

# Pay Equity Blitz Audits Are Coming For Federally-Regulated Employers



Over the past few years, federal employers with 10 or more employees have been engaged in the important but time-consuming process of developing their initial pay equity plan as required by the new *Pay Equity Act* (the “Act”).<sup>1</sup> Many employers – particularly non-unionized employers – were able to finalize and post their initial pay equity plans by the September 3, 2024 deadline. Others have applied for and been granted extensions by the Office of the Pay Equity Commissioner (the “Commission”) (see our [bulletin](#) for more information on the extension process).

With the initial deadlines behind them for most employers, the Commission recently advised that it will launch a “blitz audit,” to verify compliance with the Act.

In this update, we review the information provided by the Commission concerning its intention to conduct blitz audits and what employers can do to prepare.

## **An Introduction to Pay Equity Audits**

A pay equity audit, distilled to its most basic, starts and ends with one simple question: what have you done to comply with your pay equity obligations? According to the Act, the Commission can conduct two different types of audits to confirm compliance with the Act: internal audits and compliance audits. Both types of audits are described below.

1. Internal Audits: The Commission can order that an employer conduct an “internal audit” and provide the Commissioner with a report of the audit results.<sup>2</sup> Where an internal audit is ordered, it may take one of two forms. A “standard” audit is an internal audit that focuses on one employer or bargaining agent and on at least one line of enquiry. On the other hand, a “horizontal” audit is an audit that focuses on one industry or sub-industry and specific lines of enquiry. Horizontal audits examine issues across many employers in a selected industry. The Act is silent on the type of auditor (i.e. internal or external) that an employer can use to conduct an internal audit. However, the Commission advised that employers can choose who will undertake the audit, and that a third-party consultant can be selected.<sup>3</sup> The Commission has also confirmed that internal audits will be subject to monitoring mechanisms to ensure the integrity of the audit, including, for example, that the audit must be shared with the Commission for review.<sup>4</sup> If, while conducting an audit, an employer learns that it has violated the Act or Regulations referenced in the Commission’s order, it must

indicate these violations and that measures that have been taken to correct them in its report to the Commissioner.<sup>5</sup>

2. Compliance Audits: This is an audit that is led by the Commissioner regarding any employer or bargaining agent.<sup>6</sup> The purpose of a compliance audit is in the name: to ensure compliance with all provisions of the Act or its Regulations.

## **Blitz Audits: What Are They?**

A blitz audit is a type of “compliance” audit that is led by the Commission and is focused only on one or two requirements of the Act and the Regulations. According to the Commission, a blitz audit has the following objectives:

- ensure compliance with the Act and Regulations;
- ensure that employers are aware of their obligations under the Act and inform employers of what is required to comply, if not in compliance; and
- promote the Commission’s tools and publications.<sup>7</sup>

The blitz audit process is expected to include the following five general steps:<sup>8</sup>

1. Notification Letter: The Commission will notify employers who have been selected for an audit as part of the blitz audit. The notification letter will include details and timelines about the audit and the information to be provided to the Commission for review.
2. Submission of Documents: The employer will submit all requested information to the Commission for review, according to the timelines provided. The Commission has stated that it is still finalizing operational details concerning the audit process, including whether employers will be allowed to make requests for extensions during the audit process. However, it has confirmed that it intends to take a “case-by-case” approach to addressing extension requests.
3. Review and Assessment: The Commission will review all information submitted by selected employers and make an assessment regarding compliance with the Act.
4. Letter: The Commission will mail a letter to the employer with the Commission’s findings concerning the blitz audit.
5. Corrective Measures: If a blitz audit reveals non-compliance with the Act, corrective measures may be taken by the Commission. The Commission has stated that administrative monetary penalties are one tool that can be used to encourage compliance, in addition to other tools such as voluntary compliance and compliance orders.

The Commission has confirmed that the first blitz audits it will conduct will focus on the following two requirements of the Act and Regulations:

1. Did the employer establish and post a pay equity plan in accordance with the Act?
2. Were increases in compensation implemented as per the results of the pay equity plan and in compliance with the Act and its Regulations?<sup>9</sup>

The Commission has confirmed that the audit criteria includes the posting of the pay equity plan and date of posting and the posting schedule of increases in compensation and date of posting. We note that the Commission’s verification of the first requirement – i.e. the establishment of a pay equity plan in accordance with the Act – could be interpreted very broadly or more narrowly, depending on the approach taken by the Commission. For example, the Commission could simply request a copy of the plan or, it could require further information concerning all elements contained within a plan to verify whether the methodology applied conforms with the Act.

## Preparing for the First Blitz Audit

The Commission advised that the first blitz audit would begin by the end of March 2025, however, the Commission has not yet confirmed an exact date for the launch. The Commission also stated that it expects to complete the first blitz audit prior to the deadline for the first annual statement, which is due on June 30, 2025<sup>10</sup> (see our [bulletin](#) for more information on the annual statement process).

The Commission has explained that the first blitz audit will target employers that have *not* received approval for an extension to post a final pay equity plan. The Commission has explicitly stated that it does *not* intend to audit employers that were granted an extension to post their pay equity plans during the blitz audit since it expects them to focus on the work they need to perform to establish their pay equity plan.<sup>11</sup>

In order to prepare for the first blitz audits, employers should consider:

- Collecting copies of the required postings (e.g. initial notice, draft pay equity plan notice, notice of final plan and notice of increases to compensation), the initial pay equity plan itself and details of where the various postings were made, to ensure they are ready to share with the Commission if requested; and
- Compiling notes from the employer's pay equity committee and other documentation that supports the work of the initial pay equity plan, should they be required.

If any potential concerns arise during the course of a blitz audit, employers should immediately contact legal counsel to discuss and strategize potential solutions, under privilege.

## What's Next?

Following the first blitz audit, the Commission has advised that it will require employers to conduct "internal" audits. We anticipate more details on these internal audits later this year or next year.<sup>12</sup>

We will continue to monitor updates from the Commission concerning its audit process as it becomes available.

## Footnotes

1 Pay Equity Act, S.C. 2018, c. 27, s. 416.

2 Ibid at s. 120(1).

3 Office of the Pay Equity Commissioner, "An Introduction to Pay Equity Audits: Presentation to Pay Equity Stakeholders on Audits" (November 21, 2024).

4 Ibid.

5 Pay Equity Act, S.C. 2018, c. 27, s. 416, s. 120(4).

6 Ibid at s. 118(1).

7 Office of the Pay Equity Commissioner, "An Introduction to Pay Equity Audits: Presentation to Pay Equity Stakeholders on Audits" (November 21, 2024).

8 Ibid.

9 Ibid.

10 Ibid.

11 Ibid.

12 Ibid.

*The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

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