

**REPORT ON PROGRESS: SEVENTH REPORT OF THE STANDING COMMITTEE ON
PUBLIC ACCOUNTS (RESPONSE TO RECOMMENDATION 5)**

INTRODUCTION

On behalf of the Government of Canada, on June 8, 2022, the Minister of National Revenue tabled the Government's Response to the recommendations contained in the Seventh Report of the Standing Committee on Public Accounts entitled: *Report 7, Canada Emergency Wage Subsidy, of the 2021 Reports of the Auditor General of Canada*.

As requested, the Canada Revenue Agency (CRA) is pleased to provide a report on progress related to recommendation 5.

Recommendation 5: *“That, by 30 June 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining its plans to use more real-time sub-annual data, including the result of any consultations held on this topic.”*

Government Response (as tabled on June 8, 2022): *“The GC supports this recommendation. The CRA will provide a report by June 30, 2022, outlining its plans to use more real-time sub-annual data. Currently, the CRA is still in the early planning phases for initiatives that will benefit most from, and be impacted by the use of real-time/sub-annual data. For those initiatives that may not be fully conceived by the requested reporting date of June 30, 2022, the report will outline progress to-date, and the potential organizational benefits that could be derived from the inclusion of real-time sub-annual data in its planned business processes.”*

Report on Progress:

Two projects are underway to introduce the use of real-time or sub-annual data within CRA programs: the ePayroll and Quantum 2.0 projects. These two projects intend to introduce real-time aspects to select programs and workloads, which will improve services through increased accuracy, processing speed, and data sharing with government partners.

The ePayroll project is in the early stages of planning the implementation of a near real-time ePayroll solution for the Government of Canada (GC). The solution will modernize and streamline how employers provide payroll, employment, and demographic information to the GC through a “tell-us-once” approach. It aims to improve the GC’s ability to deliver services and benefits for Canadians, beginning with the CRA and Employment and Social Development Canada (ESDC).

Budget 2021 provided three years of funding to support the exploration and testing of prototype options for the implementation of an ePayroll solution for the GC. The project focus is on research, analysis, and consultation around how to implement a solution that would create a single source of near real-time payroll data to be used within the CRA and across the GC. After this three year project is completed, it is expected the CRA – along with project partners ESDC and the Treasury Board of Canada Secretariat (TBS) – will present a recommended implementation plan and fully costed business case for an ePayroll solution.

Significant consultations have been – and continue to be – held to inform and support the ePayroll project. From 2015 to 2018, ESDC leveraged key insights and best practices from jurisdictions with ePayroll systems in place (e.g., United Kingdom, Belgium, and Australia) to inform the development of an ePayroll model in the Canadian context.

Subsequent consultations revealed that countries with some form of a real-time payroll data reporting system leveraged the data in the delivery of emergency benefits during the COVID-19 pandemic. It was found that the availability of real-time payroll data simplified the design and distribution of benefits and subsidies; improved data quality, timeliness, and accuracy; and reduced over or underpayments. Additional stakeholders such as payroll experts, software vendors, and employer associations were engaged to explore the feasibility of a near real-time ePayroll solution in Canada. This engagement found such a solution is feasible and would have strong support from the business community.

In February 2022, officials from the CRA, ESDC and the TBS met with representatives from industry associations to establish a collaborative relationship in support of the ePayroll project. These were introductory meetings wherein the goals and objectives of the project were discussed, along with best practices and engagement structures that would best position the project for success. Consultations with stakeholders will remain integral to the current ePayroll project, as it unfolds, to inform a plan for the implementation of a real-time ePayroll solution for the GC that ensures that businesses of all sizes benefit from the work.

The Quantum 2.0 project, a five-year project set for close out in 2026, looks to re-engineer the way the GST/HST program at the CRA is using and managing information. Data replication software will allow the CRA to create real-time copies of data using modern infrastructure. By leveraging the real-time copies, the CRA will be able to deploy more complex risk models that identify fraudulent or unwarranted refunds, and process refund claims with lower risk in near real-time, all without impacting the continuous processing of GST/HST and Income Tax returns.

The end state, which includes implementation of machine learning, artificial intelligence, and a decision management suite, will allow business analysts to create and modify models and processes without needing to engage computer programmers to manually reprogram such changes. These efficient models and processes can be architected by expert staff using modern infrastructure and can be supplemented by abnormal pattern analysis and artificial intelligence.

Overall, this will improve the CRA's capacity to respond to emerging threats in terms of days or weeks, prevent the payment of fraudulent or unwarranted GST/HST refunds and rebates, and allow lower risk refunds to be paid faster.

While both of these projects are in the early stages, their successful implementation will facilitate the pursuit of future real-time projects within the CRA.