconciliation.



General Information Technology Controls - Entities

Identified in 2025

During the entity audits completed this year, the Office identified 20 general information technology control issues across Newfoundland and Labrador Health Services, Memorial University, Newfoundland and Labrador Housing Corporation, and the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador.

Of the 20 recommendations issued to address these deficiencies, eight of the issues were new in the current year and 12 were outstanding from prior years.

There were three recommendations regarding IT controls not accepted by Newfoundland and Labrador Health Services relating to user access controls, data processing and data recovery. One control recommendation was not accepted by Memorial University relating to user access controls. While the entities did provide responses to us regarding the recommendations, it is our opinion that they did not address the recommendations and are considered not accepted. To date, we have not received a management letter response from Newfoundland and Labrador Housing on the one IT control issue that was identified in the prior year's audit which remains outstanding.

We recommend government review the 20 IT control issues found during our audits of Newfoundland and Labrador Health Services, Memorial University of Newfoundland, and Newfoundland and Labrador Housing and address the deficiencies identified in a timely manner.

As of the reporting cut-off date for this report, the Office had not received a management letter response from Newfoundland and Labrador Housing Corporation. The status presented for the Corporation reflects the issues identified but does not include a confirmation of acceptance or non-acceptance of the related recommendations. The recommendations that were not accepted are:

- Memorial University for User Access Controls;
- Newfoundland and Labrador Health Services Consolidated for User Access Controls;
 - Data Processing; and,
 - Security and Data Recovery.

The entities provided responses to the recommendations, however it is our assessment that the responses did not address or accept our recommendations.

Table 14
Summary of General IT Controls by Entity

GITC Category	Newfoundland and Labrador Health Services Consolidated	Memorial University of Newfoundland	Newfoundland and Labrador Housing Corporation	Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador	Total
Controls over Governance	1	-	-	2	3
User Access Controls	6	4	1	-	11
Change Management Controls	1	-	-	-	1
Data Processing Controls	1	-	-	-	1
Security & Data Recovery Controls	1	2	-	1	4
Total	10	6	1	3	20

We recommend government correct the deficiencies identified with its general information technology controls.

Financial Health of the Province

The audited Public Accounts are a fundamental component of the province's annual financial reporting. They confirm for the people of Newfoundland and Labrador, through consolidated financial statements, where public funds come from (revenue), where they have been used (expenses), and what is left over (surplus/deficit). The issuance of these statements supports accountability and transparency, with a clean audit opinion providing assurance they are reliable.

When government releases the Public Accounts, they include a financial statement discussion and analysis report. While the report is not audited by our Office, it does provide important information on the province's financial position, highlights key indicators, and outlines key risks. This analysis report can assist the public in interpreting the complex financial activities of the province, particularly those that are interconnected. This chapter summarizes select information from this fifty page report.

Financial Position

The province's financial position is publicly disclosed through the six financial statements that are released as part of the Public Accounts. These statements are a consolidation of the entire government reporting entity and contain the actual financial results of the fiscal year (April 1 - March 31). They also contain information on the province's budget and prior year's results for comparability purposes. Two of these consolidated financial statements – operations and financial position - contain key information about what the province generally owns (assets), owes (liabilities), made (revenues), spent (expenses), as well as other financial results from calculations, such as deficits and net debt.

Consolidated Statement of Operations

This statement reports on the revenues and expenses for the past fiscal year, with the resulting operating surplus or deficit calculated. The annual deficit for the 2024-25 fiscal year was \$296.6 million, a decrease from the prior year's deficit and an increase compared to the deficit budgeted for the year. Revenues increased by 7.6 per cent from the prior year, primarily due to more money coming in from offshore royalties and income taxes. Expenses increased by 5.7 per cent from the prior year, primarily due to more money going out for grants and subsidies offset by savings in salaries and employee benefits. Since the increase in revenues exceeded the increase in expenses this year, the deficit is lower than the prior year.

The growth in revenues and expenses over the past five years is important to consider when assessing the financial health of the province. **Because the province continues to generally spend more than it brings in, the annual deficits continue to increase the debt burden in the province. Currently, the province is paying \$890 million a year in interest on the debt the province holds – that's \$1,630 for every resident. The total debt expense the province paid in the year was \$1.173 billion - \$2,137 for every resident.**



Table 15
Consolidated Statement of Operations

	2021	2022	2023	2024	2025
Statement of Operations (in \$ Thousands)					
Revenues	7,328,109	8,589,429	10,190,199	9,630,208	10,365,302
Expenses	8,819,930	8,866,699	9,868,832	10,089,182	10,661,939
Debt Expense	1,131,759	941,588	1,087,176	1,148,644	1,172,591
Interest Expense	729,400	618,200	756,400	807,900	890,200
Annual Surplus (Deficit)	(1,491,821)	(277,270)	321,367	(458,974)	(296,637)

Source: Prepared using information from the 2025 Public Accounts.

Consolidated Statement of Financial Position

This statement provides key information on the accumulated deficit, which represents the net financial position of the province from all years of operations to March 31, 2025. Net debt for the 2024-25 fiscal year was \$18.4 billion; the accumulated deficit was \$12.2 billion. Both net debt and accumulated deficit are higher than they were in 2023 - 24, mainly due to the annual deficit.

The growth in assets and liabilities over the past five years is important to consider when assessing the financial health of the province. **Liabilities are more than two times that of financial assets, with the resultant gap - net debt - continuing to grow because of annual deficits. Currently, this debt burden is worth over \$33 thousand for each person residing in the province.**

Table 16
Consolidated Statement of Financial Position

	2021	2022	2023	2024	2025
Statement of Financial Position (in \$ Thousands)					
Financial Assets	13,088,762	13,446,264	13,818,747	14,236,770	15,941,235
Liabilities	29,104,943	30,361,319	30,322,464	31,903,290	34,377,149
Net Debt	16,016,181	16,915,055	16,503,717	17,666,520	18,435,914
Non-Financial Assets	4,850,403	5,027,638	5,060,712	5,780,112	6,282,443
Accumulated Deficit	11,165,778	11,887,417	11,443,005	11,886,408	12,153,471

Source: Prepared using information from the 2025 Public Accounts.

Key Financial Indicators

The Public Sector Accounting Board's Statement of Recommended Practice suggests several indicators to assist in assessing a government's financial condition. These indicators provide insight into government's ability to sustain services and programs; the flexibility to respond to economic changes; and its vulnerability to being dependent on external sources of funding.

No single indicator can provide a full picture of the province's financial health. The public is encouraged to review the provincial budget documents, Public Accounts, the discussion and analysis report issued by government, as well as the opinion and reports from the Office of the Auditor General, when they are assessing the province's financial health.

Flexibility

The government's ability to change its debt burden or raise taxes within its economy to meet its existing financial obligations.

Table 17
Key Indicators of the Province's Financial Flexibility

	2021	2022	2023	2024	2025
Debt Expense as a Percentage of Total Revenue	15.4%	11.0%	10.7%	11.9%	11.3%
Own Source Revenue as a Percentage of Gross Domestic Product	16.6%	17.6%	18.3%	17.5%	18.3%
Net Book Value of Capital Assets to Cost of Capital Assets	35.8%	35.5%	33.9%	36.1%	37.3%

Source: Prepared using information from the 2025 Public Accounts.

Debt expense as a percentage of total revenue represents the amount of expense that is attributable to debt related activities compared to total revenue received. It represents the province's capacity to fulfill outstanding debt obligations using its yearly revenue.

Debt expense as a percentage of total revenue has decreased by 27 per cent over the five-year period of 2021-2025. However, 2021 was an outlier, and not indicative of previous trends. In 2019, the indicator was 13.3 per cent, and in 2020 11.1 per cent. The decrease for 2024-25 is primarily driven by higher revenue compared to 2023-24. A decrease in this indicator means more revenue is available for other public services. It is concerning that a significant percentage of revenues must be used to cover interest costs instead of being available for public services.

Own source revenues to gross domestic product are a function of the revenue earned through provincial taxes and business income of the province in relation to the province's economic activity.

Own source revenue to gross domestic product has increased each year since 2021, with an exception of a slight decrease in 2024 which coincides with a decrease in provincial source revenue. An increase in this indicator overall compared to 2021 suggests reduced flexibility for government to access own source revenues in the future. This indicator must be considered in the context that Newfoundland and Labrador already has one of the highest per capita tax burdens in the country.

Net book value of capital assets to cost of capital assets measures the estimated useful lives of tangible capital assets available to provide products or services. This indicator has been increasing steadily since 2023, which indicates assets are being replaced at a faster rate than they are being depreciated. It is important to note this indicator includes assets held under P3 agreements, but does not reflect the continued operating payments on those agreements.

Sustainability

The government's ability to maintain its existing programs and commitments without having to increase debt or tax rates.

Table 18
Key Indicators of the Province's Financial Sustainability

	2021	2022	2023	2024	2025
Net Debt to GDP	49.8%	43.7%	40.0%	45.3%	44.3%
Net Debt per Capita	\$30,455	\$31,978	\$30,831	\$32,606	\$33,590
Financial Assets to Liabilities	45%	44.3%	45.6%	44.6%	46.4%

Source: Prepared using information from the 2025 Public Accounts.

Net debt to gross domestic product (GDP) measures a province's debt burden relative to the size of its economy; in other words, the extent to which government is leaning on its economic output to carry its debt load.

There has been a decrease in net debt to gross domestic product in the current fiscal year, primarily due to increased GDP growth. The ratio peaked in 2020-21, reflecting the economic slowdown resulting from the COVID-19 pandemic. In 2025, GDP growth outpaced the increase in net debt, which shows positive economic activity in the province.

Net debt per capita is a measure of a country's or region's total debt divided by its population to show the debt burden attributable to an individual resident. Net debt per capita is used for comparing fiscal responsibility between different governments or over time. This indicator shows that over the past five years, Newfoundland and Labrador has consistently had the highest net debt per capita of the Atlantic provinces at \$33,590, which is significantly higher when compared to average net debt per capita across Canadian provinces, excluding Newfoundland and Labrador at \$17,825.

If the net debt grows faster than the population or the economy, it could signal future challenges in repaying debt.

Financial assets to liabilities is an important indicator as it measures whether future revenues will be needed to pay for past transactions. Financial assets do not include non-financial assets such as tangible capital assets, prepaid assets, or inventory. The indicator has trended upward since at least 2021, indicating improvement; however, any ratio less than 100 per cent still implies future surpluses will be required to pay for past transactions.

Vulnerability**The government's dependency on revenue sources outside its control.****Table 19
Key Indicators of the Province's Financial Vulnerability**

	2021	2022	2023	2024	2025
Federal Transfers as a Percentage of Total Revenues	21.5%	16.2%	16.6%	19.0%	18.2%
Net Foreign Currency Debt as a Percentage of Net Debt	5.0%	8.0%	1.6%	0.0%	1.3%

Net book value of capital assets to cost of capital assets measures the estimated useful lives of tangible capital assets available to provide products or services. This indicator has been increasing steadily since 2023, which indicates assets are being replaced at a faster rate than they are being depreciated. It is important to note this indicator includes assets held under P3 agreements, but does not reflect the continued operating payments on those agreements.

Federal transfers are revenues received from the federal government, expressed as a percentage based on the amount federal transfers contribute to the province's total revenue. This percentage demonstrates the province's reliance on federal government assistance to sustain government operations. This indicator has remained stable over the past five years.

Net foreign currency debt as a percentage of net debt measures the government's potential vulnerability to currency fluctuations. The province has increased its net foreign currency debt in 2025 after eliminating it entirely in 2024.

Other Indicators

Annual Surplus (Deficit) to Budget

Annual surplus (deficit) to budget compares the actual results to budgeted amounts by assessing whether actual revenues minus actual expenses are in line with the original expectations that were determined in the budget.

This indicator showed that in 2024-25, the actual annual deficit compared to the budgeted annual deficit had a variance of \$145 million.

Given there will always be unforeseen events that affect the annual surplus after the budget is determined, deviations are to be expected. However, the variance of budget to actual for 2023-24 and 2024-25 has improved compared to the previous years.

Oil Royalties as a Percentage of Total Revenue

Oil Royalties are revenue earned from oil and gas production and equity ownership, expressed as a percentage based on the amount oil royalties contribute to the province's total revenue. This percentage demonstrates the province's reliance on oil royalties to sustain government operations.

This indicator has remained relatively stable over the last five years except for 2021, when the oil and gas industry experienced a downturn.

Oil royalties, which are considered a vulnerable revenue source, remain a significant percentage of total revenue of the province.

Total Revenues

Taxation remains the province's most stable revenue source, although it experienced fluctuations in 2023 and 2024. Other revenue sources, such as federal transfers and offshore royalties, also varied slightly year-to-year, reflecting changes in federal funding levels and oil market performance.

Overall revenue has increased over the past five years. The province's outlook has strengthened through higher taxation and increased contributions from government business enterprises.

Capital Acquisitions

Capital acquisitions represent the province's capital additions and net additions to work in progress assets from 2021 to 2025. Capital assets, such as roads and highways, buildings, and equipment and machinery, are held to provide services.

This indicator suggests that capital spending has increased steadily from \$366.5 million in 2021 to a peak of over \$1.2 billion in 2024 before declining to \$935.1 million in 2025.

The rising investment trend suggests a focus on infrastructure renewal and economic growth. High capital expenditures may add short-term fiscal strain however, especially if financed through borrowing.

Total Borrowings

Total borrowings represent the total borrowings by the province less sinking fund assets held. This indicator has worsened by approximately \$1 billion each year over a five year period with the exception of 2022-23. The decrease was due to a large amount of debt that was retired during the year and resulted in a small decrease in total borrowings when compared to new debt issued. An increase in total borrowings will increase the burden on the province to pay back borrowings to lenders.

Risk Analysis

The Public Accounts discussion and analysis report includes a risk section which provides information on the various forms of risk inherent in certain financial elements and financial markets. The province's financial position and fiscal forecast are subject to various forms of risk as well as opportunities, with the province's economic forecasts relied upon to estimate revenues.

The report highlights four key risk areas that have the potential to significantly impact the provincial economy and fiscal position:

- market conditions, such as inflation, interest rates, and labour shortages;
- tariffs, particularly involving major trading partners such as the United States;
- demographic factors, including the province's aging population and its impact on the demand for public services (particularly health care); and
- the Muskrat Falls Project with respect to the funding of the rate mitigation plan to 2030 as well as the need for a plan beyond 2030.

We note that because the province must borrow - in fiscal 2024-25 the province borrowed \$2.7 billion – it faces debt related risk. The province currently borrows both domestic and foreign currencies resulting in foreign exchange risk. Liquidity risk exists if short term debt obligations cannot be met, which influences the province's cash management and treasury functions. Interest rate and credit risk are connected to the debt servicing costs that the province incurs. The Public Accounts provides in - depth information on risks, opportunities and the economic outlook of the province.

Appendix I

About This Report

This report satisfies section 23 of the Auditor General Act, 2021 and ensures the Office of the Auditor General satisfies its legislative requirements of promoting accountability through its audit activities.

The Consolidated Summary Financial Statements (also referred to as the Public Accounts) provide the most complete information about the Province's financial position and operating results. They are the principal means by which government reports on its accountability and management of public funds to the House of Assembly and the people of the Province.

The Government of Newfoundland and Labrador, through the Office of the Comptroller General, is responsible for providing the House of Assembly with these financial statements, which are prepared in accordance with Canadian Public Sector Accounting Standards. The financial statements include a statement of responsibility which outlines government's responsibility for maintaining a system of internal control in order to provide reasonable assurance that transactions are properly authorized; assets are safeguarded; financial records are properly maintained; and financial statements are prepared that are free from material misstatement whether due to fraud or error. The Public Accounts also include a financial statement discussion and analysis report which is unaudited, and our Office does not express an opinion on it. However, the financial statement discussion and analysis report provides commentary on the financial results and financial position of the Province which is important for the people of the Province to understand. A copy of the Consolidated Summary Financial Statements is available on the government's website.

The Office of the Auditor General audits the Public Accounts annually as required by section 17 of the Auditor General Act, 2021. These financial statements include all organizations in the government reporting entity. As of March 31, 2025, the government reporting entity was made up of government departments and the Legislature plus 36 entities (33 government organizations, two government business enterprises, and a proportionate share of a government business partnership), as listed in Schedule 15 of the Consolidated Summary Financial Statements. Of the 36 entities, 21 are audited by our Office and 15 are audited by component auditors. Since March 31, 2025, two of these entities have dissolved.

Level of Assurance & Audit Procedures

The audit of the Public Accounts is designed to obtain reasonable, but not absolute, assurance that the Consolidated Summary Financial Statements, as a whole, are free of material misstatement. Reasonable assurance, as defined in Canadian generally accepted auditing standards, means that sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level to support the conclusion that the financial statements are free of material misstatement. The Independent Auditor's Report provides the opinion as required, signed by the Auditor General per her legislation.

We comply with Canadian Standard on Quality Management 1 and, accordingly, maintain a system of quality control that includes documented policies and procedures to ensure compliance with professional standards, ethical requirements and legal and regulatory requirements. We comply with the independence and ethical requirements of the Rules of Professional Conduct of Chartered Professional Accountants of Newfoundland and Labrador.

The Office has an integrated system of quality management that provides reasonable assurance that engagements are performed in accordance with professional and Office standards and that engagement reports issued by the Office are appropriate in the circumstances.

The Office is committed to continually monitoring and improving our audit quality. The monitoring process includes internal file reviews completed by the Professional Practice and Innovation group, peer reviews completed by other legislative audit offices across Canada, and practice inspections completed by the Association of Chartered Professional Accountants of Newfoundland and Labrador.

Appendix II

Independent Auditor's Report



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

Independent Auditor's Report

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Audit of the Consolidated Summary Financial Statements

Opinion

I have audited the consolidated summary financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of change in net debt, operations, change in accumulated deficit, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2025, and its consolidated results of operations, change in its net debt, change in its accumulated deficit, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements section of my report. I am independent of the Province of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the consolidated summary financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independent Auditor's Report (cont.)

Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the consolidated summary financial statements and my auditor's report thereon.

My opinion on the consolidated summary financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated summary financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated summary financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Summary Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated summary financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated summary financial statements, management is responsible for assessing the Province of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Independent Auditor's Report (cont.)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated summary financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated summary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated summary financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Newfoundland and Labrador to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated summary financial statements, including the disclosures, and whether the consolidated summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (cont.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated summary financial statements to express an opinion on the consolidated summary financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



DENISE HANRAHAN, CPA, MBA, ICD.D
Auditor General

September 5, 2025
St. John's, Newfoundland and Labrador

Appendix III

Fraud Reporting to Lieutenant-Governor in Council

Reports to Lieutenant-Governor in Council

The primary responsibility for reporting fraud rests with department management or the entity in which the suspected fraud happened. The instances of fraud included in this report came from a number of sources. These incidents were reported by the Office of the Auditor General to the Minister of Finance on January 23, 2026, unless otherwise noted.

Department of Education and Early Childhood Development

- On January 6, 2026, the department reported an instance of potential fraud. In November 2024, during a routine site visit of a third-party provider of Adult Basic Education programming, significant operational deficiencies were found regarding incomplete or missing student files. The provider was directed to implement corrective measures by April 2025, however the department determined these irregularities persisted. The department contacted a number of students who had dealt with the third-party provider and found the majority were never registered. The department has suspended the provider's agreement and will formally terminate the agreement with cause. The department is working with the Department of Justice and Public Safety to determine next steps, and any potential loss to government is unknown at this time. The matter will be reported to the police. We reported this matter to the Minister of Finance on January 26, 2026.

Department of Government Services

- On July 23, 2025, the department reported three instances of cheque fraud related to three separate refund cheques issued by the Motor Registration Division. Two cheques were attempted to be cashed twice, and one was attempted to be cashed three times. All matters were reported to the police. There was no loss to government.
- On July 23, 2025, the department reported that between November 2024 and April 2025, there were multiple instances of cash misappropriation at the Motor Registration Division. This variance in monthly revenue reconciliations was discovered in April 2025. An investigation by the department is ongoing and this matter has not yet been reported to the police.

Department of Health and Community Services

- On August 1, 2025, the Department reported three instances of fraud and one instance of attempted fraud related to the Medical Services Family Practice Start-up Program. The physician signing bonus program provides funding up to \$150,000 for eligible physicians. Several grants were provided to external parties posing as Alberta physicians while currently residing in Newfoundland and Labrador (and therefore ineligible for the bonus). The total loss to government was \$450,000. All matters were reported to the police. A recovery plan or process has not been determined at this time.

Department of Jobs, Growth and Rural Development

- In the prior year, we reported on the potential misappropriation of monies by a member of a career counselling organization which was in receipt of government funding. On August 1, 2025, the department reported the alleged misappropriation of monies covers multiple years. A forensic audit was requested by the department and is ongoing and provided by KPMG. The Executive Director was placed on unpaid leave prior to September 6, 2024, with all physical and electronic access to the organization removed. There is an expected loss to government of \$530,000. This matter has been reported to the police.

Department of Justice and Public Safety

- During our audit of the Support Enforcement Division for the year ended March 31, 2025, we identified 29 instances of cheque fraud related to 16 previously issued cheques where individuals attempted to cash cheques more than once. All matters were reported to the police. There was no loss to government. We reported this matter to the Minister of Finance on November 20, 2025.
- During our audit of the Office of the High Sheriff of Newfoundland and Labrador for the year ended March 31, 2023, we identified two instances of cheque fraud related to two previously issued cheques where individuals attempted to cash cheques more than once. The matter is under investigation and has not been reported to the police. There was no loss to government. We reported this matter to the Minister of Finance on December 17, 2025.

Department of Social Supports and Well-Being

- On July 29, 2025, the department reported an instance of the inappropriate use of a government-issued credit card. An employee was reimbursed for travel claims without having paid off the amount on the card. A repayment schedule was put in place to recover the funds totalling \$2,457, with no loss to government expected. This matter was not reported to the police. Human resources was notified and begun an investigation; the department has not advised of any disciplinary action at this time.
- On July 29, 2025, the department reported 17 instances of cheque fraud relating to income support client payments where cheques were attempted to be cashed multiple times through remote deposit and in some instances were materially altered before an attempt to cash them again was made. The department has a policy to put payments on hold for the clients identified until they register for direct deposit, or some other means determined acceptable by the department. In all noted instances, the cheques were identified as duplicates. All matters were reported to the police. There was no loss to government.
- On July 29, 2025, the department reported an overview of income support overpayments related to amounts paid to clients under false pretenses identified between March 31, 2024 and March 31, 2025. The department provided a further update on December 4, 2025 related to amounts paid between March 31, 2025 and September 30, 2025. We reported on income support overpayments in our 2023 Report on the Province's Financial Statement Audits. The department reported 216 clients with overpayments totalling approximately \$4.9 million which includes the 89 clients we reported on in our 2024 Report on the Province's Financial Statement Audits, which were identified between March 31, 2024 and September 30, 2024. The department reported 68 clients with overpayments totalling approximately \$1.4 million between October 1, 2024 and March 31, 2025, and 59 clients with overpayments totalling approximately \$1.5 million between April 1, 2025, to September 30, 2025.

For active clients, as per department policy, overpayments are recovered through a five per cent reduction in monthly basic benefits, or approximately \$28 per month. Outstanding balances of former clients are treated as accounts receivable and collected per routine procedures, such as federal offset. As existing regulations limit timely recovery of these overpayments once they occur, government should strengthen measures to detect and prevent income support overpayments made under false pretenses. Incidents are not typically referred to the police.

- On November 5, 2025, the department reported two instances of the inappropriate use of a government-issued credit card. Two employees were reimbursed for travel claims without having paid off the amount on the cards. The remaining balances owing were \$1,829 and \$1,234. The balance on the cards was subsequently paid off and there was no loss to government. This matter was not reported to the police. Human Resources was notified and have begun an investigation, the department has not advised of any disciplinary action at this time.

Department of Transportation and Infrastructure

- On August 29, 2025, the department reported an instance of possible theft of a piece of equipment attached to a backhoe. An internal investigation determined it is unknown if the theft was by an employee. The estimated loss to government is \$3,574.
- On August 29, 2025, the department reported an instance of potential fraud related to an outstanding credit card balance of \$2,400. An internal investigation is ongoing and this matter has not been reported to the police. The employee was notified, the balance was repaid, and there was no disciplinary action taken. There was no loss to government.

Treasury Board Secretariat

- On July 31, 2025, the Public Accounts and Banking Services Division of Treasury Board reported 263 instances of cheque fraud. These instances of cheque fraud include both duplicate and materially altered cheques occurring across various departments. 249 of these fraudulent cheques were accounts payable cheques (including one-time Cost of Living Relief cheques disbursed beginning in November 2022), while the remaining 14 were Long Term Assistance cheques, and other cheques. All cheques were returned by Treasury Board and there was no loss to government. All instances have been reported to police.
- On July 31, 2025, Treasury Board Secretariat informed our Office of a cybersecurity incident related to PowerSchool, the Student Information System Platform, reported by the Department of Education and Early Childhood Development in January 2025. An unauthorized party accessed a significant amount of data (names, emails, phone numbers, MCP numbers, and Social Insurance Numbers), relating to both current and former students and teachers. Multiple jurisdictions in North America were affected by this incident. This matter was reported to the police. It is unknown at the date of this report if there was a loss to government.
- On July 31, 2025, Treasury Board Secretariat informed our Office of an instance of a threat actor gaining unauthorized access to an email account, reported by Newfoundland and Labrador Health Services in July 2025. A request to change the supplier's banking information was accepted, and multiple payments were subsequently issued. The associated bank has advised that the recovery of funds is not possible and no funds have been recovered. All payments to the legitimate supplier were subsequently made and direct deposits for the supplier were suspended and all future payments will be authorized by cheque. Total loss to government was \$78,188. This matter was reported to the police. We reported this matter to the Minister of Finance on October 3, 2025.
- On July 31, 2025, Treasury Board Secretariat informed our Office of 29 instances of potentially fraudulent applications to the 2021 Artist Support Program, reported by the Department of Tourism, Culture, Arts and Recreation in March 2025. Of the 29 instances, 15 were paid out to 11 separate individuals while 14 attempts were unsuccessful. This matter was reported to the police. No funds have been recovered, and the total loss to government is \$75,000.
- On July 31, 2025, Treasury Board Secretariat informed us of an instance of fraud related to an individual attending a post-secondary institution through the Skills Development Program/Employment Options, reported by the Department of Jobs, Growth and Rural Development in March 2025. This individual had been editing their transcript to hide absences and poor academic performance. Funding was subsequently discontinued for the individual. This matter was not reported to the police. The overpayment of funding resulted in a current potential loss to government of \$51,175. Funding was paid directly to the training institution by the department on behalf of the individual. The recovery of funds is in progress.

Newfoundland and Labrador Health Services

- During our audit of Newfoundland and Labrador Health Services, we identified multiple instances of cheques with manipulated payees. Each of the cheques was addressed to the same individual instead of the original recipients. The total of all identified cheques was \$14,252. Newfoundland and Labrador Health Services has made internal recommendations regarding governance specific to establishing and changing banking information to staff. All matters were reported to the police. There was no loss to government. We reported this matter to the Minister of Finance on October 3, 2025.

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About Us

Vision

Promoting positive change and accountability in the public sector through impactful audits.

Mission

To promote accountability in government's management and use of public resources and encourage positive change in its delivery of programs and services.

Values

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do and critical to our success. The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports. The Office of the Auditor General's independence of government, in fact, and in appearance, provides objective conclusions, opinions and recommendations on the operations of government and crown agencies. Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

Office of the Auditor General Financial Audit Team

The Auditor General extends sincere thanks to her Financial Audit Team for their dedication and diligence over the past year. In addition to the Auditor General, Denise Hanrahan and Deputy Auditor General, Sandra Russell, the personnel involved in the planning, coordination and direction of the Office's financial statement audit program are led by our Assistant Auditor Generals, Marc Blake and Erica Peddle. The Office is able to fulfill its mission due to the consummate commitment and professionalism of a dynamic team of professional auditors, including:

Audit Principals

Chad Russell	Jennifer Tuttle	Tracy Pelley	Andrew Way
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Audit Managers

Aakash Patel	Colin Butler	Jillian Kennedy	Martin Cook
Matthew Drodge	Sarah Reynolds		

Senior Auditors

Aatish	Caitlyn Lockyer	Curtis Parrell	Holly Aylward
Jonathan Williams	Leif Martin	Stephen Chislett	Stephanie Hartley
Sujin Gu	Waqas Ahmed	Michael Kennedy	Erica O'Brien
Anna Smith			

Auditors & Technicians

Alex Blanchard	Ben Callahan	Rebecca Dooley	Michael Flynn
Tryphine Mpofo	Diana Mugasha	Farhan Nafis	Dreshti Rawtani
Laura Spracklin	Chris Fudge	Mai Vu	

The Auditor General would also like to thank the Professional Practice and Innovation Team (Keith Butt and Snow Bai), Performance Audit Principals (Adam Martin and Jessica Nugent), and the Corporate Support Team for their support and dedication to the financial statement audit program over the past year.



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