



Audit of Overtime Management

Final Report

December 2025





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1. BACKGROUND

1.1 Context

Managing overtime is important for operational efficiency, financial stewardship, effective planning, and responsible management of human resources.

The Department administers overtime through two mechanisms: Direct-to-Cash, where overtime hours are compensated via cash payment processed in the Phoenix pay system; and Compensatory Overtime, where employees convert overtime hours into paid leave recorded in the PeopleSoft system. Any compensatory leave not utilized by the annual cash-out date is automatically paid out in cash. Employees must record leave and overtime correctly and follow standard work hours. Managers pre-approve overtime before it is incurred and approve overtime expenditures, set work schedules, and keep records.

1.2 Audit Objective

The objective of this audit was to provide assurance to senior management on whether adequate controls are in place and are effective for managing overtime.

1.3 Scope

The audit assessed overtime controls, processes, record-keeping, monitoring, and compliance with TBS and Employment and Social Development Canada guidelines. While the audit focused on the control framework in place at the time of the audit in fiscal year 2024 to 2025, it also included data from 2023 to 2024 and 2024 to 2025. Both paid overtime (cash) and compensatory time off were reviewed.

1.4 Methodology

The audit team:

- Reviewed and analyzed documents;
- Analyzed data; and,
- Conducted interviews with management and staff from the Human Resources Services Branch (HRSB), the Chief Financial Officer Branch (CFOB), and other groups.

The audit team interviewed a sample of managers who approved the most overtime to understand practices.



2. AUDIT FINDINGS

2.1 Gaps in Monitoring and Reporting

While senior management receives periodic reports summarizing paid overtime for their branches, they do not receive reports on compensatory overtime undertaken by their staff. This makes it challenging for senior managers to oversee the full cost and plan resources. Some managers use overtime for regular work, not just to supplement for unforeseen events or short-term situations (i.e. seasonal volume spikes). This can lead to burnout, higher costs, and unclear staffing needs.

Automated Reminders:

Employees must use compensatory leave earned by March before the end of September within the same fiscal year. If they do not, it is cashed out. Employees get a warning one month before cash-out, but their managers do not get these alerts. This late notice makes it difficult to avoid costly payouts or avoid operational impact of unplanned employee leave.

Pending Overtime Transactions:

Thousands of overtime requests remain unapproved in Phoenix, some dating back years. Lack of reminders for managers can result in delays.

Recommendations

1. The Assistant Deputy Minister (ADM) of Human Resources Services Branch, in collaboration with the Chief Financial Officer, should issue periodic monitoring reports to senior management (DG and above) outlining both compensatory and direct-to-cash overtime accrued by employees as well as identifying anomalies, for improved oversight and accountability.
2. The ADM of HRSB should implement earlier automated notifications to both employees and fund centre managers for compensatory leave balances approaching the cash-out threshold.

Management Response

1. HRSB agrees with this recommendation to periodically provide reports to senior management for both compensatory and direct-to-cash overtime accrued and identify anomalies.
2. HRSB agrees with the recommendation.

2.2 Insufficient Controls for Overtime Submission

REDACTED



2.3 Inconsistent Pre-Approval and Planning Practices

Managers use varying methods for pre-approving overtime, often verbal or informal. Given that the system configuration does not allow for Section 32 pre-approval, there is no consistent method for the fund centre managers to certify Section 32 of the Financial Administration Act to pre-approve overtime. Few managers formally document overtime plans or usage to periodically justify or analyze the need for significant overtime. Without proper planning, the Department cannot fully assess overtime's cost-effectiveness or determine staffing needs.



3. CONCLUSION

While the Department has processes to authorize and track overtime, but improvements are needed in the following areas:

- better monitoring and reporting for full visibility of overtime costs; and,
- stronger oversight controls to address errors and fraud risks.

Implementing the recommendations can result in improved financial management, planning, and employee well-being.

4. STATEMENT OF CONFORMANCE

This internal audit engagement was conducted in conformance with the Institute of Internal Auditors' Global Internal Audit Standards and the Treasury Board Secretariat's Policy and Directive on Internal Audit and is supported by the results of our Quality Assurance and Improvement Program.



APPENDIX A AUDIT CRITERIA ASSESSMENT

Audit Criteria

Rating

It is expected that adequate controls are in place for management of overtime in accordance with relevant policies, directives, and collective agreements

Controlled, but should be strengthened; medium-risk exposure

It is expected that overtime is monitored by managers to enable informed decisions

Controlled, but should be strengthened; medium-risk exposure

