

# Fraud Risk Management Treasury Board Secretariat

Independent Auditor's Report



April 2026

OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

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## Objective

To determine whether Treasury Board Secretariat effectively oversees the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador.



## Audit Scope Period

April 1, 2024 to  
December 31, 2025.



## Why this Audit is Important

Fraud poses a significant risk to the integrity and accountability of public sector operations. The Government of Newfoundland and Labrador adopted a Fraud Risk Management Policy in 2017 to establish a consistent approach for preventing, detecting, and responding to fraud across all departments and entities, including a requirement that all instances of suspected or confirmed fraud be reported to the Office of the Auditor General. Effective oversight by the Treasury Board Secretariat is critical to ensuring compliance with this policy and protecting public resources. Given the potential financial, operational, and reputational impacts of fraud, this audit is important to determine whether the Treasury Board Secretariat is effectively overseeing the implementation of the policy throughout government and to identify opportunities for improvement.



## What We Found

### Fraud Management Policy



The Fraud Management Policy was outdated and lacked key requirements.



Oversight of fraud management policies was weak.



Many entities lacked a fraud policy.

### Fraud Management Program

Fraud Risk Assessments	Fraud Reporting and Investigations	Fraud Training and Awareness
More than half of government entities did not complete a fraud risk self-assessment during 2025.	Suspected fraud incidents were not consistently reported.	Fraud training was not mandatory or well-monitored.



## Conclusion

The audit found that the Treasury Board Secretariat did not effectively oversee the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador. The Professional Services and Internal Audit Division did not have a documented comprehensive fraud management program. The Fraud Management Policy was outdated, incomplete, and lacked defined oversight responsibilities, resulting in inconsistent practices and some non-compliance. Key requirements, such as fraud risk assessments, defined training expectations, and mechanisms for monitoring adherence were missing or unclear, weakening government's overall fraud management framework. The Division did not ensure departments and entities implemented or aligned with the policy. Many government entities had no fraud policy, and training was neither mandatory nor monitored. Fraud training was not mandatory, monitored, or consistently accessible, and no refresher or high-risk-area training existed. Overall, the absence of clear policy direction, consistent training, reliable reporting, and oversight means effective fraud management is not occurring throughout government. These gaps reduce the government's ability to identify and address fraud risks and can undermine public confidence in the stewardship of public resources.

## Summary of Recommendations

We recommend that the Treasury Board Secretariat:

Fraud Management Program and Policy	1. Update the Fraud Management Policy, with consideration given to weaknesses identified in this report, and establish a review cycle to ensure it remains current, comprehensive, reflective of evolving fraud risks and fit for purpose.
	2. Formalize its fraud management program in a comprehensive document that establishes roles, responsibilities and oversight mechanisms, including how compliance with the policy will be monitored and who is responsible for oversight of the program.
	3. Require all government entities to implement a fraud management policy and periodically assess the alignment of each entity's fraud management policy to that of government.
Fraud Risk Assessments	4. Define and communicate clear expectations for annual participation in the fraud risk self-assessment process to all entities.
	5. Ensure that the fraud risk self-assessments are completed annually by government entities.
	6. Increase the number of detailed fraud risk assessments it completes annually to achieve appropriate coverage of risk areas across government.
Fraud Reporting and Investigations	7. Clarify and communicate fraud reporting obligations to all government entities to ensure adherence to legislation and policy.
	8. Periodically monitor fraud-related investigations completed by departments and entities for compliance with the Fraud Management Policy, including consistent consequences of fraud in a zero tolerance culture.
Fraud Training and Awareness	9. Establish mandatory fraud-related training requirements for all new and existing government employees.
	10. Report on fraud training completion rates across government to the Audit Committee, including information on participation and fraud-related training undertaken.



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

Given Treasury Board Secretariat's responsibility for overseeing the fraud risk management program for government, how will the Treasury Board Secretariat:

1. Ensure that all government entities are included?
2. Ensure that all employees of the government and its entities receive mandatory fraud training?
3. Ensure that all suspected fraud is reported to the Comptroller General and Auditor General?

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# Background

Fraud is defined as any activity that relies on deception in order to achieve a gain. In 2024, a report from the Association of Certified Fraud Examiners stated organizations may lose up to five per cent of their revenues to fraud each year.

To manage the risk of fraud, the Government of Newfoundland and Labrador established its Fraud Management Policy in 2017. The policy applies to all government employees, officers, and contractors in the workplace with respect to any suspected or confirmed instances of fraud against the government. The applicability of the policy to government departments and entities, including Government Agencies, Boards and Commissions and Crown Corporations, is outlined below (see Figure 1).

**Figure 1: Applicability of the Fraud Management Policy**

Entity Type	Required to Follow Policy?	Exceptions
 Government Departments	 Yes	No exceptions.
 Agencies, Boards, Commissions	 Yes	Must follow the Government of Newfoundland and Labrador's Fraud Risk Management Policy or adopt a similar proprietary policy.
 Crown Corporations	 Yes	

Source: Prepared by the Office of the Auditor General based on Government of Newfoundland and Labrador's Fraud Management Policy

The objective of the policy is to promote a culture which safeguards the Government of Newfoundland and Labrador's assets, funds and information from fraudulent activity. The policy discusses fraud awareness, prevention, detection and outlines requirements for reporting, review and investigation procedures, and repercussions when a claim of fraud is substantiated. It also states the Government of Newfoundland and Labrador has zero tolerance for fraud of any form, which means any fraudulent activity, including those with no material monetary impacts, is investigated and appropriate corrective or disciplinary action is taken.

The policy states that all substantiated allegations of fraud must be reported to the Comptroller General to inform the Audit Committee and the Auditor General. Our Office received reports of 312 fraud instances between 2018 and 2023. In our 2024 Report on the Province's Financial Statements, there were 683 cases reported that year, including 582 instances of cheque fraud (85 per cent), 223 of those related to one-time cheques issued through the Cost-of-Living program (38 per cent). In our 2025 report, our Office reported 490 incidents of fraud that year, 314 relating to attempted cheque fraud (64 per cent) and 127 related to receiving income support under false pretenses (26 per cent).

The Office of Executive Council is responsible for the overall operations of the Government of Newfoundland and Labrador. Treasury Board Secretariat, an office of Executive Council, has a mandate to provide government-wide financial management oversight and comptrollership to ensure the appropriate use of and reporting of public funds. The Treasury Board Secretariat engages in multiple lines of business to support its mandate, including the Office of the Comptroller General. The Professional Services and Internal Audit Division (the Division) within the Office of the Comptroller General administers the government's fraud management program.

The Professional Services and Internal Audit Division is responsible for ensuring that all departments and government entities implement the Fraud Management Policy. To support implementation of the policy throughout government, the Division performs activities in certain areas, including:

### **Fraud Risk Assessments**

Fraud risk assessments are designed to raise awareness of fraud risks and prompt executive-level discussions so that corrective action can be taken. It also supports Deputy Ministers in responding to the Auditor General's annual fraud-risk inquiry.

Each year, the Division requests departments to complete a fraud risk self-assessment. The assessment requires department officials to respond to questions related to their operations to gain an understanding of potential fraud risks and the mitigating controls that exist. The Division compiles the results of the self-assessments and uses them to identify areas of heightened risk across government. Once these risk areas are identified, the Division selects one area to complete a detailed fraud risk assessment. This detailed assessment focuses on understanding key fraud risks and identifying potential control weaknesses within that area. The goal is to provide management with insight into specific fraud risks and provide recommendations for areas identified with medium and/or high risk to further reduce residual fraud risk. The Division also performs ad hoc projects to respond to fraud risks.

### **Fraud Reporting and Investigation**

As stated in the Fraud Management Policy, the government has zero tolerance for fraud, and requires that all suspected or confirmed fraud be promptly reported, documented, investigated, and disclosed to senior oversight bodies, including the Audit Committee, the Comptroller General, and the Auditor General, to ensure timely action, accountability, and compliance with the Financial Administration Act. The Audit Committee is responsible for overseeing the administration of the fraud management program by the Professional Services and Internal Audit Division.

The Division maintains government's Fraud Investigation Methodology, participates in investigations when requested, maintains a list of reported fraud, requests status updates of ongoing fraud investigations every six months, and provides quarterly updates regarding fraud to the Audit Committee. The methodology was established in 2021.

### **Fraud Training and Awareness**

The objective of fraud training and awareness is to provide employees with a basic level of fraud awareness, to put employees in a better position to discuss potential fraud risks and identify potential fraud risk scenarios in their work areas.

Through a partnership with the Centre for Learning and Development, government's fraud prevention and detection training is offered to all government employees through the government's online training platform. The Professional Services and Internal Audit Division also delivers information sessions to entities and conducts the government's fraud awareness campaigns.

Collectively, the Division refers to these activities, along with the policy and its implementation, as their fraud management program.

Our audit work started in Fall 2025 and covered April 1, 2024 to December 31, 2025. It included one line of inquiry: to determine whether Treasury Board Secretariat effectively oversees the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador. One criterion was established to assess this line of inquiry. We completed procedures on departments and entities – see Appendix III for a full listing of those included in this audit.

# Key Findings

## Fraud Management Program and Policy

- There was no formalized, comprehensive document outlining the specifics of the Professional Services and Internal Audit Division's fraud management program. (page 9)
- The Government of Newfoundland and Labrador's Fraud Management Policy was outdated and did not mention how often the policy should be reviewed and updated. It had not been updated in over seven years. (page 9)
- The policy does not consistently apply its requirements to government entities. (page 9)
- The policy contained weaknesses, for example, the policy did not assign oversight responsibilities to any particular entity; there was no explicit requirement to complete formal, periodic fraud risk assessments; training requirements were vague. Specifically, we found that the policy did not clearly state any mandatory training requirements, nor did it specify what fraud-related training was required or how often it needed to be completed; there was no requirement for monitoring or reporting on training completion rates in the policy; there was no definition of how fraud management effectiveness would be measured. (page 10)
- The Professional Services and Internal Audit Division did not ensure that all government entities had implemented a fraud management policy. (page 10)
- The scope of entities included in the Professional Services and Internal Audit Division's fraud management program was incomplete. The Division did not consistently include the Access to Information and Protection of Privacy Office, the House of Assembly, the Public Trustee, WorkplaceNL or Memorial University of Newfoundland's separately incorporated entities (Campus Childcare Inc., Canadian Centre for Fisheries Innovation, C-CORE, Genesis Group Inc., and Memorial University Recreation Complex Inc.) in their monitoring. (page 10)
- Of the 44 government entities we assessed, 10 entities (23 per cent) had not implemented any fraud management policy. (page 11)
- An additional 10 of the 44 entities (23 per cent) had implemented their own fraud policy. We assessed whether these policies were substantially aligned with government policy and found that five of the 10 entities policies (50 per cent) had misalignments. (page 11)
- The Professional Services and Internal Audit Division did not have an established process to ensure that specific requirements of fraud management policies were followed throughout government, including its entities. (page 11)

## Fraud Risk Assessments

- Government entities were excluded from the fraud risk assessment process not required to complete periodic fraud risk self-assessments. (page 12)
- More than half of government entities, 24 of 44 (55 per cent), reported not completing a fraud risk self-assessment for the 2024-25 year. (page 12)
- All 17 government departments completed fraud risk self-assessments for fiscal year ending March 31, 2025. (page 13)
- Departments identified 48 medium and high-risk areas across 11 departments. (page 13)
- The Department of Justice and Public Safety had two high-risk and 14 medium-risk areas identified, the most of all departments. (page 13)
- The Professional Services and Internal Audit Division performed only one detailed fraud risk assessment annually regardless of the number of medium and high risks identified from the fraud risk self-assessments. For example, the only detailed fraud risk assessment completed following the fiscal 2024 fraud risk self-assessment process was related to cash receipting and petty cash in provincial parks with the Department of Tourism, Culture, Arts and Recreation. (page 14)

### **Fraud Reporting and Investigations**

- All suspected instances of fraud occurring within the Government of Newfoundland and Labrador were not reported to the Professional Services and Internal Audit Division. (page 15)
- A gap existed whereby not all entities reported instances of fraud directly to the Division. As a result, the Audit Committee and Auditor General were also not informed of these occurrences. (page 15)
- Confusion existed among departments and entities with regard to their responsibilities for reporting instances of fraud. For example, the Department of Education and Early Childhood Development did not require its entities to report instances of fraud to the department. (page 15)
- Eight entities where instances of fraud had occurred throughout our 21-month scope period, but they had not been reported to Professional Services and Internal Audit Division, the Audit Committee or the Auditor General. These unreported instances of fraud occurred in different areas, highlighting potential weaknesses in controls. (page 15)
- The Professional Services and Internal Audit Division did not have compliance processes in place to ensure that fraud investigations were done when required and in line with established methodology. They also did not review how departments and entities apply repercussions following substantiated fraud claims, providing no assurance that consequences are applied consistently or in accordance with the policy. (page 15)

### **Fraud Training and Awareness**

- Weaknesses existed in the Professional Services and Internal Audit Division's fraud training program. Specifically, we found that the Division's internally developed Fraud Prevention and Detection course was not deemed mandatory for government employees. (page 16)
- The Professional Services and Internal Audit Division did not require periodic refresher fraud training, nor had they developed specific training for high-risk areas. (page 16)
- The Professional Services and Internal Audit Division did not have effective monitoring processes in place to ensure that the Fraud Prevention and Detection course was being completed by government employees. (page 16)
- Some entities did not have access to the online training portal. (page 16)
- We found that virtually all employees from 24 of 44 entities (55 per cent) had not completed the Fraud Prevention and Detection training course. (page 16)
- Few activities to raise awareness of fraud had been completed during the scope period. Communications regarding fraud-related responsibilities were distributed only to employees of government departments and only some government entities. (page 16)

# Findings

## Objective

To determine whether Treasury Board Secretariat effectively oversees the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador.

## Criteria 1

Departments and government entities are in compliance with the Fraud Management Policy.



## What We Expected

We expected the Professional Services and Internal Audit Division, as administrator of the fraud management program, to ensure the Fraud Management Policy and supporting methodologies were current, comprehensive, reflective of evolving fraud risks, and consistent with its purpose of preventing, detecting, and responding to fraud. We expected the Division to maintain a documented and consolidated fraud management program framework that defines roles, processes, deliverables, and performance measures. We expected the program to include clear and explicit requirements for all program areas, including fraud risk assessments and training. We expected the requirements of the policy to apply equally to all entities included in the applicability section.

We expected the Division to have its oversight authority documented, along with the processes to verify that all departments and government entities had implemented and were in compliance with government's Fraud Management Policy or another aligned policy.

We also expected the Division to ensure areas of fraud risks were adequately addressed by departments and entities and to establish and communicate clear and consistent reporting requirements for suspected and confirmed fraud, including requirements for government entities to report substantiated allegations to the Auditor General, the Comptroller General, and the Audit Committee.

We expected the Division to have defined key performance indicators or benchmarks to measure fraud management effectiveness and to conduct regular reporting against them. We also expected the Division to monitor investigation execution for conformance to methodology and review outcomes to ensure consistency with policy.



## What We Learned

### Fraud Management Program

**We found there was no formalized, comprehensive document outlining the specifics of the Professional Services and Internal Audit Division's fraud management program.** There were certain processes that existed within the Division pertaining to activities we would expect to see within a typical fraud management program, however, these were not consolidated into a single comprehensive document.

### Fraud Management Policy

**We found that the Government of Newfoundland and Labrador's Fraud Management Policy was outdated and did not mention how often the policy should be reviewed and updated. It had not been updated in over seven years.** The Fraud Management Policy was established in September 2017, and the last recorded update was July 3, 2018. Best practice would dictate policies should be reviewed and updated at least every 3 years.

**We found the policy does not consistently apply its requirements to government entities.** We found that the policy does not consistently reference entities. While it outlines responsibilities for departments, entities are not mentioned outside the Application and Scope section. For example, the fraud reporting section requires departments to report all instances of fraud but provides no equivalent direction for entities, despite their inclusion in the policy's scope.

**We also found that the Fraud Management Policy contained weaknesses. For example, we found the policy did not assign oversight responsibility to any particular entity.** Instead, it adopts a decentralized approach, stating that “Departments are responsible for designing and monitoring internal controls and processes to prevent and detect fraud within their respective programs and operations”. As a result, departments and entities are individually responsible for ensuring fraud management activities occur, with no clear centralized oversight mechanism outlined in the policy.

**We found that the policy had no explicit requirement to complete formal, periodic fraud risk assessments.** Instead, we found the policy applies the responsibility of understanding fraud risk to departments, including ensuring adequate systems of internal controls to prevent and detect fraud. While the policy provided some examples of fraud risk circumstances or weaknesses, it provided no direction on how or how often a fraud risk assessment should be done.

**We found that training requirements were vague. Specifically, we found that the policy did not clearly state any mandatory training requirements, nor did it specify what fraud-related training was required or how often it needed to be completed.** The only mention of training in the policy is for departments to take reasonable steps, through training, to ensure that all employees are aware of departmental policies, with particular emphasis on fraud awareness training. **We also found that there was no requirement for monitoring or reporting on training completion rates in the policy.**

**We also found that the policy did not define how fraud management effectiveness would be measured.** For example, we found there were no established key performance indicators or benchmarks for determining if the objectives of the fraud risk management policy were being met.

**We found the Professional Services and Internal Audit Division did not ensure all government entities had implemented a fraud management policy.** We found, that as of February 2024, Professional Services and Internal Audit had determined that 10 of 34 (29 per cent) government entities, they had deemed to be within the scope of their fraud management program, had not implemented a fraud management policy (see Figure 2).

**Figure 2: Implementation of Fraud Management Policy at Government Entities  
As at February 2024**

Implementation Status of Fraud Management Policy	Government Entities	
Follow Government of Newfoundland and Labrador's Fraud Management Policy	15	44%
Entity has their own Fraud Management Policy or Program	9	27%
No formal Fraud Management Policy or Program was in place	10	29%
<b>Total</b>	<b>34</b>	<b>100%</b>

Source: Prepared by the Office of the Auditor General based on information provided by Professional Services and Internal Audit, unaudited.

Further, we found the Professional Services and Internal Audit Division had not completed a policy assessment for the nine government entities that had indicated they had adopted their own fraud management policy. Government's Fraud Management Policy requires all fraud management policies to align. We found, by September 2025, Professional Services and Internal Audit still had not ensured that all government entities had implemented a suitable fraud management policy.

**We found the scope of entities included in the Professional Services and Internal Audit Division fraud management program to be incomplete. We found that the Division did not consistently include the Access to Information and Protection of Privacy Office, the House of Assembly, the Public Trustee, WorkplaceNL or Memorial University of Newfoundland's separately incorporated entities (Campus Childcare Inc., Canadian Centre for Fisheries Innovation, C-CORE, Genesis Group Inc., and Memorial University Recreation Complex Inc.) in their monitoring.**

In Fall 2025, we conducted our own procedures to determine whether government entities had implemented a fraud risk management policy. We assessed 44 entities in our audit scope, including the 34 entities the Division had monitored in February 2024, plus an additional ten that we deemed to be in scope of the policy.

**We found that 10 of 44 government entities (23 per cent) had not implemented any fraud management policy:**

- Campus Childcare Inc.,
- Canadian Centre for Fisheries Innovation,
- C-CORE,
- College of the North Atlantic,
- Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador,
- Genesis Group Inc.,
- Memorial University of Newfoundland,
- Memorial University Recreation Complex Inc.,
- Municipal Assessment Agency Inc., and
- Newfoundland and Labrador Liquor Corporation.

We found that of the 10 entities without a fraud management policy, seven (70 per cent) reported that all fraud would be reported and that no fraud had occurred. However, without a fraud management policy, it is hard to say for certain that there is no fraud as there is likely no proper process for detecting and reporting it.

**We found that another 10 of 44 government entities (23 per cent) had implemented their own fraud policy:**

- Board of Commissioners of Public Utilities,
- Egg Farmers of Newfoundland and Labrador,
- Newfoundland and Labrador Arts Council,
- Newfoundland and Labrador Health Services,
- Newfoundland and Labrador Housing Corporation,
- Newfoundland and Labrador Hydro,
- Oil and Gas Corporation of Newfoundland and Labrador,
- Provincial Information and Library Resources Board,
- The Rooms Corporation of Newfoundland and Labrador, and
- WorkplaceNL.

**We assessed whether these policies were substantially aligned with government policy and found that five of 10 entities' policies (50 per cent) had misalignments.** The entities whose policies were not substantially aligned with the government's fraud policy were Egg Farmers of Newfoundland and Labrador, Newfoundland and Labrador Health Services, Newfoundland and Labrador Hydro, the Oil and Gas Corporation of Newfoundland and Labrador, and WorkplaceNL. Examples of some of the misalignments included policies lacking sufficient detail on fraud detection, no requirement to report fraud to the Comptroller General or Auditor General, and lacking detailed review and investigation procedures.

**We also found that the Professional Services and Internal Audit Division did not have an established process to ensure that specific requirements of fraud management policies were followed throughout government, including its entities.** For example, the Division did not conduct periodic checks of departments or entities to ensure appropriate fraud management practices were established nor did they require departments and entities to submit annual compliance attestations. The government's Fraud Management Policy requires departments and entities to take a zero tolerance approach to fraud, develop internal controls and provide appropriate oversight related to fraud. Officials indicated that the submission of a fraud risk self-assessment by government departments would indicate compliance to policy. However, we found fraud risk self-assessments would satisfy compliance to only certain components of government's Fraud Management Policy.

## Fraud Risk Assessments

Fraud risk assessments are a core component of the Professional Services and Internal Audit Division's fraud management program; however, **we found that government entities were excluded from this process and not required to complete periodic fraud risk self-assessments.**

**We found more than half of government entities, 24 of 44 (55 per cent), reported not completing a fraud risk self-assessment for the 2024-25 year.** They were as follows:

- Board of Commissioners of Public Utilities,
- C-CORE,
- C.A. Pippy Park Commission,
- C.A. Pippy Park Golf Course Limited,
- Campus Childcare Inc.,
- Canadian Centre for Fisheries Innovation,
- Chicken Farmers of Newfoundland and Labrador,
- College of the North Atlantic,
- Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador,
- Dairy Farmers of Newfoundland and Labrador,
- Genesis Group Inc.,
- Heritage Foundation of Newfoundland and Labrador,
- House of Assembly,
- Marble Mountain Development Corporation,
- Memorial University of Newfoundland,
- Memorial University Recreation Complex Inc.,
- Municipal Assessment Agency Inc.,
- Newfoundland and Labrador Film Development Corporation (PictureNL),
- Newfoundland and Labrador Health Services,
- Newfoundland and Labrador Industrial Development Corporation,
- Newfoundland and Labrador Liquor Corporation,
- Oil and Gas Corporation of Newfoundland and Labrador,
- Provincial Information and Library Resources Board, and
- WorkplaceNL.

We found all 17 government departments completed fraud risk self-assessments for fiscal year ending March 31, 2025. We found 48 medium and high-risk areas were identified across 11 departments. We found the Department of Justice and Public Safety had two high-risk and 14 medium-risk areas identified, the most of all departments (see Figure 3).

**Figure 3: Number of Identified Medium and High-Risks by Department For Fiscal Year 2025**

Departments	# of Medium Risk	# of High Risk	Total # of Risk
Justice and Public Safety	14	2	16
Tourism, Culture, Arts and Recreation	3	1	4
Transportation and Infrastructure	9	-	9
Education and Early Childhood Development	6	-	6
Forestry, Agriculture and Lands <sup>1</sup>	5	-	5
Executive Council <sup>2</sup>	2	-	2
Government Services <sup>3</sup>	2	-	2
Energy and Mines <sup>4</sup>	1	-	1
Health and Community Services	1	-	1
Jobs, Growth and Rural Development <sup>5</sup>	1	-	1
Social Supports and Well-Being <sup>6</sup>	1	-	1
<b>Total</b>	<b>45</b>	<b>3</b>	<b>48</b>

Source: Prepared by the Office of the Auditor General based on information provided by Professional Services and Internal Audit, unaudited.

1. Formerly the Department of Fisheries, Forestry and Agriculture
2. Executive Council includes identified risk areas from the Office of Indigenous Affairs and Reconciliation and the Office of the Chief Information Officer.
3. Formerly Digital Government and Service NL
4. Formerly the Department of Industry, Energy and Technology
5. Formerly the Department of Immigration, Population, Growth and Skills
6. Formerly the Department of Children and Seniors Social Development

We also found that identified high and medium-risks existed in various areas, such as inventory, contracts, and government vehicle usage (see Figure 4).

**Figure 4: Number of Identified Medium and High-Risk Areas  
For Fiscal Year 2025**

Risk Area	# of Medium Risk	# of High Risk	Total # of Risk
Petty Cash	2	3	5
Reporting and Monitoring	10	-	10
Inventory	7	-	7
Contracts	5	-	5
Human Resources	5	-	5
Ethical Behaviour	4	-	4
Purchasing	4	-	4
Government Vehicle Usage	3	-	3
Cheque Processing	2	-	2
Employee Travel and Expense Reimbursement	1	-	1
IT Systems	1	-	1
Tangible Capital Assets	1	-	1
<b>Total Risks by Area</b>	<b>45</b>	<b>3</b>	<b>48</b>

Source: Prepared by the Office of the Auditor General based on information provided by Professional Services and Internal Audit, unaudited.

Examples of the types of fraud that could occur within the various risk areas include theft of cash, usage of government credit cards (known as purchasing or P-cards) for personal use, private use of government vehicles and non-business-related travel claims.

**We found the Professional Services and Internal Audit Division performed only one detailed fraud risk assessment annually regardless of the number of medium and high risks identified from the fraud risk self-assessments. For example, the only detailed fraud risk assessment completed following the fiscal 2024 fraud risk self-assessment process was related to cash receipting and petty cash in provincial parks with the Department of Tourism, Culture, Arts and Recreation.** The Division also performed some ad hoc projects to respond to fraud risks.

Further, we found that while the Professional Services and Internal Audit Division informed departments of medium and high fraud risk areas within their operations, they did not require departments to respond, nor did they follow up on how those risks had been mitigated.

## Fraud Reporting and Investigations

We found that all suspected instances of fraud occurring within the Government of Newfoundland and Labrador were not reported to the Professional Services and Internal Audit Division. While processes existed that required departments to report incidents of fraud, we found a gap existed whereby not all entities reported instances of fraud directly to the Division. As a result, the Audit Committee and Auditor General were also not informed of these occurrences.

We found that confusion existed among departments and entities with regard to their responsibilities for reporting instances of fraud. For example, the Department of Education and Early Childhood Development did not require its entities to report instances of fraud to the department. We also found the Egg Farmers of Newfoundland and Labrador was unaware that they were required to report instances of fraud to anyone outside their organization. Overall, we found eight entities where instances of fraud had occurred throughout our 21-month scope period, but they had not been reported to Professional Services and Internal Audit Division, the Audit Committee or the Auditor General (see Figure 5).

**Figure 5: Number of Suspected Instances of Fraud Not Reported By Entity**

Entity Name	Number of Fraud Instances
College of the North Atlantic	3
Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador	3
Newfoundland and Labrador Hydro	3
WorkplaceNL	3
Provincial Information and Library Resources Board	2
Egg Farmers of Newfoundland Labrador	1
Newfoundland and Labrador Liquor Corporation	1
Oil and Gas Corporation of Newfoundland and Labrador	1
<b>Total</b>	<b>17</b>

Source: Prepared by the Office of the Auditor General, based on information provided by entities, unaudited.

**We found these unreported instances of fraud occurred in different areas, highlighting potential weaknesses in controls.** For example:

- Provincial Information and Library Resources Board had two separate cheque fraud instances where vendors deposited a cheque twice. The combined amount from both instances of \$1,300 was recovered from the vendor.
- Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador experienced stolen credit card information, leading to a loss of \$10,000.

**We found the Professional Services and Internal Audit Division did not have compliance processes in place to ensure that fraud investigations were done when required and in line with established methodology. They also did not review how departments and entities apply repercussions following substantiated fraud claims, providing no assurance that consequences are applied consistently or in accordance with the policy.**

Further, we found that the fraud investigation methodology has not been updated since 2021. As previously stated, it is best practice to review and update policies approximately every three years to ensure processes are current, up to date with emerging trends and in line with current legislation.

## Fraud Training and Awareness

We found weaknesses existed in the Professional Services and Internal Audit Division's fraud training program. Specifically, we found that the Division's internally developed Fraud Prevention and Detection course was not deemed mandatory for government employees. We also found that the Division did not require periodic refresher fraud training, nor had they developed specific training for high-risk areas.

We found that the Professional Services and Internal Audit Division did not have effective monitoring processes in place to ensure that the Fraud Prevention and Detection course was being completed by government employees. We found the only training monitoring mechanism that existed was for departments to self-declare employee completion statistics through the completion of their fraud risk self-assessments. As previously discussed in the fraud risk assessments section of this report, entities are not included in the fraud risk self-assessment process, and thus do not have the opportunity to self-declare training completion rates.

The Fraud Prevention and Detection course is available through the government's online training portal. However, we found that some entities did not have access to the online training portal. We found that virtually all employees from 24 of 44 entities (55 per cent) had not completed the Fraud Prevention and Detection training course. While the Professional Services and Internal Audit Division maintained they had provided information sessions to all entities within our scope period, new employees would require this type of session on a go-forward basis.

We found that few activities to raise awareness of fraud had been completed during the scope period. For example, in Fall 2025, during the course of our audit, an email from Treasury Board Secretariat was sent to some entities regarding their fraud-related responsibilities, how to report suspected fraud, the protections available under the Fraud Management Policy and the Public Interest Disclosure and Whistleblower Protection Act, and directing them to key resources. However, we found these communications were distributed only to employees of government departments and only some government entities.



## Why It Matters

Effective oversight and administration are essential to a strong fraud management program. Without a documented and consolidated fraud management program, government lacks clarity, consistency and accountability in how fraud risk is managed across the public sector. The absence of centralized oversight leaves departments and entities managing their fraud risks independently, increasing the likelihood risks go undetected and unaddressed at the government-wide level.

Fraud risks continually evolve, making it essential that policies remain current. A clear and comprehensive fraud management policy establishes government's expectations for preventing, detecting, responding to fraud, and outlines employee responsibilities. When the policy is outdated, unclear, or incomplete, fraud management can vary, creating gaps that increase the risk of fraud occurring without detection. Failure to ensure that all entities implement a fraud management policy, or participate fully in the fraud management program, creates blind spots and increases exposure in areas not subject to monitoring.

Assessing program effectiveness requires defined performance measures. Without established indicators or benchmarks, government cannot determine whether fraud management activities are achieving their intended results or whether improvements are being made over time.

Oversight of fraud management activities also depends on ensuring that departments and entities are actively identifying and addressing fraud risks. Employees must be able to recognize fraud indicators and understand their reporting obligations. When training expectations are unclear, inconsistently applied, or not monitored, awareness gaps develop, weakening government's ability to detect fraud early. For example, employees of the Department of Education and Early Childhood Development were included within the existing fraud management program, while employees of Memorial University of Newfoundland, the College of the North Atlantic, and Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador were not.

Regular fraud risk assessments, and ad hoc reviews, help identify where controls may be weak and where new risks are emerging. When assessments are infrequent, incomplete, or not followed by action, known vulnerabilities persist. Unmitigated medium and high-risk areas heighten the likelihood of fraud in identified risk categories, increasing financial and reputational exposure for government.

Clear reporting channels and consistent investigation practices are also critical to effective fraud management. When responsibilities are unclear, incidents may not be reported, and inconsistent investigative practices limit the reliability of information available to decision-makers. Weak oversight of fraud investigations and inconsistent application of consequences reduce deterrence and increase the risk that fraud is not addressed appropriately.

Strong reporting, investigation and follow-up processes reinforce accountability and protect the integrity of government operations. If government is committed to a zero tolerance culture for fraud, it must demonstrate this through consistent actions, including clearly applied consequences when fraud occurs.



## What We Recommend

1. The Treasury Board Secretariat should update the Fraud Management Policy, with consideration given to weaknesses identified in this report, and establish a review cycle to ensure it remains current, comprehensive, reflective of evolving fraud risks and fit for purpose.
2. The Treasury Board Secretariat should formalize its fraud management program in a comprehensive document that establishes roles, responsibilities and oversight mechanisms, including how compliance with the policy will be monitored and who is responsible for oversight of the program.
3. The Treasury Board Secretariat should require all government entities to implement a fraud management policy and periodically assess the alignment of each entity's fraud management policy to that of government.
4. The Treasury Board Secretariat should define and communicate clear expectations for annual participation in the fraud risk self-assessment process to all entities.
5. The Treasury Board Secretariat should ensure that the fraud risk self-assessments are completed annually by government entities.
6. The Treasury Board Secretariat should increase the number of detailed fraud risk assessments it completes annually to achieve appropriate coverage of risk areas across government.
7. The Treasury Board Secretariat should clarify and communicate fraud reporting obligations to all government entities to ensure adherence to legislation and policy.
8. The Treasury Board Secretariat should periodically monitor fraud-related investigations completed by departments and entities for compliance with the Fraud Management Policy, including consistent consequences of fraud in a zero tolerance culture.
9. The Treasury Board Secretariat should establish mandatory fraud-related training requirements for all new and existing government employees.
10. The Treasury Board Secretariat should report on fraud training completion rates across government to the Audit Committee, including information on participation and fraud-related training undertaken.

# Conclusions

We concluded that the Treasury Board Secretariat did not effectively oversee the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador. The Professional Services and Internal Audit Division did not have a documented comprehensive fraud management program. The Fraud Management Policy was outdated, incomplete, and lacked clear oversight responsibilities, resulting in inconsistent practices and some non-compliance. Key requirements, such as formal fraud risk assessments, defined training expectations, and mechanisms for monitoring adherence were missing or unclear, weakening government's overall fraud management framework.

The Professional Services and Internal Audit Division did not ensure departments and entities implemented or aligned with the policy. Many entities had no fraud management policy, and others adopted policies that were not assessed for alignment. Only one detailed fraud risk assessment was completed annually, even though significant medium and high risks existed across departments.

Fraud training was not mandatory, monitored, or consistently accessible, and no refresher or high-risk-area training existed. Reporting processes were also weak. Entities were not explicitly required to report fraud to the Professional Services and Internal Audit Division, responsibilities were unclear, and several instances of fraud were unreported.

Overall, the absence of clear policy direction, consistent training, reliable reporting, and oversight means effective fraud management is not occurring throughout government. These gaps reduce the government's ability to identify and address fraud risks and can undermine public confidence in the stewardship of public resources.

# Appendix I – About This Audit

## Why This Audit is Important

Fraud poses a significant risk to the integrity and accountability of public sector operations. The Government of Newfoundland and Labrador adopted a Fraud Risk Management Policy in 2017 to establish a consistent approach for preventing, detecting, and responding to fraud across all departments and entities, including a requirement that all instances of suspected or confirmed fraud be reported to the Office of the Auditor General. Effective oversight by the Treasury Board Secretariat is critical to ensuring compliance with this policy and protecting public resources. Given the potential financial, operational, and reputational impacts of fraud, this audit is important to determine whether the Treasury Board Secretariat is effectively overseeing the implementation of the policy throughout government and to identify opportunities for improvement.

## Objective

To determine whether Treasury Board Secretariat effectively oversees the implementation of the Fraud Management Policy throughout the Government of Newfoundland and Labrador.

## Criteria

An audit criterion was developed based upon discussions with Treasury Board Secretariat officials, review of relevant documentation, guidelines, legislation, departmental policies and procedures, and reviews of literature, including reports of other legislative auditors. The Office of the Auditor General defined the criterion regarding the objective. The Treasury Board Secretariat representatives accepted the criterion as suitable.

The Office of the Auditor General assessed whether the Treasury Board Secretariat provided appropriate oversight to the implementation of the Fraud Management Policy against the following criterion:

1. Departments and government entities are in compliance with the Fraud Management Policy.

## Scope and Approach

Our audit began in September 2025 and covered the period April 1, 2024, to December 31, 2025. It examined whether the Treasury Board Secretariat provided appropriate oversight of the implementation of the Fraud Management Policy adopted by the Government of Newfoundland and Labrador in 2017.

We conducted our audit using a risk-based approach based on our understanding of the responsibilities, systems, risk factors and activities of the Treasury Board Secretariat as they relate to the oversight and administration of fraud risk management.

Our audit procedures included discussions with officials from the Treasury Board Secretariat and surveying all departments and government entities. We reviewed relevant legislation, standards, guidelines, policies, procedures, and monitoring processes, and conducted detailed examinations, of documentation, correspondence, reports, committee meeting minutes, information notes, and briefing materials.

## Audit Standards

This independent assurance report is addressed and directed to the Secretary of the Treasury Board, Treasury Board Secretariat. It was prepared by the Office of the Auditor General of Newfoundland and Labrador. Our responsibility was to independently audit the Treasury Board Secretariat's oversight and administration of the Fraud Management Policy through our audit objectives and criteria, and to provide objective information and recommendations. The senior management of the Treasury Board Secretariat acknowledged their responsibility for the audit subject matter and the terms of the audit, including audit objective, scope, and approach.

The audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada and under the authority of the Auditor General Act, 2021.

The Office applies the Canadian Standard on Quality Management. This standard requires the Office to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

### **Management Representations**

The Secretary of the Treasury Board confirmed that senior management had provided the Office of the Auditor General with all the information they were aware of that had been requested or that could significantly affect the findings or conclusions of the compliance audit report on behalf of the Treasury Board Secretariat.

### **Date Conclusions Reached**

We obtained sufficient appropriate audit evidence on which to base our conclusions on April 9, 2026 in St. John's, Newfoundland and Labrador.

A handwritten signature in blue ink, appearing to read "D Hanrahan", with a long horizontal flourish extending to the right.

**DENISE HANRAHAN, CPA, MBA, ICD.D**  
**AUDITOR GENERAL**

# Appendix II

## Response to Recommendations

### **Recommendation 1**

The Treasury Board Secretariat should update the Fraud Management Policy, with consideration given to weaknesses identified in this report, and establish a review cycle to ensure it remains current, comprehensive, reflective of evolving fraud risks and fit for purpose.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 2**

The Treasury Board Secretariat should formalize its fraud management program in a comprehensive document that establishes roles, responsibilities and oversight mechanisms, including how compliance with the policy will be monitored and who is responsible for oversight of the program.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 3**

The Treasury Board Secretariat should require all government entities to implement a fraud management policy and periodically assess the alignment of each entity's fraud management policy to that of government.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 4**

The Treasury Board Secretariat should define and communicate clear expectations for annual participation in the fraud risk self-assessment process to all entities.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 5**

The Treasury Board Secretariat should ensure that the fraud risk self-assessments are completed annually by government entities.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 6**

The Treasury Board Secretariat should increase the number of detailed fraud risk assessments it completes annually to achieve appropriate coverage of risk areas across government.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

### **Recommendation 7**

The Treasury Board Secretariat should clarify and communicate fraud reporting obligations to all government entities to ensure adherence to legislation and policy.

#### **Response:**

The Treasury Board Secretariat accepts this recommendation.

**Recommendation 8**

The Treasury Board Secretariat should periodically monitor fraud-related investigations completed by departments and entities for compliance with the Fraud Management Policy, including consistent consequences of fraud in a zero tolerance culture.

**Response:**

The Treasury Board Secretariat accepts this recommendation.

**Recommendation 9**

The Treasury Board Secretariat should establish mandatory fraud-related training requirements for all new and existing government employees.

**Response:**

The Treasury Board Secretariat accepts this recommendation.

**Recommendation 10**

The Treasury Board Secretariat should report on fraud training completion rates across government to the Audit Committee, including information on participation and fraud-related training undertaken.

**Response:**

The Treasury Board Secretariat accepts this recommendation.

# Appendix III

## Departments and Entities Within Scope

### Departments included in our scope:

1. Education and Early Childhood Development
2. Energy and Mines
3. Environment, Conservation and Climate Change
4. Executive Council
5. Finance
6. Fisheries and Aquaculture
7. Forestry, Agriculture and Lands
8. Government Services
9. Health and Community Services
10. Jobs, Growth and Rural Development
11. Justice and Public Safety
12. Labrador Affairs
13. Municipal and Community Affairs
14. Seniors
15. Social Supports and Well-being
16. Tourism, Culture, Arts and Recreation
17. Transportation and Infrastructure

### Entities included in our scope:

1. Board of Commissioners of Public Utilities
2. C.A. Pippy Park Commission
3. C.A. Pippy Park Golf Course Limited
4. Campus Childcare Inc.
5. Canadian Centre for Fisheries Innovation
6. C-CORE
7. Celebrate NL Inc.
8. Chicken Farmers of Newfoundland and Labrador
9. College of the North Atlantic
10. Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador
11. Credit Union Deposit Guarantee Corporation
12. Dairy Farmers of Newfoundland and Labrador
13. Egg Farmers of Newfoundland and Labrador
14. Genesis Group Inc.
15. Heritage Foundation of Newfoundland and Labrador
16. House of Assembly including:
  - Commissioner for Legislative Standards
  - Office of the Chief Electoral Officer
  - Office of the Child and Youth Advocate
  - Office of the Citizens' Representative
  - Office of the Information and Privacy Commissioner
  - Office of the Seniors' Advocate
17. Innovation and Business Investment Corporation
18. Livestock Owners Compensation Board
19. Marble Mountain Development Corporation
20. Memorial University of Newfoundland
21. Memorial University Recreation Complex Inc.
22. Multi-Materials Stewardship Board
23. Municipal Assessment Agency Inc.
24. Newfoundland and Labrador Arts Council (Arts NL)
25. Newfoundland and Labrador Crop Insurance Agency
26. Newfoundland and Labrador Film Development Corporation (PictureNL)
27. Newfoundland and Labrador Health Services
28. Newfoundland and Labrador Housing Corporation
29. Newfoundland and Labrador Hydro
30. Newfoundland and Labrador Industrial Development Corporation
31. Newfoundland and Labrador Legal Aid Commission
32. Newfoundland and Labrador Liquor Corporation
33. Newfoundland and Labrador Sports Centre Inc
34. Newfoundland Hardwoods Limited
35. Office of High Sheriff
36. Oil and Gas Corporation of Newfoundland and Labrador
37. Provincial Advisory Council on the Status of Women Newfoundland and Labrador
38. Provincial Information and Library Resources Board
39. Public Procurement Agency
40. Public Service Commission
41. Public Trustee
42. Supreme Court
43. The Rooms Corporation of Newfoundland and Labrador
44. WorkplaceNL

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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.

## Audit Team

The Auditor General and Deputy Auditor General wish to thank the diligent audit team who performed their work with independence, credibility and integrity:

Lindy Stanley, CPA - Assistant Auditor General

Adam Lippa, CPA, CISA, CISM - Audit Principal

Caitlin Lockyer - Audit Senior

Tracy Pelley, CPA - Engagement Quality Reviewer

The Auditor General also would like to thank Taranjit Kaur for report editing and design.

*Independence. Credibility. Integrity.*

# Contact Us

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