



**2026** REPORT OF THE AUDITOR GENERAL OF CANADA  
TO THE PARLIAMENT OF CANADA

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# Modernizing the Pay System



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

**INDEPENDENT  
AUDITOR'S REPORT**

## **Performance audit reports**

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada (OAG) under the authority of the Auditor General Act.

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- gather the evidence necessary to assess performance against the criteria
- report both positive and negative findings
- conclude against the established audit objectives
- make recommendations for improvement when there are significant differences between criteria and assessed performance

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# At a Glance



## Overall message

In 2016, the Government of Canada changed how it processed pay for public servants by introducing the Phoenix pay system, centralizing pay services for most federal employees. However, once the change happened, employees began experiencing significant pay issues, including delays in pay as well as being underpaid, overpaid, or not paid at all. The federal government is now working to replace Phoenix with a new system, Dayforce, in a project led by the Treasury Board of Canada Secretariat and Public Services and Procurement Canada.

The secretariat and the department were still in the planning phase of the Human Resources and Pay Transformation Project at the end of the audit and are not expected to complete that phase until June 2027. Overall, we found that the Treasury Board of Canada Secretariat and Public Services and Procurement Canada were managing the project so they can ensure that federal public servants' pay transactions will be accurate and on time and that the project will provide value for money once implemented. The secretariat and the department have time to adjust course as the project evolves to address emerging risks.

Following the implementation of the Phoenix pay system, the federal government identified lessons learned. Key among those lessons was that pay rules and processes should be simplified and standardized before launching a new system to avoid costly and complex system customizations. We found, however, that the Treasury Board of Canada Secretariat made slow progress in simplifying pay rules. Consequently, Public Services and Procurement Canada was proceeding with customizations to Dayforce to avoid delays in transitioning to the new system.

Public Services and Procurement Canada had made limited progress in eliminating the substantial backlog of pay transactions. As at September 30, 2025, the total backlog for departments and agencies serviced by the Public Service Pay Centre stood at over 233,000 pay transactions, impacting over 133,000 employees. This is very important because if the backlog is not cleared before the transition to Dayforce, there is a risk that existing errors will carry over and undermine the effectiveness of the new system.

In January 2026, after the end of the audit period, Public Services and Procurement Canada shortened the schedule to move departments and agencies to Dayforce by about 3 years. This was done, in part, to mitigate the complexities and costs of operating 2 pay systems at the same time for several years. It will be important for Public Services and Procurement Canada to identify early on, monitor regularly, and mitigate the risks that a shortened schedule could create so as to avoid pay issues similar to the ones experienced from the deployment of Phoenix.

## Key facts and findings



- In 2024–25, the federal pay system processed \$38 billion in pay for over 430,000 current and former public servants.
- Vendor support for the Phoenix pay system could end as early as 2036. Public Services and Procurement Canada planned to replace Phoenix with Dayforce by 2034. After our period under audit, Public Services and Procurement Canada shortened the project schedule by 3 years.
- Public Services and Procurement Canada’s preliminary estimate for the new human resources and pay system—Dayforce—will cost more than \$4.2 billion. This estimate did not include important costs needed for all departments and agencies to transition.
- Public Services and Procurement Canada is still determining how it will measure the cost savings the new human resources and pay system is supposed to achieve.
- The Treasury Board of Canada Secretariat did not yet reach a consensus with unions on simplified pay rules for Dayforce; as a result, Public Services and Procurement Canada was developing cloud extensions to ensure that the system can process government pay rules that may remain in effect without being simplified. These cloud extensions are estimated to cost at least \$4 million each year.

See **Recommendations and Responses** at the end of this report.

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# Introduction

## Background

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Modernizing the federal human resources and pay system

1. In 2016, the Government of Canada replaced its 40-year-old pay system with a new pay system called Phoenix and centralized pay services in the Public Service Pay Centre for 46 departments and agencies that had previously processed pay for their own employees. The centralization of pay processing involved eliminating about 1,200 positions in departments and agencies for pay advisors—specialists who process pay, advise employees, and correct errors—which were replaced by 550 positions, including 460 pay advisors, at the Public Service Pay Centre in Miramichi, New Brunswick. Immediately following these changes, employees began experiencing significant pay issues, including delays in pay as well as being underpaid, overpaid, or not paid at all.
2. Vendor support for the Phoenix pay system could end as early as 2036, and during the period under audit, work was underway to replace it by 2034 as part of the Human Resources and Pay Transformation Project. In addition to Phoenix, the project is expected to replace 30 separate human resources management systems used by departments and agencies. The transition to the new integrated human resources and pay system, called Dayforce, is being led by the Treasury Board of Canada Secretariat and Public Services and Procurement Canada. Public Services and Procurement Canada estimates the cost to replace Phoenix with Dayforce will be over \$4.2 billion.
3. The Treasury Board of Canada Secretariat and Public Services and Procurement Canada expect that Dayforce will improve the accuracy and timeliness of pay for federal public servants and lead to lower costs for processing pay. Public Services and Procurement Canada plans to transition groups of departments and agencies from the Phoenix pay system to Dayforce in several waves based on each department's or agency's readiness to onboard—100 departments and agencies in total. The current plan is for the first group to onboard in 2027. The first group is expected to be made up of 3 departments: the Canadian Nuclear Safety Commission, Shared Services Canada, and Public Services and Procurement Canada.

4. Public Services and Procurement Canada plans to operate both pay systems concurrently until all departments and agencies are using Dayforce. The Human Resources and Pay Transformation Project was in planning phase throughout the audit. This phase is scheduled to last until June 2027, when the implementation phase is expected to begin.

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## Roles and responsibilities

5. **Treasury Board of Canada Secretariat.** The secretariat is the Government of Canada lead on information management and information technology, and digital transformation. It is also the lead on human resources for the core public administration, responsible for setting policy, defining intended business outcomes for human resources and pay, and providing leadership on human resources tools and systems. As the business owner of the Human Resources and Pay Transformation Project, the secretariat's responsibilities include defining business requirements, ensuring the project meets the business requirements, and providing oversight of the project through senior governance committees, which it co-chairs with Public Services and Procurement Canada. As the employer for over 80 departments and agencies in the core public service of the Government of Canada, the secretariat manages compensation and labour relations for the public service and leads collective bargaining negotiations with public sector unions, including negotiations relating to the simplification of pay rules.

6. **Public Services and Procurement Canada.** The department is responsible for administering pay for the federal public service. This includes ongoing operations and delivery of pay, benefits, pension, and human resources systems and workforce data. As part of pay operations, the department is responsible for managing and reporting on the backlog of pay transactions. As the project sponsor and project owner for the Human Resources and Pay Transformation Project, the department is responsible for delivering on the project, which includes developing and implementing the new pay system and standardizing pay processes.

## Focus of the audit

7. This audit focused on whether the Treasury Board of Canada Secretariat and Public Services and Procurement Canada were managing the Human Resources and Pay Transformation Project so they can ensure that federal public servants' pay transactions will be accurate and on time and that the project will provide value for money once implemented.

8. This audit is important because in 2024–25, the Phoenix pay system provided about \$38 billion in pay for more than 430,000 current and former federal public servants. Accurate and timely pay depends on having a reliable and cost-effective integrated human resources and pay system for departments and agencies and ensuring that the government addresses lessons learned from the Phoenix pay system implementation. This audit is also important because it looked at the early stages of the project, which gives the Treasury Board of Canada Secretariat and Public Services and Procurement Canada an opportunity to adjust course accordingly as the project evolves.

9. More details about the audit objective, scope, approach, and criteria are in [About the Audit](#) at the end of this report.

## Findings and Recommendations

### Progress to simplify and standardize pay rules and processes was limited

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#### Why this finding matters

10. Paying employees accurately and on time is important. The government has many unique and complex pay rules and supporting human resources and pay processes. Although Phoenix was customized to automatically process government pay rules, manual workarounds were still required to process certain types of pay, which contributed to delays in pay processing and errors in pay. The simplification and standardization of pay rules and processes are important to ensuring the pay problems resulting from the Phoenix implementation are not repeated.

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## Context

11. After the deployment of Phoenix, the Treasury Board of Canada Secretariat hired Goss Gilroy Inc. to study the management and implementation of Phoenix. One of the key lessons learned from the study was that the government should have simplified and standardized pay rules and processes before implementation. This would have helped to avoid costly and complex system customizations and the need for a high level of manual interventions in pay processing that contributed to pay errors and the accumulation of a backlog of outstanding pay transactions.

## The secretariat made slow progress in simplifying pay rules

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## Findings

12. The government has known following the implementation of Phoenix in 2016 that pay rules should be simplified before changing the pay system. We found that the Treasury Board of Canada Secretariat had made slow progress in simplifying pay rules. The secretariat successfully negotiated with public sector unions in 2018 to implement simplifications to help process retroactive pay, which was a significant issue after Phoenix was implemented. Retroactive pay occurs when negotiated rates of pay have an effective date prior to the signing date of the collective agreement. In 2022, the secretariat and a majority of unions implemented a memorandum of understanding, committing to collaborating on pay simplification solutions and possible amendments to collective agreements outside of the formal collective bargaining cycle.

13. Also in 2022, the secretariat identified additional areas for pay simplification with the help of Shared Services Canada through that department's testing to determine the viability of Dayforce as a potential new pay system. These areas included:

- how employees are compensated when temporarily taking on higher-level positions (referred to as acting)
- the process for paying out unused leave, such as when an employee leaves the public service
- updating rates of pay when employees are promoted
- the elimination of a 10-day eligibility criteria for some types of allowances

14. We found that the secretariat presented a proposal to unions on one of these areas, namely the eligibility criteria for some types of allowances, but by the end of the audit period (September 30, 2025), it had not reached consensus with unions on further pay simplifications.

15. We also found that Public Services and Procurement Canada was customizing Dayforce to work without simplified pay rules. Officials told us this was done so that the slow progress in simplification would not hinder the implementation of the new pay system. Public Services and Procurement Canada requested that Dayforce develop 3 custom applications, called “cloud extensions,” to ensure that the system could process government pay rules that may remain in effect without being simplified. We found that these cloud extensions would come at an estimated cost of almost \$4 million annually to the Government of Canada.

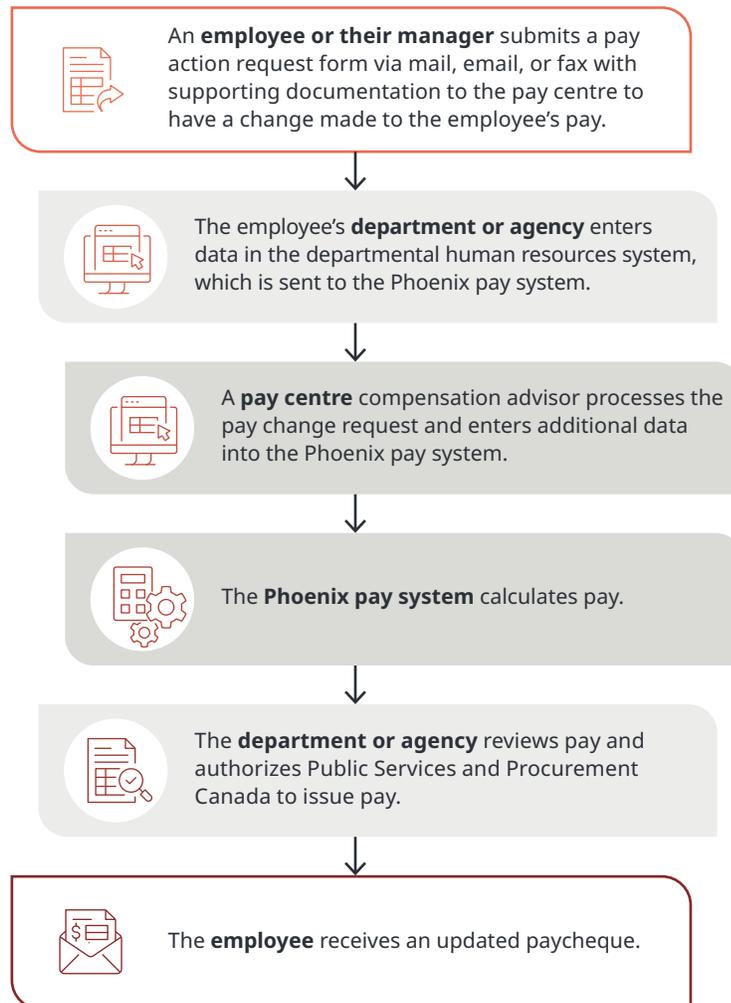
## **Public Services and Procurement Canada had begun to standardize human resources and pay processes**

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### Context

16. All departments and agencies, including Public Services and Procurement Canada and the Treasury Board of Canada Secretariat, have a shared accountability for paying employees in a timely and accurate manner. They must all comply with the terms and conditions of employment of federal employees, including standards on paying employees accurately within a specific time frame. There are 49 departments and agencies serviced by the Public Service Pay Centre. [Exhibit 1](#) illustrates the roles and responsibilities for processing a typical pay transaction of an employee in a department or an agency serviced by the pay centre.

**Exhibit 1**—How a change in pay is processed for an employee in a department or an agency serviced by the Public Service Pay Centre



 [Read the Exhibit 1 text description](#)

Findings

17. We found that Public Services and Procurement Canada had begun to standardize human resources and pay processes to prepare departments and agencies for the transition to Dayforce:

- **Standardizing human resources and pay business processes.**

We found that Public Services and Procurement Canada identified 250 human resources and pay business processes that must be standardized to align with Dayforce capabilities. Examples include standardizing how transfers in and out of departments and agencies and parental leave are processed, and moving to a standardized set of templates for issuing letters of offer instead of every department or agency having

its own unique set of templates. As at September 5, 2025, the department had standardized the design for 191 of these processes. Implementation of the standardized processes will begin when departments and agencies onboard to Dayforce. The standard processes will be required for departments and agencies to use Dayforce.

- **Implementing best practices for pay.** We found that Public Services and Procurement Canada developed 7 measures known as the Unified Actions for Pay and implemented them across departments and agencies from July 2024 through November 2025. The measures were developed to improve accuracy and timeliness of pay for employees by increasing the reliability and consistency of human resources and pay data submitted by departments and agencies (see [Exhibit 1](#)). An example of these measures was the implementation of automated email notifications to managers for pending approvals, such as overtime or leave without pay.

## Public Services and Procurement Canada made limited progress in eliminating the backlog of pay transactions

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### Why this finding matters

18. The backlog of pay transactions includes all transactions that were not processed within service standards (see [paragraphs 26 and 27](#)) for the 49 departments and agencies that are now serviced by the Public Service Pay Centre. This means that they were not processed in time to take effect in the relevant pay period and must still be processed. The backlog needs to be eliminated as soon as possible to:

- minimize the impact on employees and pay them accurately and on time
- prevent the transfer to Dayforce of unprocessed pay transactions that may perpetuate existing errors and require more time and additional effort to resolve, impacting the intended effectiveness of the new pay system

## Public Services and Procurement Canada missed targets for eliminating the backlog and was evolving its approach

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### Findings

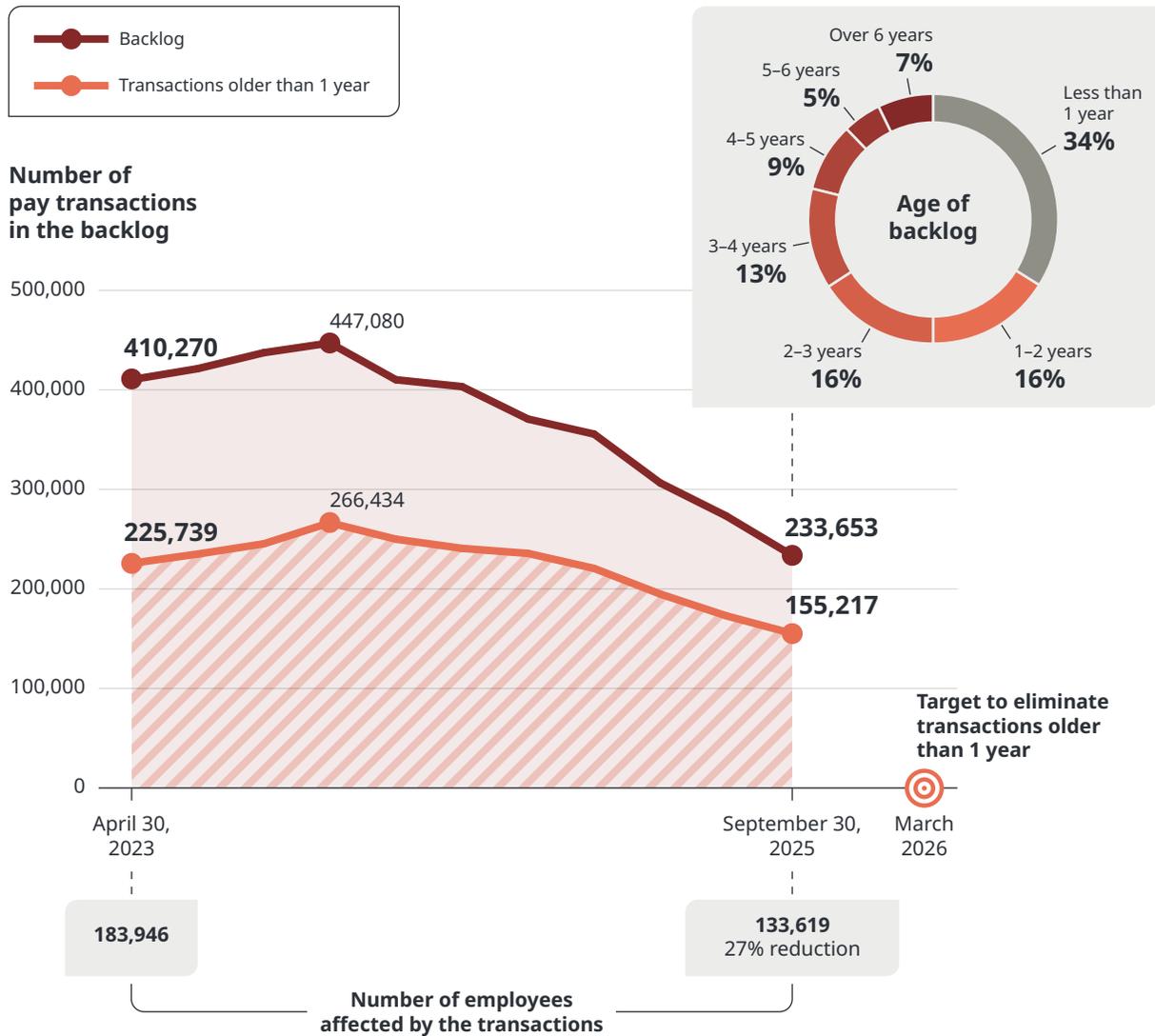
19. We found that in early 2023, Public Services and Procurement Canada set a target to eliminate all pay transactions that were 1 year or older, by March 2026. Since then, the department's internal reports through September 2025 indicated it would not meet the target. We analyzed the transactions in the department's Case Management Tool and found that 66% of transactions in the backlog were more than a year old as at September 30, 2025 ([Exhibit 2](#)).

20. In 2024–25, Public Services and Procurement Canada changed its approach from eliminating transactions older than 1 year to balancing 3 priorities:

- eliminating the backlog for departments and agencies preparing to onboard to Dayforce in the first wave
- processing all new transactions within service standards (see [paragraphs 26 and 27](#)) so that they do not become part of the backlog
- gradually eliminating the backlog for all other departments and agencies starting with the oldest transactions that have the most financial impact

21. We found that in April 2025, Public Services and Procurement Canada set a target to specifically eliminate Shared Services Canada's backlog as well as its own backlog in preparation for onboarding to Dayforce as part of the first wave. By September 30, 2025, Public Services and Procurement Canada had reduced Shared Services Canada's backlog by more than 60% and its own backlog by close to 45% ([Exhibit 3](#)).

**Exhibit 2—Public Services and Procurement Canada made limited progress in reducing the backlog of pay transactions**



Source: Office of the Auditor General of Canada analysis of data from Public Services and Procurement Canada's Case Management Tool

 [Read the Exhibit 2 text description](#)

**Exhibit 3**—Public Services and Procurement Canada prioritized eliminating the backlog for departments and agencies moving to Dayforce in the first wave

Date	Shared Services Canada backlog	Public Services and Procurement Canada backlog	Backlog of all other departments and agencies
April 1, 2025	4,502	24,176	277,843
September 30, 2025	1,745	13,464	218,444
Decreased transactions	2,757	10,712	59,399
Decreased percentage	61%	44%	21%

Notes:

- The target date to eliminate the backlog for Shared Services Canada and Public Services and Procurement Canada is April 1, 2027.
- We did not include the Canadian Nuclear Safety Commission pay transactions in this analysis because they are not processed by compensation advisors at Public Services and Procurement Canada and are not part of the public service pay backlog.

Source: Office of the Auditor General of Canada analysis of data from Public Services and Procurement Canada's Case Management Tool

22. After Public Services and Procurement Canada eliminates the backlog for departments and agencies onboarding to Dayforce in the first wave, it will be important that these departments and agencies remain backlog-free up to, during, and after onboarding to Dayforce. This would help to ensure a successful transition and allow Public Services and Procurement Canada to focus its limited resources on gradually reducing the remaining backlog for the rest of the departments and agencies and on preparing them to onboard.

23. The approach taken by Public Services and Procurement Canada to prioritize backlog elimination for departments and agencies preparing to onboard to Dayforce in the first wave was done to focus its limited resources. We found that Public Services and Procurement Canada did not fully assess the potential adverse effects of this approach to eliminating the overall backlog, which could see an increase in the backlog and the age of transactions for departments and agencies that are onboarding to Dayforce in later waves. Public Services and Procurement Canada proceeded with the assumption that departments and agencies moving to Dayforce in later waves would continue to see some backlog reduction in the meantime.

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## Recommendation

24. Public Services and Procurement Canada should:
- assess and mitigate potential adverse effects of its approach to eliminating the backlog, including on departments and agencies onboarding to Dayforce later in the project, and promptly inform the departments and agencies
  - include as part of this assessment ongoing and potential future events that may impact the number of new pay transactions, such as a reduction in the workforce of the public service

**The department's response.** Agreed.

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Service standards for processing pay did not account for the entire duration of processing

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### Context

25. Ensuring that employees are paid accurately and on time is a shared responsibility between departments and agencies and Public Services and Procurement Canada ([Exhibit 1](#)). Inaccurate or missing information may delay processing and ultimately impact an employee's pay. Service standards exist to support timely and accurate pay for employees and help prevent pay transactions from ending up in the backlog. Human resources and pay transactions that are not entered into Phoenix in a timely manner can lead to overpayment or underpayment. Late processing also increases the complexity of a transaction and the time and effort required to process it accurately. To process transactions within service standards, compensation advisors need to have complete and accurate information from the departments and agencies.

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### Findings

26. We found gaps in how the Treasury Board of Canada Secretariat and Public Services and Procurement Canada measured and reported on service standards that were intended to support the timely and accurate processing of pay transactions. These gaps limited their ability to understand whether all information needed to process pay transactions was submitted and processed on time and their ability to make fully informed decisions in their approach to managing the backlog. We found that Public Services and Procurement Canada did not measure the total amount of time it took to process a pay transaction for the 49 departments and

agencies it services through the Public Service Pay Centre. Public Services and Procurement Canada counted only the time that its pay centre compensation advisors spent on pay transactions and excluded the time spent verifying the accuracy of their work and time spent waiting for other departments and agencies to provide or correct supporting documentation. Use of this “stop-the-clock” measurement makes the timeline for processing pay transactions appear better in reports than it is in practice, and it cannot be used to reliably predict processing times. Measuring performance this way can also obscure bottlenecks by potentially hiding key delays, and it does not reflect the total time that employees must wait to get pay issues resolved.

27. We also found that Public Services and Procurement Canada provided monthly reports to deputy heads and heads of human resources in the 49 departments and agencies on whether those departments and agencies met the timeliness standard for inputting information into the Phoenix pay system. However, Public Services and Procurement Canada did not report on whether departments and agencies submitted required human resources and pay information to the pay centre on time to ensure that pay changes could take effect in the relevant pay period. As reported in the Office of the Auditor General of Canada’s [Commentary on the 2024-2025 Financial Audits](#), 29% of employees had an error in their basic or acting pay during that fiscal year. In the transactions audited, roughly one third were because of delays in processing pay changes and roughly two thirds of the errors were because of data-entry errors.

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## Recommendation

28. The Treasury Board of Canada Secretariat, in coordination with Public Services and Procurement Canada, should address gaps in service standards that support timely and accurate pay and report government-wide results in meeting the standards to help ensure the employees’ transactions are processed in a timely and accurate way.

**The secretariat’s response.** Agreed.

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Public Services and Procurement Canada had gaps in its preliminary cost estimates

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### Why this finding matters

29. To assess whether value for money is being achieved once the new pay system is implemented, cost estimates that consider the life cycle of the Human Resources and Pay Transformation Project must be detailed, and key performance indicators must be developed, tracked, and monitored. Key performance indicators are important to help Public Services and Procurement Canada determine whether and when the cost of processing pay transactions will decrease.

## Preliminary cost estimates did not include costs for departments and agencies to transition to Dayforce

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### Findings

30. In March 2025, Public Services and Procurement Canada developed **preliminary cost estimates**<sup>1</sup> for the Human Resources and Pay Transformation Project totalling approximately \$4.2 billion. At that time, the department received \$565.9 million in funding for 2 years to configure and test Dayforce for implementation. We found that the analysis supporting these preliminary cost estimates did not include costs for departments and agencies to transition to the new system. As reported in the [2023 Auditor General's report on modernizing information technology systems](#), departments and agencies may lack adequate funding to meet their modernization needs.

31. At the end of the period under audit (September 30, 2025), Public Services and Procurement Canada was developing **detailed cost estimates**<sup>2</sup> for the Human Resources and Pay Transformation Project. These detailed cost estimates have to be finalized and delivered to the Treasury Board of Canada Secretariat by December 2026 if additional funding beyond the originally approved \$565.9 million is to be allocated to the project.

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1 **Preliminary cost estimates**—Cost estimates with a high probability of significant change over time. They are based on the availability of limited information, usually in the early stages of planning an initiative or defining its requirements. They are also referred to as rough order of magnitude cost estimates.

2 **Detailed cost estimates**—Cost estimates with a lower probability of significant change over time. They are based on well-defined requirements, often for mature initiatives in the advanced stages of development or implementation. They are also referred to as substantive cost estimates.

32. We also found that Public Services and Procurement Canada was not planning to develop key performance indicators that would measure whether the costs to process pay transactions with Dayforce would decrease as compared with the costs of processing pay transactions with Phoenix.

33. Projects of the size, scope, and complexity of the Human Resources and Pay Transformation Project have a high risk of exceeding their cost estimates, timelines, or both. There is also a risk of reducing scope or schedule to offset potential cost increases. We found that in January 2026, subsequent to our audit period, Public Services and Procurement Canada shortened the project schedule by 3 years, with a goal of moving all departments and agencies onto Dayforce by March 31, 2031, instead of 2034. Public Services and Procurement Canada officials told us that this shortened period would be reflected in the detailed cost estimates that the department was preparing. Public Services and Procurement Canada made the changes to limit the complexity and costs associated with operating 2 pay systems over a prolonged period during the transition from Phoenix to Dayforce. However, a shortened project schedule could also create risks to the successful deployment of the project. Specific risks resulting from a shortened project schedule include:

- Public Services and Procurement Canada may have less time to test and stabilize the system during deployment, which could limit the opportunity to take corrective action.
- Public Services and Procurement Canada may not have sufficient time to clear the backlog of pay transactions prior to deploying Dayforce, which could result in existing pay errors being transferred to Dayforce.
- Departments and agencies may have less time to prepare their human resources and pay data, adapt to new standardized processes, and train employees to use Dayforce, which could lead to delays in onboarding to Dayforce.

34. It will be important for Public Services and Procurement Canada to identify, monitor, and mitigate these risks to ensure that they do not materialize and create pay issues similar to the ones that occurred following the deployment of Phoenix.

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## Recommendation

35. As Public Services and Procurement Canada develops detailed cost estimates for the Human Resources and Pay Transformation Project, the department should:

- include estimates of costs to transition departments and agencies to the new system
- develop key performance indicators that would measure whether costs to process pay transactions with Dayforce would decrease as compared with Phoenix

**The department's response.** Agreed.

See [Recommendations and Responses](#) at the end of this report for detailed responses.

## Conclusion

36. We concluded that the Treasury Board of Canada Secretariat and Public Services and Procurement Canada were managing the Human Resources and Pay Transformation Project so they can ensure that federal public servants' pay transactions will be accurate and on time and the project will provide value for money once implemented.

37. The secretariat and the department were still in the planning phase of the Human Resources and Pay Transformation Project at the end of the audit and are not expected to complete that phase until June 2027. The secretariat and the department have time to adjust course as the project evolves to address emerging risks.

## About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the modernization of the federal pay system that was being conducted through the Human Resources and Pay Transformation Project. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs and to conclude on whether the Treasury Board of Canada Secretariat and Public Services and Procurement Canada complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Management 1—Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. This standard requires our office to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

### Audit objective

The objective of this audit was to examine whether the Treasury Board of Canada Secretariat and Public Services and Procurement Canada were managing the Human Resources and Pay Transformation Project so they can ensure that federal public servants' pay transactions will be accurate and on time and the project will provide value for money once implemented.

## Scope and approach

Our audit looked at how the Treasury Board of Canada Secretariat and Public Services and Procurement Canada were modernizing the human resources and pay system as part of the Human Resources and Pay Transformation Project. The audit had 3 lines of enquiry focusing on the simplification and standardization of pay rules and processes, eliminating the backlog of pay transactions, and the cost of processing pay.

Our audit included reviewing policies, plans, methodology, processes, data analysis and reports, activities status, and tracking; interviewing relevant department officials; and conducting analyses on pay transaction processing:

- We reviewed lessons learned from the implementation of the Phoenix pay system. We examined the Treasury Board of Canada Secretariat's and Public Services and Procurement Canada's plans for simplifying and standardizing pay rules and processes and related analyses and progress. We also examined draft government proposals and supporting analyses for simplifying pay rules. We consulted with 3 public sector unions for their perspectives on the simplification of pay rules and status of negotiations.
- We reviewed analyses, plans, and timelines relating to the development and implementation of the new pay system, Dayforce.
- We examined Public Services and Procurement Canada's backlog elimination strategies, plans, targets, and priorities. We reviewed the role and priorities of the Public Service Pay Centre's Hardship Response Unit. We reviewed internal reports from the Public Service Pay Centre and reports on the Public Service Pay Centre dashboard on progress eliminating the backlog. We also reviewed documentation relating to the pay centre's processing capacity and use of artificial intelligence, and we examined corrective actions taken by Public Services and Procurement Canada to eliminate the backlog.
- We obtained a copy of the Case Management Tool database that Public Services and Procurement Canada used to process pay transactions. We conducted a walk-through of the tool, reviewed standard operating procedures and Public Services and Procurement Canada's methodology for reporting results on the Public Service Pay Centre dashboard, and consulted with technical teams at Public Services and Procurement Canada. We analyzed the data in the Case Management Tool database and calculated a variety of performance indicators and metrics to analyze the department's progress in eliminating the backlog in preparation for moving departments and agencies onto Dayforce. We did not use Public Services and Procurement Canada's methodology to recalculate the results reported on the Public Service Pay Centre dashboard. We developed our own methodology, which included time and transactions that Public Services and Procurement Canada excluded from its reporting because we wanted to look at the data from the perspective of employees who are impacted by the pay system. We assessed the reliability of data in the Case Management Tool database related to the performance indicators and metrics we calculated for the audit and found the data to be sufficiently reliable for our purposes.

- We examined Public Services and Procurement Canada’s cost estimates to assess the design of its costing methodology, including whether the department had followed the Treasury Board of Canada Secretariat’s Guide to Costing and assessed the life cycle costs of implementing the new system. We reviewed how Public Services and Procurement Canada calculated costs for processing pay. We reviewed pay processes, pilots, key performance indicators, and planned changes to the pay system.
- We inquired how Public Services and Procurement Canada and the Treasury Board of Canada Secretariat were considering equity, diversity, and inclusion in their approaches to simplifying and standardizing pay rules and processes and in their approaches to eliminating the backlog.

We did not:

- validate the data reported on the Public Service Pay Centre dashboard, available on the Government of Canada website
- examine procurement processes
- examine the testing or development of the human resources and pay system

## Criteria

We used the following criteria to conclude against our audit objective:

Criteria	Sources
<p>The Treasury Board of Canada Secretariat and Public Services and Procurement Canada are simplifying and standardizing pay rules and processes to decrease complexity and increase accuracy and timeliness of pay.</p> <p>Public Services and Procurement Canada is resolving the backlog of pay transactions to increase the accuracy and timeliness of pay.</p> <p>Public Services and Procurement Canada is managing the Human Resources and Pay Transformation Project to deliver value for money.</p>	<ul style="list-style-type: none"> <li>• Department of Public Works and Government Services Act</li> <li>• Financial Administration Act</li> <li>• Policy on People Management, Treasury Board</li> <li>• Directive on Stewardship of Human Resources Management Systems, Treasury Board</li> <li>• Mandate letters</li> <li>• Departmental plans and results</li> <li>• COBIT 2019 Framework (Governance and Management Objectives), ISACA</li> <li>• Policy on Financial Management, Treasury Board</li> <li>• Guide to Costing, Treasury Board of Canada Secretariat</li> </ul>

## **Period covered by the audit**

For our examination of the simplification and standardization of pay rules and processes, the audit covered the period from January 1, 2017, to September 30, 2025.

For our examination of the backlog, the audit focused on the period from November 15, 2023, to September 30, 2025. However, the data analysis of the backlog included data earlier than November 15, 2023, to fully analyze historical data and trends.

For our examination of costs, the audit covered the period from November 15, 2023, to September 30, 2025.

These are the periods to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start dates of these periods.

## **Date of the report**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on March 13, 2026, in Ottawa, Canada.

## **Audit team**

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Jean Goulet, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

# Recommendations and Responses

Responses appear as they were received by the Office of the Auditor General of Canada.

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p><b>24.</b> Public Services and Procurement Canada should:</p> <ul style="list-style-type: none"> <li>• assess and mitigate potential adverse effects of its approach to eliminating the backlog, including on departments and agencies onboarding to Dayforce later in the project, and promptly inform the departments and agencies</li> <li>• include as part of this assessment ongoing and potential future events that may impact the number of new pay transactions, such as a reduction in the workforce of the public service</li> </ul>	<p><b>The department’s response.</b> Agreed. Prioritizing any segment of the inventory over another must be informed by a comprehensive understanding of the impacts across departments and agencies.</p> <p>Public Services and Procurement Canada will:</p> <ul style="list-style-type: none"> <li>• Assess the impacts of its approach on departments and agencies that will onboard to Dayforce later in the project and integrate findings into future backlog reduction strategies;</li> <li>• Use evidence-based forecasting, to assess backlog reduction timelines and targets in light of future events that may impact the number of new pay transactions. This will help ensure legacy issues are addressed and not carried into Dayforce.</li> </ul> <p>Current Pay Centre inventory figures are available at Public Service Pay Centre dashboard - Canada.ca.</p>

Recommendation	Response
<p><b>28.</b> The Treasury Board of Canada Secretariat, in coordination with Public Services and Procurement Canada, should address gaps in service standards that support timely and accurate pay and report government-wide results in meeting the standards to help ensure the employees' transactions are processed in a timely and accurate way.</p>	<p><b>The secretariat's response.</b> Agreed. The Treasury Board of Canada Secretariat's Office of the Chief Human Resources Officer (TBS-OCHRO) has launched a review of the existing timeliness standards to ensure the standards and underlying methodologies remain relevant in today's evolving operational environment. To support this work, a Human Resources and Pay Subject Matter Expert (SME) Working Group was re-established on November 26, 2025, with 22 participating organizations representing a balanced mix of Core Public Administration (CPA) and non-CPA organizations, separate employers, different pay service delivery models, and HR system clusters. A phased approach is being taken where various core elements will be reviewed including the alignment of standards for all departments using the federal pay system to input accurate and timely data into Phoenix/Dayforce, as well the reporting against these standards.</p>
<p><b>35.</b> As Public Services and Procurement Canada develops detailed cost estimates for the Human Resources and Pay Transformation Project, the department should:</p> <ul style="list-style-type: none"> <li>• include estimates of costs to transition departments and agencies to the new system</li> <li>• develop key performance indicators that would measure whether costs to process pay transactions with Dayforce would decrease as compared with Phoenix</li> </ul>	<p><b>The department's response.</b> Agreed. Public Services and Procurement Canada (PSPC) will include, in their detailed cost estimates for the project, cost estimates for the centralized surge capacity, targeted hyper-care, and concierge support services that PSPC will provide to departments in order to ensure consistent readiness in their transition to the new system.</p> <p>PSPC will develop key performance indicators, and the supporting methodological approach, that best supports conducting a cost analysis exercise to establish the closest approximation of transactional costs for processing pay between the two systems. Combined with our cost analysis for operating and maintenance, PSPC will be able to demonstrate whether costs to process pay transaction with Dayforce will decrease as compared to Phoenix.</p>

## Appendix—Text Descriptions of Exhibits

Here are the text descriptions of the exhibits.

### Exhibit 1—How a change in pay is processed for an employee in a department or an agency serviced by the Public Service Pay Centre—Text description

This flow chart shows how a pay transaction is processed for an employee in a department or an agency that is serviced by the Public Service Pay Centre:

- An employee or their manager submits a pay action request form via mail, email, or fax with supporting documentation to the pay centre to have a change made to the employee's pay.
- The employee's department or agency enters data in the departmental human resources system, which is sent to the Phoenix pay system.
- A pay centre compensation advisor processes the pay change request and enters additional data into the Phoenix pay system.
- The Phoenix pay system calculates pay.
- The department or agency reviews pay and authorizes Public Services and Procurement Canada to issue pay.
- The employee receives an updated paycheque.



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### Exhibit 2—Public Services and Procurement Canada made limited progress in reducing the backlog of pay transactions—Text description

This line graph identifies the number of pay transactions in the backlog and those older than 1 year as at April 30, 2023, and September 30, 2025. It also shows that during this period, the number of transactions in the backlog and those older than 1 year each reached a peak at the same time and then decreased.

On April 30, 2023, there were 410,270 pay transactions in the backlog, of which 225,739 were older than 1 year. There were also 183,946 employees affected by the transactions.

During the period, the number of pay transactions in the backlog peaked at 447,080 and the number of transactions older than 1 year peaked at 266,434.

On September 30, 2025, there were 233,653 transactions in the backlog, of which 155,217 were older than 1 year. There were also 133,619 employees affected by the transactions, which represented a 27% reduction of employees affected compared with April 30, 2023.

The exhibit also shows a donut graph indicating the age of the backlog on September 30, 2025, as follows:

- 34% of the transactions were less than a year old
- 16% of the transactions were 1 to 2 years old
- 16% of the transactions were 2 to 3 years old
- 13% of the transactions were 3 to 4 years old

- 9% of the transactions were 4 to 5 years old
- 5% of the transactions were 5 to 6 years old
- 7% of the transactions were over 6 years old

The target to eliminate transactions older than 1 year was March 2026.

Source: OAG analysis of data from Public Services and Procurement Canada's Case Management Tool



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