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# Standing Committee on Public Accounts

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Chair: Mr. John Williamson





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• (1540)

[*Translation*]

**The Chair (Mr. John Williamson (New Brunswick South-west, CPC)):** I'll now call the meeting to order.

[*English*]

I know some members are still getting settled, but those members know it takes me a few minutes to go over some of the rules and introductions.

Thank you, all, for coming in today. It's wonderful to see so many witnesses here in person.

[*Translation*]

Welcome to the 47th meeting of the House of Commons Standing Committee on Public Accounts

Pursuant to Standing Order 108(3)(g), The committee is meeting today as part of its study on Report 10, "Specific COVID-19 Benefits", of the Auditor General of Canada.

[*English*]

I'd now like to welcome our witnesses. I know there are a lot of people here today.

We have Karen Hogan, the Auditor General. It's nice to see you. We also have Mélanie Cabana, principal, and Lucie Després, director of the Auditor General's office.

From Canada Revenue Agency, we have Bob Hamilton, commissioner of revenue; Marc Lemieux, assistant commissioner, collections and verification branch; Gillian Pranke, assistant commissioner, assessment, benefit and service branch; and Adrianna McGillivray, director general, compliance programs branch.

With us from the Department of Employment and Social Development is Jean-François Tremblay, deputy minister; Tammy Bélanger, senior assistant deputy minister, benefits and integrated services branch, by video conference; Catherine Demers, associate assistant deputy minister, skills and employment branch; Mary Crescenzi, assistant deputy minister, integrity services branch, Service Canada; Cliff C. Groen, business lead, benefits delivery modernization; and Nathalie Manseau, acting chief financial officer and director general, financial management advisory services, also by video conference.

We'll hear from our witnesses.

Ms. Hogan, you have the floor for five minutes, after which we'll go to Mr. Hamilton and Monsieur Tremblay.

Ms. Hogan, it's over to you, please.

[*Translation*]

**Ms. Karen Hogan (Auditor General, Office of the Auditor General):** Mr. Chair, thank you for this additional opportunity to discuss our report on specific COVID-19 benefits, which was tabled in the House of Commons on December 6th, 2022.

I would like to acknowledge that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinaabe people. Joining me today are Mélanie Cabana and Lucie Després, who were responsible for the audit.

This audit examined six COVID-19 benefit programs intended to support individuals and employers through the pandemic. We looked at whether Employment and Social Development Canada and the Canada Revenue Agency managed these programs efficiently and effectively and whether they provided value for money outcomes. Our work also examined amounts paid to recipients and whether procedures to recover overpayments and payments made to ineligible recipients were timely.

For all the programs we audited, we found that \$4.6 billion was overpaid to ineligible individuals. We also estimated that payments of at least \$27.4 billion should be investigated further to confirm whether recipients were eligible. This includes \$11.9 billion in benefits paid to individuals.

At the committee's request, we are focusing today on benefits to support individuals. We concluded that Employment and Social Development Canada and the Canada Revenue Agency quickly delivered financial support to individuals. Programs that normally would have taken months or years to design were operational within weeks and helped those most affected by the pandemic. This included women, visible minorities, youth, and Indigenous people, as well as people who lost their jobs or otherwise suffered a marked drop in income. COVID-19 programs were effective at preventing an increase in poverty, reducing income inequalities, and helping the economy bounce back.

[English]

To issue payments quickly, Employment and Social Development Canada and the Canada Revenue Agency decided to limit prepayment controls. This meant that they would have to do more work later to verify whether payments paid were accurate and had gone to eligible individuals. This is consistent with international best practices for delivering support during an emergency.

As the pandemic continued and programs were extended and modified, the department and the agency added some prepayment controls. However, for each program some eligibility criteria still had no corresponding prepayment control.

Given limited prepayment controls, Employment and Social Development Canada and the Canada Revenue Agency made the early decision to focus on post-payment verifications. However, we found that the number of planned post-payment verifications was low and that the department and the agency did not plan to verify all the payments to recipients identified as potentially ineligible. In addition, because the department and the agency delayed post-payment verification work as the pandemic continued, they are now at risk of not completing planned post-payment verifications within legislated time frames.

Efforts to collect amounts owing had been limited at the time of our report. As of the summer of 2022, approximately \$2.3 billion of COVID benefit overpayments had been repaid.

As with the wage subsidy in support of employers, I am concerned about the limited progress in postpayment verification work for these programs. The federal government spent billions of dollars to help people in a time of crisis, and it does not know whether that money always went to eligible recipients. In the interest of being fair to all taxpayers, the government must carry out rigorous verification work. Regardless of the approach it takes, it must be clear and transparent with Canadians.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

• (1545)

**The Chair:** Thank you very much, Auditor.

I'll now turn to Mr. Hamilton, CRA commissioner.

It's over to you, sir.

**Mr. Bob Hamilton (Commissioner of Revenue, Canada Revenue Agency):** Thank you, Mr. Chair, for this opportunity to discuss the Auditor General's report entitled "Report 10: Specific COVID-19 Benefits".

You have already introduced my colleagues who are with me here at the table.

As I stated at my appearance before this committee last week, I want to thank the Auditor General and her team for their essential and diligent work. Work at the agency has already begun to respond to the Auditor General's recommendations.

The CRA fully agrees with six of the Auditor General's recommendations and partially accepts the recommendation that applies to both ESDC and CRA. This is noted in CRA's action plan, which has been submitted to this committee.

In the context of the pandemic, the CRA was tasked with administering 12 emergency programs in order to deliver critical support to Canadians who lost their jobs, couldn't go to work because they were sick or had to stay home in order to take care of a loved one or to comply with local health guidelines.

The attestation-based approach put in place by the government guided the implementation of all the COVID-19 emergency and recovery support programs administered by the CRA, ensuring that funds needed by Canadians were issued in a timely and compassionate manner.

[Translation]

Delivering benefits to Canadians was key to the government's response. The CRA's approach throughout has been to ensure that people got the help they needed when they needed it.

Relying on our robust systems and a strong experienced workforce, we were well placed to administer these programs by conducting application processing and compliance activities.

[English]

Let me be clear: We were not perfect. Each week we learned something new in this extraordinary time based on the intelligence we were gathering. These lessons learned allowed us to refine our prepayment controls and adjust the manner in which we administered the programs. Those lessons learned were shared with this committee on March 31, 2022.

A key prepayment control was added in the summer of 2020, when tax data was used to proactively block 700,000 applicants. Our controls also prevented a potential of \$5 billion in additional ineligible payments.

Postpayment verification activities, also part of our compliance strategy, are now well under way within the CRA, with hundreds of thousands of postpayment verifications planned.

[Translation]

As I noted in my appearance last week, the approach adopted by the CRA optimizes recoveries and prioritizes the stewardship of public funds and efficient use of resources. It also reduces the impact on Canadians by limiting the number of audits of eligible applicants.

• (1550)

[English]

The CRA will continue to work with ESDC to identify compliance risks and act accordingly.

As of January 19 of this year, the CRA has sent out more than 960,000 notices of redetermination to individuals, with thousands more to be sent, informing them that they have an unpaid debt on their account. These notices represent approximately \$4.2 billion.

In addition, as part of our compliance efforts, the CRA and ESDC will continue to pursue all of those cases where individuals were provided with an advance lump sum payment for EI-ERB, as well as cases where individuals received more than one type of benefit for the same period. All recovery efforts are progressing.

It is important to note that our compliance work can involve vulnerable populations, many of whom are struggling. The CRA's recovery approach continues to be flexible and rooted in empathy to respond to the situations that these Canadians face.

[Translation]

In closing, I want to once again recognize the dedicated work of CRA employees during this difficult time as they administered these programs which, in the words of the Auditor General herself, "prevented a rise in poverty" in Canada.

[English]

Additionally, our employees have done all of this while continuing to deliver upon our core tax and benefit administration programs, including the processing of individual and business returns and issuing benefits, credits and refunds to Canadians.

Thank you, Mr. Chair. I'd be pleased to answer any questions.

[Translation]

**The Chair:** Thank you very much.

Deputy Minister Tremblay, you have the floor for five minutes.

[English]

**Mr. Jean-François Tremblay (Deputy Minister, Department of Employment and Social Development):** Mr. Chair, I am happy to answer questions today on the Auditor General's report on the COVID-19 benefits. I am joined by the people you have already named very well, so I won't repeat their names.

We want to thank the Office of the Auditor General for this work and for the report.

I also want to recognize that we are gathering today on the unceded territory of the Algonquin Anishinabe nation.

[Translation]

At the start of the COVID-19 pandemic, we acted quickly to provide access to emergency income support to millions of Canadians, including the self-employed

With Parliament's support, the CERB was implemented with an attestation-based application process, rather than upfront controls. This approach allowed us to process applications and deliver the CERB as quickly as possible in April of 2020.

[English]

The front-end attestation-based application process was balanced by the back-end risk-based integration framework, focused on fraud

detection prevention measures as well as postpayment verification of claimants' eligibility.

The International Public Sector Fraud Forum has acknowledged that the attestation-based process is the best practice when providing emergency support. Right from the start, we made it clear that eligibility would be verified after the fact using tax data.

[Translation]

Overall, the Auditor General's report found the government's COVID-19 benefit programs—including the CERB—achieved their objectives in terms of helping mitigate poverty and income inequality as well as facilitating an economic rebound.

We now have a strong plan to conduct post-payment verification and we are carrying out this work methodically.

[English]

Data analytics has assessed 100% of all the CERB applications for potential ineligibility. As of January 6, 2023, ESDC has sent 55,000 fact-finding letters to potentially ineligible recipients requesting proof of eligibility. We also have issued 1.8 million overpayment notices to individuals to reconcile advance payments of emergency benefits.

This money flowed to people quickly, as you may remember, within days of applying, and then needed to be reconciled after. We have recovered \$1.68 billion from more than 1.8 million Canadians as of January 6 from those overpayments.

We have the resources to perform these integrity measures. ESDC has committed to completing 157,000 postpayment verifications over the four-year period. It would not be cost-effective nor keeping with international or industry best practices to investigate 100% of potential ineligible claims. I also want to be clear that this approach is evergreen and will be adapted as the circumstances warrant.

● (1555)

[Translation]

Many Canadians may have acted in good faith at the time they applied for and received benefits, even though they were ineligible.

Through rigorous post-payment verification activities, applicants found to be ineligible for the CERB or who made fraudulent claims will be required to repay the amount owed.

[English]

The Government of Canada is committed to working with Canadians to ensure they will not be put into financial hardship by having to repay the emergency benefits they received. This reflects our “people first” empathetic approach.

Mr. Chair, we appreciate the Auditor General's recommendations, and they will, of course, inform our work going forward.

Thank you.

**The Chair:** Thank you all very much.

I'm now going to turn to the rounds. I'm going to be fairly judicious with the time because we started a little bit late.

I'll turn first to Mr. Chambers.

Mr. Chambers, you have the floor for six minutes, please.

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you, Mr. Chair.

Mr. Hamilton, welcome back.

There was an Order Paper question about the cost associated with some of the postverification audits that have been done. What is the amount that's been spent to date? Is it about a billion dollars? Is that a number you have handy? That was what was disclosed at the end of last year, in November or December.

**Mr. Bob Hamilton:** I don't have the number handy in front of me. I recall the Order Paper question. I expect that what's in there is correct.

**Mr. Adam Chambers:** Do you have an estimate of what the department will spend on postpayment verification between now and when you plan to finish that work?

**Mr. Bob Hamilton:** I don't have that estimate in front of me, but I can get that to you. I know that we're planning to have our postpayment verifications extend out to 2025, so we would have to compute that number based on that.

**Mr. Adam Chambers:** Thank you.

Monsieur Tremblay, do you have a similar number that you could share with the committee in writing, if you don't have it at hand?

**Mr. Jean-François Tremblay:** At the moment, what I can tell you is that we did receive \$25 million in the beginning, and we received an additional \$114 million to do postpayment verification. These, I think, are the numbers we have at the moment.

**Mr. Adam Chambers:** To clarify, did I hear you correctly that ESDC is planning to review 100% of the potential ineligible payments under the CERB, or under the benefits provided by ESDC?

**Mr. Jean-François Tremblay:** We have, with Revenue Canada—and Mary can explain more—done data analyses on all cases, because we have information on those people. We have their revenue numbers, for example. We were able, through that, to find out and to attest whether people were meeting some of the criteria.

**Mr. Adam Chambers:** It's hard to keep this all straight. The Auditor General says there's a certain amount that should be investi-

gated. Are you saying that, for the amounts that relate to ESDC, you are investigating all of the amounts that the Auditor General—

**Mr. Jean-François Tremblay:** I would not call it an investigation. I will call it doing data analysis—

**Mr. Adam Chambers:** Confirmation.

**Mr. Jean-François Tremblay:** Yes, confirmation and also trying to find out, in that pool of \$3.7 billion for EI-ERB, for example, what percentage or number of them had numbers that were not necessarily aligned with the criteria. This could be for good reasons, to be honest, but it's how many of them were, potentially, people who received money they should not have received.

**Mr. Adam Chambers:** Thank you.

I will go back to the CRA briefly.

What's the total amount of the payments that have been reviewed to date? How many billions have been reviewed, wherein you'd consider we've looked at them, we've confirmed them and we're no longer concerned?

**Mr. Bob Hamilton:** I'm not sure if one of my colleagues has that figure in front of them. If not, we can definitely get it to you.

We're just talking about the individual benefits here. Is that...?

**Mr. Adam Chambers:** I would prefer both, since it's quite a substantial number. We did discuss this last week. If there is a discussion about how much we've spent so far and this is how much we've reviewed, I think that would be a reasonable return-on-investment analysis that one might consider doing.

**Mr. Bob Hamilton:** I'll turn it to Marc Lemieux, my colleague.

**Mr. Marc Lemieux (Assistant Commissioner, Collections and Verification Branch, Canada Revenue Agency):** As it was explained earlier, the agency does a business intelligence exercise on all of the cases. That's how we do our risk-based approach. We assess every Canadian who received an amount through CERB against the risk factors that we have.

As we explained for the CEWS early last week, it's the same approach. We look at all of the payments and we assess the risk for all of them. Then we choose which ones we will audit.

• (1600)

**Mr. Adam Chambers:** Here is a different question, then: What amounts are you not going to look at with your risk-based approach? How much?

Based on your risk-based approach, you're deciding what you're going to look at. Is that correct? What are you not going to look at?

**Mr. Bob Hamilton:** Mr. Chair, I can start that one, and Marc may...

As we said last week and now again today, the compliance efforts are still in the early stages. We are going to be continuing these out to 2025. It's very difficult to know what will be left at the end of the day, because our risk-based approach does get adjusted as we move along. We might see things in a particular audit that we do that points to a risk we maybe hadn't seen, so we would adjust our algorithms and our approach going forward.

The point is that, at the end of the day, there will probably be some that don't get looked at because they wouldn't be cost-effective for us to go after. It's very hard to say what that will look like now.

**Mr. Adam Chambers:** There is some kind of return-on-investment discussion happening. I'm just trying to understand. What's the level of risk that we're taking, or what's the level of nonrecoupment of potential ineligible recipients that we're trying to get?

Any kind of information that you can provide about how much you've looked at so far, how much you've recovered, what that looks like and what you're planning to do until 2025 would be very helpful for the committee.

**Mr. Bob Hamilton:** We can come back to you with more information on that. We do have figures at our disposal about how much has been repaid now and how much we've looked at.

I mentioned last week, in the context of the wage subsidy that we've done over.... Again, it's a graduated approach. We look at everything at the beginning just to see what's there, and then we do audits. We did a pilot phase. We have now done over 4,000 audits. At the moment, we have over \$15 billion that we are looking at, and that will continue for the next few years as we complete the process. We put that into—

**The Chair:** Thank you. That is the time. I'm sure we'll come back to this line of questioning.

Mr. Dong, you are up next. You have the floor for six minutes.

**Mr. Han Dong (Don Valley North, Lib.):** Thank you very much, Chair.

First of all, I want to extend my sincere thanks, through the staff of the CRA, to everyone who worked on the front line and implemented the CRA's various benefits. Thank you very much.

I remember vividly the conversation I had with a young individual who was homeless at the time. I think it was during the first two weeks of COVID's hitting us. I saw this young man. He was in the cold, and I was concerned about him. I went to buy some food to give to him. I asked him how come he was outside and not in the shelter, but the shelter had shut down. There were hundreds if not thousands of individuals like him at the time in Canada who didn't know what to do.

I remember two things, two feelings that I had in my mind. It doesn't matter if you were a politician, a bureaucrat, a person with a job or a person without a job, we were equally vulnerable to COVID risks without the protection of the vaccine at the time. We were equally important. Our health and safety is equally important, because the virus is so contagious that it could affect anybody in the country.

To you, Commissioner, can you describe the importance of getting these supports out to the public and making sure that those Canadians at risk didn't have to worry about going to work to earn that payment to feed their family at that time? How important was it to Canadians as a whole in the first, say, few months of COVID, when we didn't know enough about the virus and how to protect Canadians from it?

• (1605)

**Mr. Bob Hamilton:** I would say that it was, obviously, very important to Canadians, but that's reflected in the attestation-based approach of the government in trying to find ways to get the money to the people who needed it as quickly as possible. We were in an extraordinary situation. People were, as you said, in need of these benefits, and one of our main jobs at that moment was to get them out as efficiently as we could.

I think it's been acknowledged that we did a good job of that, despite the fact that we within the agency were—as were those at ES-DC—battling COVID ourselves amongst our workforce. It was having an impact on all of us in our lives. We basically had to have most of the staff work remotely, and that was a different situation.

While we were doing that, we still felt that it was really important to have processes in place so that we could get the money out in an efficient and timely manner. We did focus a lot on things like making sure that our web page and that our application process was as smooth as possible. We definitely had to do some verification up front, and that is noted by the Auditor General. It was probably a little lighter on verification up front than a normal program for us, but we knew we would have the opportunity to come back afterwards.

I think that was really key for us, and I would just say that it didn't end in those first few months. Even if you start talking about our compliance efforts as we recognized that maybe some people were getting money that they were ineligible for, we tried to approach that with an empathetic approach, not forgetting about those but also trying to recognize the sensitive situation people were in and to have that reflected in our compliance efforts.

**Mr. Han Dong:** It was at a time when the government decided that people's lives and safety were number one. Did the CRA have a process or system at the time that did prepayment verifications, something you could just pick up and start right away in the COVID situation? Did you have anything like that?

**Mr. Bob Hamilton:** No. We had to build it, basically. You can take bits and pieces from things we have done, but essentially, that was part of the challenge for us. In a matter of weeks, we had to get this system up—in an area that we wouldn't normally be administering in—and get the payments out.

Let's say you were increasing the GST credit or the Canada child benefit. We have a system in place, and we could use that. However, for this, it was something that we had to create. That's why I say we had very innovative approaches in terms of how we set up our website and how we set up the application process, but it all had to be stood up very quickly.

**Mr. Han Dong:** I think this is a very important point. We know that a lot of Canadians live cheque to cheque, and they need their biweekly payments to support their families. Had there been no support at all from the federal government, say, in two weeks or four weeks, I don't know how these families could have survived COVID because, obviously, a lot of businesses had to shut down or be suspended for a time.

Without such a system in place, was it even possible for the CRA to come up with a prepayment verification and at the same time deliver the support as fast as it did?

**Mr. Bob Hamilton:** Yes, it was possible because key for us at the CRA is also the integrity of the system. Yes, we need to be timely and to serve the needs of Canadians, but we have to be concerned about the integrity in the system. We did have some prepayment controls up front, and we actually changed them over time, reflecting what we were seeing out there. We had an opportunity to improve them, and we did. At one point in the year, we got tax data from the previous year. That allowed us to go and check the tax information. That was in about July, I think, of that year.

It wasn't like we had it in March 2020 and then didn't do anything with it. We evolved it and improved it somewhat. I mean, there still were gaps, and the Auditor General is absolutely right that it wasn't a perfect prepayment system, but we did—

**The Chair:** I'm sorry to cut you off, but I think you responded. I do want to move things along here. I'm sure we'll come back to that as well.

[*Translation*]

The next speaker is Ms. Sinclair-Desgagné.

You have the floor for six minutes.

**Ms. Nathalie Sinclair-Desgagné (Terrebonne, BQ):** Thank you, Mr. Chair.

I'd like to thank all the witnesses who travelled today to attend our very important meeting.

I'll begin with a crucial issue that has not been yet been discussed much here, namely fraud involving identity theft, which accounted for a significant amount of the funds claimed from the CERB. This money was misappropriated from public funds.

I'd like to hear more about this from the Auditor General of Canada.

We are aware, Ms. Hogan, that this was not the main focus of your study. However, I'd like to know what you found in terms of the scale of funds pocketed fraudulently via identity theft from the CERB.

• (1610)

**Ms. Karen Hogan:** Towards the end of our audit report, we listed a number of circumstances in which the Canada Revenue Agen-

cy and Employment and Social Development Canada exposed cases of fraud. We deemed that they had taken the measures required to deal satisfactorily with these instances of fraud. As you mentioned, our audit was not conducted with a view to finding cases of fraud. However, we identified some recipients who were probably not eligible, because they did not meet the criteria. In the samples we identified, there may be instances of fraud that will require closer review. However, there may also be mistakes made in good faith by applicants. The first step will be to identify those who were ineligible for these benefits. A decision would then have to be made and follow-up action taken to recover the money if required.

**Ms. Nathalie Sinclair-Desgagné:** Right. Thank you.

Do you feel that there should have been verifications as the program was rolled out? It began in 2020, and we are, after all, in 2023 now.

Should there not have been regular and strict checks throughout the process?

**Ms. Karen Hogan:** Yes and no. It needs to be seen in context.

At the beginning of the pandemic, the deadline for submitting personal income tax returns was extended. That meant that the Canada Revenue Agency and Employment and Social Development Canada did not have the required information. That information was not requested when benefit claims were made, because they were personal attestations. Very little 2019 information was available. We found that once the information had been received, the CRA had introduced another form of controls to verify recipient income. In our audit, we found that they stopped payments made in error but did not proceed to recover the amounts paid out.

However, these measures were not used when the 2020 tax returns were received. The system was in place, but was not applied consistently. That's when the Canada Revenue Agency ought to have done careful verifications for recovery purposes.

**Ms. Nathalie Sinclair-Desgagné:** All right.

You mentioned several times in your report that the Canada Revenue Agency was lagging behind in conducting verifications. And yet, at the last meeting, Mr. Hamilton said that it was too early in the process to do an estimate of the amount of funds paid to ineligible recipients.

What do you think accounts for these conflicting opinions?

**Ms. Karen Hogan:** It's true that we can't know exactly how much was paid to recipients or businesses that were ineligible without doing some post-payment verifications. That's why I feel that the CRA should do more checks, because it's the only way to determine whether a recipient or business was eligible.



There were several causes of the backlog. As I mentioned in my opening address, early in the pandemic, the government decided to extend the deadline for submitting personal income tax returns. This government decision was based on information in hand at the time. There is now a legislated deadline that needs to be taken into consideration. To determine whether what was involved was fraud, a deliberate error, or an error made in good faith, steps will have to be taken to establish the reasons before deciding what action has to be taken for recovery.

**Ms. Nathalie Sinclair-Desgagné:** Okay. There is one thing for which I'd like clarification.

Is the verifications backlog the result of a shortage of resources or a lack of will?

**Ms. Karen Hogan:** I can't comment on intentions. That's a matter you could ask the two deputy ministers who are here.

• (1615)

**Ms. Nathalie Sinclair-Desgagné:** You don't have an opinion on that.

**Ms. Karen Hogan:** I can see that there was a delay because they didn't have all the required information. However, I would have liked the programs and verifications to have been adjusted when the programs were in progress.

**Ms. Nathalie Sinclair-Desgagné:** I will accordingly ask Mr. Hamilton the same question.

Was the delay the result of a lack of resources or will.

**Mr. Bob Hamilton:** We made every possible effort. We determined that there was an increase in fraud because there were greater incentives to defraud. We implemented a number of fraud detection measures.

There are different types of fraud. Some are more serious than others. We froze a number of accounts in instances for which we suspected there had been fraud. We therefore had the will to do something about it.

It is nevertheless true that the number of instances of fraud increased during this period.

Perhaps Mr...

**The Chair:** I'm sorry, but once again, the speaking time is up.

[*English*]

Mr. Desjarlais, you have the floor for six minutes, please.

**Mr. Blake Desjarlais (Edmonton Griesbach, NDP):** Thank you very much, Mr. Chairman. I'd like to thank all the witnesses for being present here today.

I want to start by mentioning how concerned I am in regard to an audit like this, one that I think puts regular working class, middle-class Canadians in the crosshairs of the CRA, especially in light of our testimony from the commissioner last week in relation to my question about corporate tax avoidance.

We're facing a unique issue here where we have limited resources. We have finite resources, as much as we'd like to think about the CRA being able to do everything and all things. The reality is that it's a finite resource, and the folks who were able to ad-

minister these supports during that time did a remarkable job of getting supports to regular working-class, middle-class Canadians at a time when lots of folks were really nervous about what their tomorrow was going to look like.

I just want to back up for a second and remind folks that this was a time when our economy literally came to a standstill. We had folks who didn't know how to pay rent. We had parents who are now with their kids and couldn't go to work. We had serious interruptions in the everyday lives of Canadians. They were really scared of what they were going to do if they lost their jobs.

During that time folks may remember that this was one of the only lifelines for those who would otherwise lose their homes, lose their cars, lose so much, because they weren't getting paid. This critical support was important for thousands of Canadians. Yes, some folks made mistakes. That is a true fact. Many made mistakes, but these in many ways were the honest mistakes of folks who were scared.

With the limited resources at the CRA, we can't avoid the fact that we have billions of dollars—billions—in corporate tax avoidance. We talked just last week when the CRA commissioner was here about the numbers: \$4 billion to \$7 billion in lost revenue between 2014 to 2018 in corporate tax avoidance. That's money that should be going to schools, hospitals, roads, our public health care system—real things Canadians rely on. When we're talking about the efficacy and efficiency of our CRA system and the systems that Canadians should be trusting, these are some of the questions Canadians have.

When I go and talk to folks about what's the most important thing on the CRA's agenda, yes, the CERB payments get brought up, for sure. Some people, of course, took those payments when they weren't eligible to. Our tax laws should permit fairness in that. The Auditor General made mention of the importance of making sure there's tax fairness, but where's that fairness when it comes to some of these corporations that are gouging Canadians out of billions of dollars?

I just want to put that on the record here today. What we're really talking about is trying to recoup funding that Canadians are owed, and some of the biggest losses are by corporations that avoid paying their taxes.

I asked the CRA commissioner last week about how we can prioritize this, particularly because the CRA was already doing so much work. This was during 2014 to 2018 when there was a capacity issue of trying to get that tax avoidance going—then COVID, and now this. I'm concerned about the capacity here and how CRA will actually be able to do the work of making sure that all of these cases can be reviewed. If it becomes a question of which ones we have to prioritize, I say we go after the ones where the opportunity costs are greatest, and that's with corporations.

We talked about the opportunity costs here. I'll ask a question maybe directed to the CRA about some of those opportunity costs. My question, of course, would be to Commissioner Hamilton. You might remember, during our meeting just last week, you acknowledged that there's an opportunity cost to where the CRA applies its limited resources, and that corporate Canada is dodging billions of dollars in taxes every single year.

How do we actually square that circle? How do we focus on both recovering the pandemic benefits, while also making sure that, with these corporations that have largely benefited during this same time—when regular working class and middle-class folks were suffering—we have the kind of capacity the CRA needs to do its job in a credible way that Canadians can trust when considering both cases? There's one where we have billions of dollars in tax avoidance in this area. The opportunity costs of going after that would be great for Canadians. This is versus going after little old ladies who may be over their limit.

When the New Democrats fought for this plan, we fought to actually use the tax system to be able to do this, a much easier system in the model of our “guaranteed livable basic income” work, making sure we used the existing tax system to recoup some of those funds. Those would have been good solutions, and now we're dealing with this.

I digress in some ways.

● (1620)

Commissioner Hamilton, how has your department been monitoring, since 2018 to 2022, some of the corporate tax avoidance?

**Mr. Bob Hamilton:** Thank you, Mr. Chair. I'm not sure how much time I have.

**The Chair:** It's nothing personal. You have about 50 seconds, and a few seconds longer, if you're wrapping up, but I have been going over and I paused right there.

It's back to you, sir.

**Mr. Bob Hamilton:** That's fine.

The first thing I would say is that we can do all of that. We have received a lot of resources over the recent years to battle tax evasion internationally and in Canada, and that's a big part of our agenda. We take that fairness and integrity agenda quite seriously, and we have resources to make sure that we ensure the integrity of the COVID benefits.

The one thing that I would say is that we actually compute the tax gap each year now. We're one of the jurisdictions in the world that does that. That's transparency in terms of what we compute as being how much tax is being collected relative to what could be collected. That's one contribution.

The big thing that I wanted to put in is that this is not just a Canadian issue, this is a global issue. One of the key things we're doing is working with our partners in other countries to try to make sure we're sharing information and we're working collectively, because often these are multinationals that we need to get at. That's the place where we're making, potentially, the biggest strides, but it is a very complex area and we don't get results overnight.

I do feel like we're taking very seriously both of those agendas.

**The Chair:** Thank you.

That ends our first round. I will give witnesses a little hint. I tend to turn my microphone on, the little red light, when the time is out, and I do allow you to finish your thoughts that run over, which I'll continue to do until my colleagues tell me to stop doing that and to cut it at six or five minutes exactly. It's just a little hint, when you see my red mike go on, that means the red light's blinking.

Turning now to Mr. McCauley, you have the floor for five minutes.

**Mr. Kelly McCauley (Edmonton West, CPC):** Thanks, Mr. Chair. Welcome back, witnesses.

Mr. Hamilton, I want to get back to a theme I was asking about when you were with us the last time. Who made the decision to use a self-attestation, a very limited prepayment control, especially knowing this would lead to very large eligibility problems? Was it the decision of the department or was it a political decision?

**Mr. Bob Hamilton:** That was a decision by the government, I think, approved in Parliament.

**Mr. Kelly McCauley:** Did you advise the government that there would be a very high risk of ineligible payments?

**Mr. Bob Hamilton:** I think it was well recognized that you would increase the risk. I don't usually talk about the advice I give to the government in public, but—

**Mr. Kelly McCauley:** It was well recognized.

**Mr. Bob Hamilton:** —I think it is recognized that, if you take that kind of an approach, you are increasing risk and then you have to have a comfort with that or a plan to mitigate the risk.

**Mr. Kelly McCauley:** Could we have done it differently without an open-ended self-attestation that left such a large risk for taxpayers? I understand the whole role of it's an emergency, get it out, etc., but could we have done it differently with a bit better prepayment controls?

**Mr. Bob Hamilton:** It's hard for me to see a better way at the time, recognizing where we were. If you look at what other countries have done around the world in that same circumstance, they adopted their own variants of these kinds of programs.

Could some things have been done a bit better on our part or others'? Yes, potentially, but we were all working very hard to get this out and to get the money into the hands of people right away. I think we were cognizant of the risks and the necessity to come back and check at the end of the day, but it's hard for me—and I'm only one person—to think of what that better way might have been.

● (1625)

**Mr. Kelly McCauley:** There was a prepayment control added in September 2020 that you claim blocked about 700,000 unwarranted applicants. What was that prepayment control added that blocked the 700,000?

**Mr. Bob Hamilton:** Perhaps I'll turn to one of my colleagues, Marc Lemieux. He can explain in a bit more detail what we did there.

**Mr. Marc Lemieux:** What we did there was because we had just received the income information from the previous year, 2019. What we decided to do was to block the applicants we were seeing were not eligible because they were not meeting the minimum income of \$5,000, and we were asking them to contact us to be able to provide us information showing that they were eligible before we would make the payment. That's what we call the prepayment validation step.

**Mr. Kelly McCauley:** Could we not have done that when we started this using T4 submission information or payroll submissions?

**Mr. Marc Lemieux:** At the time when the program was launched, the most recent information we had was for the 2018 year.

**Mr. Kelly McCauley:** It was for 2018. Okay.

Was there a specific decision-maker to add these controls in the summer of 2020, or did it just come up organically? Mr. Hamilton talked about new intelligence and data that came up. Did some red flags pop up? What made you decide to add the controls?

**Mr. Bob Hamilton:** I would say, yes, that was a decision that we took. You have to remember that—

**Mr. Kelly McCauley:** When you say “we”, do you mean the CRA?

**Mr. Bob Hamilton:** Yes. We would have informed—

**Mr. Kelly McCauley:** Did you have to get approval from the government to make changes?

**Mr. Bob Hamilton:** Yes, that's right. That would be our decision. We informed others, but you have to remember how this was set up. You only had to have that \$5,000 income in the previous year or the most recent 12 months. We only had 2018 information, because people hadn't filed their 2019 form yet.

**Mr. Kelly McCauley:** You're saying that, post-2018, then, there's no ability for the government to know what people had earned or were making to verify their claims.

**Mr. Bob Hamilton:** That would be tax returns.

**Mr. Kelly McCauley:** There's no other way, unless people do their tax returns, that the government would know.

**Mr. Bob Hamilton:** There's no obviously easy way that I can think of. That's where the best source of information—

**Mr. Kelly McCauley:** There's no easy way or no way?

**Mr. Bob Hamilton:** I don't know. Off the top of my head, I can't think of another way, but maybe there is one.

**Mr. Kelly McCauley:** Okay.

**Mr. Bob Hamilton:** Also, in that year, if I could just add, the tax filing—

**Mr. Kelly McCauley:** No. I have time for just one last question, Mr. Hamilton.

You note that you have almost a million notices of redetermination sent, with thousands more. How many thousands more? Like, you have 960,000 sent. Is it a couple of thousand more, is it a hundred thousand more, or—

**The Chair:** Why don't you let the witness answer the question?

Go ahead, Mr. Hamilton.

**Mr. Kelly McCauley:** Let me finish the question first—

**The Chair:** You had.... I can cut your time off—

**Mr. Kelly McCauley:** Mr. Chair, my time is my time.

**The Chair:** All right, Mr. McCauley. I'm trying to help you get an answer in the time without cutting off the witnesses.

**Mr. Kelly McCauley:** I had 15 seconds.

**The Chair:** You asked him a question—

**Mr. Kelly McCauley:** I'm watching my own clock.

**The Chair:** —and I don't need to hear numbers coming out of your head. I would like to hear from Mr. Hamilton.

Mr. Hamilton, you have about 20—

**Mr. Kelly McCauley:** I'm sorry. I have a point of order, Mr. Chair.

**The Chair:** What is the actual point of order and not an argument, Mr. McCauley?

**Mr. Kelly McCauley:** My time is my time.

**The Chair:** Okay.

**Mr. Kelly McCauley:** I had 15 seconds left.

I was finishing my question. I don't need you to interrupt me to finish my question to the witness.

**The Chair:** Very good.

Mr. Hamilton.

**Mr. Bob Hamilton:** Okay.

I'm going to defer to Marc so that you can get a quick answer on how many more thousands we will have.

**The Chair:** I'm afraid the time has expired.

We will turn now to Ms. Yip.

You have the floor for five minutes.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** Thank you.

I'd like to thank Ms. Hogan and Mr. Hamilton for returning to our committee. I'd also like to welcome and thank Monsieur Tremblay.

My question is for you, Mr. Hamilton. In Scarborough—Agin-court and many ridings across Canada, many families, particularly those with extra caregiving responsibilities whether it was for children or aging family members, relied on these CERB payments to pull them through the pandemic. For individuals living from pay-cheque to paycheque, when that paycheque suddenly stopped, it was really important that benefits be delivered quickly.

If the CRA had conducted prepayment verification, how much longer would these families have had to wait for benefits? As well, in your experience, what impact would that have had on these families and individuals?

• (1630)

**Mr. Bob Hamilton:** Thank you for the question.

It certainly depends on the type of extra prepayment step you put in. Some are more severe than others. There was no doubt that the more we put friction in the system or asked for extra checks, it was going to delay things. It would often be a manual exercise that we would have to do within the CRA. The more we can automate things, the better. Manual exercises delay.

I would say, for example, that through the period—we talked about fraud earlier—we did notice that there were instances when we were suspicious of fraud, so we held and blocked payment while we did the check. In some cases, maybe we forced some people to call us—

**The Chair:** Excuse me for interrupting, Mr. Hamilton. We're having a little trouble with the sound.

I'm going to have the clerk make a request.

**The Clerk of the Committee (Mr. Cédric Taquet):** Could you lower the sound on your earpiece? It seems to be creating an echo with the microphone.

Thank you.

**The Chair:** There was a little feedback.

Thank you.

**Mr. Bob Hamilton:** I was just talking about the fraud circumstance where we had to block some activity or force people to call us. It meant that people couldn't get their payment for three or four days. Instead of getting it in three or four days, they would get it in eight to 10 days, or maybe not at all. We noticed that people didn't like that, obviously, and were waiting for it at a time when they really wanted money.

That's the kind of balance we always had to go through during that period. How do you make sure that you get the money out as quickly and efficiently as possible but at the same time protect the integrity? As you start adding additional checks into it, checks in the sense of verification, it increases the time. It just depends, though. If you'd gone further and had even more verification, obviously the time would have extended. At that moment in time, there was really a premium on trying to get things out the door.

**Ms. Jean Yip:** How many families or individuals were impacted in that fraud blockage? Was it a great number?

**Mr. Bob Hamilton:** I'm sorry. I just didn't catch the last part.

**Ms. Jean Yip:** What was the number of families who had to wait a while?

**Mr. Bob Hamilton:** I see that Marc has the number.

**Mr. Marc Lemieux:** Progressively, we blocked up to 700,000 individual applicants.

**Ms. Jean Yip:** Mr. Tremblay, in your opening statement you mentioned that ESDC had sent about "55,000 fact-finding letters to potentially ineligible recipients".

Funds were recovered from 32,609 people who received these letters, which, according to my calculation, means that about 60% of people who received the letters ended up paying back money. That sounds like a really good response rate, especially since the recipients were only potentially ineligible.

Can you elaborate more about this process?

**Mr. Jean-François Tremblay:** Yes, of course I can.

As I mentioned, we also sent 1.8 million letters to people who received the lump-sum payment and should not have received it. There's already close to 1.2 million of them who started reimbursement or have reimbursed. That's actually a positive.

In this case, the way we've done it is that we looked at all of them, as I mentioned at the beginning, with the data analysis. We ended up with a pool of more than 550,000 people where you could see that there were differences between the eligibility criteria and the amount of money they got. This is the pool of people we're looking at.

I'll give you an example. They had to have made \$5,000 in revenue. We may have people who didn't make \$5,000 in revenue, but got maybe one payment. Do you go after people like that? You're going to have to assess how much time you're going to spend on this. That's the kind of analysis we have done. The 55,000 are the first ones where we have kind of a good reason to believe there's money there that should be reimbursed.

Yes, we're starting to have a response that is actually quite positive. We'll see if it's going to continue like that with all of them. Our objective is really to focus on the ones where we think there are actually reasons to believe.... It could be in good faith, but it's a significant gap from the—

• (1635)

**The Chair:** Thank you very much.

[*Translation*]

We will now hear from Ms. Sinclair-Desgagné.

Ms. Sinclair-Desgagné, you have the floor for just two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

I'll try to be as brief as possible. Something has really been bothering me since the last exchange. Mr. Hamilton made it clear that there was no lack of will to recover the money. And yet some serious backlogs came about and we'll probably never recover several billion dollars in overpayments.

But of course, there is the context issue. The Canada Emergency Response Benefit was created because the employment insurance system was hopeless.

We are fortunate to have with us today Jean-François Tremblay, Deputy Minister of Employment and Social Development Canada, who can explain where we stand on the reform of employment insurance requested by all the opposition parties, and which is essential if workers are to finally have a proper system. If we find ourselves in a recession, which is something being forecast by all economists—and I too am an economist—will we have in place the employment insurance system Quebecers and Canadians deserve?

Mr. Tremblay, have you learned anything from this pandemic? Is a proper system and a true reform something we can expect?

**Mr. Jean-François Tremblay:** Have we learned any lessons from this crisis? We've known for years that we need to work on access to employment insurance and to modernize the system. We learned from our consultations that people wanted a simplified system.

During the pandemic, we introduced temporary measures to streamline the system. In some instances, these proved to be fairly effective at speeding things up. Consultations were held on reforming employment insurance. The government will have to decide when it wants to do this. I can't give you any further details right now.

I would nonetheless suggest that you consult the reports we published about the consultations and the commitments made to the stakeholders. I'm sure that you've already done that.

**Ms. Nathalie Sinclair-Desgagné:** Yes.

We may not be talking about the same consultations. However, I see that in 2020, the Department of Employment and Social Development gave \$18 million to Deloitte, \$26 million to Accenture Canada Inc. and \$40 million to PwC.

There were quite a few consultations in the private sector. However, there doesn't appear to have been any positive impact on the results. That makes things somewhat problematic.

I believe my time is up, Mr. Chair.

**The Chair:** There's enough time for a short answer, but it's as you wish. I see that we have an expert here.

Thank you very much.

[English]

Mr. Desjarlais, you have the floor for two and a half minutes.

**Mr. Blake Desjarlais:** Thank you, Mr. Chair.

I want to pick up where I left off previously in relation to capacity at CRA. You mentioned that you're at full capacity and that you have the power and ability to investigate every single one of these claims, but of course Canadians are still seeing issues in relation to what they feel should be owed to them, which is the massive corporate tax avoidance dollars that should be going to our public systems.

In regard to that, I think it's important to know and to qualify your statement, Mr. Commissioner, when you say that. You know, money is, of course, one of those resources that the government has been able to increase for the CRA's operations and capacity, but the

question still remains of whether it's enough, particularly if we're thinking about the existing tax avoidance at the levels that it's at.

It would be helpful for me and I think for Canadians across the country to know exactly what you're doing in relation to that tax avoidance and to understand whether or not it's growing or diminishing with your strategies in relation to the numbers I cited between 2014-18.

What do the numbers look like for 2018-20 in terms of corporate tax avoidance?

**Mr. Bob Hamilton:** Thank you, Mr. Chair, for the question.

I don't have that figure that you requested right in front of me. I should say that, when we do our tax gap analysis, it's always a few years behind, because it takes a while to get all the data assembled for that, but I would say that we've made quite a bit of progress. I would say that for two reasons, and I hinted at this in my earlier response.

First, we have received a lot of additional resources over the last number of years specifically to improve our auditing of offshore activity and tax avoidance and evasion. We put those resources to good use hiring more auditors and improving our technology, because part of this is also getting the technology that we need to put the pieces together for some of these international schemes. The money we have received has been helpful.

To your point, could we do more with more money? Sure, but I guess, in the sense of trying to strike a balance with all the different things that need to get done with the government's money, I feel comfortable that we are well resourced in this area. When I look at my colleagues around the world, I think that we're in the ballpark.

The second thing that I would say, and I've referenced it, is that we can't do this alone, because what we find in all of the countries is that you can close off something, but it just shows up at another place. We need to be able to have mechanisms to share information on multinationals and high net-worth individuals. We've been really improving in that space over the last number of years as a group of, say, OECD countries and a bit broader.

Indeed, recently you've seen the OECD put out some pretty aggressive prospects for changing the global tax system, a corporate minimum tax that would apply to all countries that have signed on and a way of taxing the

• (1640)

**The Chair:** Thank you. I'm going to stop—

**Mr. Bob Hamilton:** Those are the kinds of initiatives that will help us.

**The Chair:** I appreciate it.

Mr. Perkins, thank you for joining us today. You have the floor for five minutes, please.

**Mr. Rick Perkins (South Shore—St. Margarets, CPC):** Thank you, Mr. Chair.

Thank you, witnesses.

I'm going to give you a minute and do a little preamble. I'm going to talk to you about the fish harvester benefit. While it's not possible, apparently, in your testimony today to get every nickel of misused, abused or prisoner CERB money back, you're going very aggressively at hard-working fishermen. The reason fishermen had a special program during COVID is that, generally, they don't qualify for employment insurance. They don't qualify for employment insurance because almost 99% of fishermen get paid, since the days of *Moby Dick* and before in whaling, on a percentage share of the catch. They do not get paid a wage. They'll go out, and they'll have days and weeks where they won't have any income, and weeks where they'll have a lot of income. Their records of employment—which Service Canada and everybody has and you guys have—show that.

The original application form on the Government of Canada's website—which is no longer up; it got altered about six months into the program—had four categories for fishermen to check in the process. It had self-employed commercial fisher; self-employed commercial freshwater harvester; indigenous fish harvester designated as equivalent to an enterprise head under a communal commercial fishing licence; and a shareperson, a crew member who earns a share of the revenue. You are eligible if you are shareperson, which 99% of fishermen are, and we're talking about people in the lobster fishery who lost a considerable amount of income as world markets dried up like other industries. Even though they went out fishing, there was no income because there was no market for the product, and that's why the special program was made.

I have quotes from many of my constituents who are having this aggressively clawed back by the CRA and who don't understand why, when their incomes were down anywhere from 13% to 75%, the CRA—which says on the form that if you are a shareperson, you're eligible for this benefit—is clawing it back.

**Mr. Cliff C. Groen (Business Lead, Benefits Delivery Modernization, Department of Employment and Social Development):** Thank you, Mr. Chair. I'd be pleased to answer the question to the extent that I can.

The fish harvester benefit was jointly delivered by Service Canada and the Department of Fisheries and Oceans. Yes, with regard to recovery activities, the CRA does have roles related to the recovery of most government-related overpayments, but it was jointly delivered by Service Canada and the Department of Fisheries and Oceans.

**Mr. Rick Perkins:** I understand that, but I have limited time. I don't want to hear that circle again. I raised this in the House six months ago when the Minister of Fisheries said that she just designed the program, so don't talk to her. I asked the revenue minister's office, and I have a letter back from the Minister of Revenue's office—you guys probably signed off on it—that says, more or less, "Don't talk to us. We just collect the taxes. Talk to Service Canada," like you just said. When we sent a letter to the minister of Service Canada, she said, "Don't talk to us. We just administer it. Go back to Fisheries, which set up the program."

We're all caught in a catch-22 where everybody says, "Don't ask me why this is happening. I just work here." I don't want to hear the excuse that says that somebody else is responsible for the program. You set up a program that said they were eligible and their incomes

were down 75%. You're clawing it back from these folks, but prisoners, dead people and kids who stayed at home and lived with their parents get to keep their CERB. Explain to me why.

• (1645)

**Mr. Cliff C. Groen:** By no means was I suggesting and trying to deflect that Service Canada does not have a significant role related to the delivery of the fish harvester benefit. It was jointly us and the DFO.

With regard to your specific questions, if you would be so kind as to provide them to us, I certainly would be glad to make sure that we follow up.

**Mr. Rick Perkins:** I've done that for 18 months. For 18 months I've been going at the CRA, at Fisheries and Oceans Canada and at Service Canada, and I get nothing but bafflegab back that it's somebody else's fault. A simple show of a record of employment—and you guys all nodded when I said record of employment.... Here is one. I can show you many—they're blacked out for privacy reasons—for fishermen: zero, zero, zero, \$9,000. That's why they got a special program.

Why don't you use their records of employment to determine their eligibility rather than whether or not they fill out the income line on the income tax box versus the fishing benefit one? These are guys who don't have accountants who are—

**The Chair:** Thank you, Mr. Perkins. I'd like to get a brief answer in, please.

**Mr. Cliff C. Groen:** Thank you.

As I said, you have my name and my coordinates. By all means, if you would provide those questions, I absolutely will commit that we would get back to you with a direct answer.

**The Chair:** Thank you very much. I appreciate that. As a member from Atlantic Canada, I look forward to that response as well.

Ms. Bradford, you have the floor for five minutes, please.

**Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.):** Thank you, Mr. Chair.

Mr. Tremblay, would you say that the benefits were successful overall at targeting the Canadians most affected by the pandemic?

**Mr. Jean-François Tremblay:** Yes, I would. You can read it in the Auditor General's report. There are many elements mentioning that.

I think, at the beginning, the objective was to go fast and go to the people who were most in need. If you look at the numbers, it's amazing how it went exactly where it had to go. I'll give you a few examples.

For poverty, without the benefit and with the benefit it's a gap of 5% that is assessed on what it would have been. If you look at individual groups who received the benefit, the groups that we know are marginalized are the ones that got a higher percentage of the benefit. Their population is overrepresented. It's not overrepresented because they should not have received it. It's just because we knew that they were in need. If you look at women, if you look at indigenous people.... If you track where the money went from a geographical perspective and where the high spots of the pandemic were, you can see also that it goes with it.

There's no doubt in my mind that the benefits were efficient for this, because they actually went where we wanted them to go. That's easy to do sometimes. Also, the way the economy came back after the pandemic demonstrated that the benefits were beneficial for society.

**Ms. Valerie Bradford:** Thank you. It was certainly an extraordinary situation calling for extraordinary means.

What lessons do you think we should take from the CRA's experience in delivering CERB and other emergency benefits during a time of crisis? It's always important to learn. What is the learning here?

**Mr. Jean-François Tremblay:** I think the learning for us is that we need to continue to build on this. To be honest, we built the airplane as we were starting to fly it.

As the commissioner mentioned, the prepayment measures were not all there. We built them up as we went. We started with CERB and EI, making sure there was a single-window approach and due process going on. I think for us it's amazing how.... What we've learned from this is the capacity to be flexible and to be innovative in times of crisis. We need to keep that.

On the other side, it was mentioned how much time it takes to have data from the past and all this. I think the Auditor General talked about ePayroll and some initiatives in the future. Those are elements—technology and all this—that would be very helpful in making sure that our systems are as flexible and nimble as they should be to address crises when they happen.

**Ms. Valerie Bradford:** Can the CRA officials go into more depth in discussing the flexibilities available to low-income Canadians who have CERB debt? We've heard a lot about collecting the overpayments.

How is the CRA ensuring that it proceeds in an empathetic and compassionate manner, while ensuring that we maintain the integrity of the fiscal system? I know it's quite a delicate balancing act there.

• (1650)

**Mr. Bob Hamilton:** Thank you for the question.

Just before I answer that, I'll just tag this on to what Jean-François said. There were a lot of lessons to be learned. Everything wasn't perfect. We actually produced a paper that we gave to the committee and I think ESDC did as well. It's important to learn those lessons. The Auditor General's report is another example of lessons that we can learn. Hopefully we won't have another pan-

demical like this, but I think there are some good lessons there that we can use.

Talking about the flexibilities, once we determine that somebody was ineligible for the benefit—say, for CERB—we contact that person to tell them that they weren't eligible. If they need help—if they're in financial hardship—then we have an ability not to eliminate the debt but to come up with a payment plan that suits their circumstances. We engage in a discussion with them, trying to be empathetic to whatever financial situation they are in, because we know that if we'd try to get all that money right away, it's not going to work.

It is Marc Lemieux and his team who are engaged with the taxpayer. Usually they try to strike that balance between making sure we get the money and being flexible in terms of how and when we get it. We have a fair amount of success with that. We call that our empathetic approach. We were doing it before the pandemic, but it really became important as we moved into this pandemic compliance effort.

**The Chair:** You have time for a comment but not a question.

**Ms. Valerie Bradford:** I appreciate all of the hard work that all the departments involved have done. I think there were heroic efforts in accomplishing almost an impossible task under very trying circumstances. I thank you all for what you've done.

**The Chair:** Thank you, Ms. Bradford. I appreciate it.

We'll turn now to our next round.

Mr. Kram, you have the floor for five minutes, please.

**Mr. Michael Kram (Regina—Wascana, CPC):** Thank you very much, Mr. Chair. Thank you to the witnesses for being here today.

I would like to start with the Auditor General.

I would like to read a couple of quotes from the bottom of page 32 and the top of page 33 of the report. It says, "During the audit, we were told that Employment and Social Development Canada and the Canada Revenue Agency had identified cases and referred some of them to law enforcement for investigation". Then a couple of points later, it says, "As of September 2022, the agency and the department had identified employees that claimed COVID-19 benefits."

Is that to say that CRA and ESDC employees were referred to law enforcement for a criminal investigation?

**Ms. Karen Hogan:** There were employees in the Canada Revenue Agency and Employment and Social Development Canada who were identified as having received payments, and there was an internal investigation. That kicked off first. It was then up to the department and the agency as to whether they referred that case to law enforcement. We felt that the investigation was the right first step.

**Mr. Michael Kram:** I guess I will ask the witnesses from the CRA and ESDC how many employees were subject to internal investigation and how many cases were referred to law enforcement.

**Mr. Bob Hamilton:** Backing up for one second, at the CRA, we treat public servants as general taxpayers. If you violate the rules, you suffer the compliance efforts.

I don't have numbers right in front of me. There were not very many, obviously. I don't believe any of those cases have gone to a criminal investigation. We have very strong internal investigation at the CRA, and we deal with it ourselves. Discipline can range from not much, if it wasn't something, to termination.

**The Chair:** If I may interject, I appreciate that answer, Mr. Hamilton. Could you provide this committee with the numbers? I'm afraid that "not very many" is not a sufficient answer. Would you be able to provide to this committee the number who were subject to an internal investigation?

**Mr. Bob Hamilton:** I will take that back and endeavour to get you those numbers.

**The Chair:** Thank you.

**Mr. Michael Kram:** I have the same question for ESDC.

**Ms. Mary Crescenzi (Assistant Deputy Minister, Integrity Services Branch, Service Canada, Department of Employment and Social Development):** I would be happy to answer that question.

As part of some of our internal investigations, it was discovered that some of our employees had availed themselves, as any Canadian, of applying for CERB benefits on their own time. I want to make it clear that they did not use any internal systems in doing so. We alerted that up to our chief security officer, and an administrator investigation did take place. With regard to those individuals who broke the trust of the employer-employee relationship—as we reviewed, for cause—their security clearances have been terminated. To date, we have terminated 49 individuals.

• (1655)

**Mr. Michael Kram:** Just so I'm clear, 49 now former employees of ESDC were terminated for fraud related to COVID benefits. Is that correct?

**Ms. Mary Crescenzi:** It would be in regard to misrepresentation of their situation when they were applying for CERB.

**Mr. Michael Kram:** Okay. How many of those cases were referred to law enforcement?

**Ms. Mary Crescenzi:** There was no referral to law enforcement, as this was an internal investigation. It was a review, for cause, in regard to breaking the code of conduct associated with the employees of all of our departments.

**Mr. Michael Kram:** Have the monies that those 49 employees received been clawed back, or are those still part of the ongoing investigations?

**Ms. Mary Crescenzi:** Those monies have been established as overpayments that must be repaid. They are being treated as any other Canadian who received benefits they were not entitled to.

**Mr. Michael Kram:** They must be repaid, but have they already been repaid?

**Ms. Mary Crescenzi:** They are in the process of being repaid. I would have to confirm the numbers that have been repaid.

**Mr. Michael Kram:** Could you please provide those numbers in writing to the committee?

**Ms. Mary Crescenzi:** Absolutely.

I know your earlier question was in regard to those external clients who perhaps demonstrated some fraudulent activities. We did discover that there were some fraudulent activities that did need to be referred to external authorities and 12,000 of those cases were referred.

**Mr. Michael Kram:** Mr. Chair, how much time do I have left?

**The Chair:** You have about 15 seconds.

You can make a comment.

**Mr. Michael Kram:** I will leave it at that and we'll see if I get another round by the end of the meeting.

**The Chair:** You might very well get one.

We'll turn now to Mr. Fragiskatos.

You have the floor for five minutes.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you very much, Chair.

Thank you to the officials for being here today.

I want to first pose questions to Mr. Hamilton, and I do have something for ESDC as well, to Mr. Tremblay.

Mr. Hamilton, if we look early on in the report, it goes into the number of recipients who were ineligible for access to programs. Again, early on the number is close to 18%—17.9% of recipients were ineligible. That was on page 39.

Further down, I'm looking at page 47, 8.7% of recipients were ineligible. Furthermore, on page 69, only 0.5% of recipients were ineligible. There are a lot of shifts here. What's this all about? What does that reflect?

**Mr. Bob Hamilton:** What it reflects is something that we mentioned earlier, which was us improving our prepayment controls as we went along, because with these programs one didn't know at the time how long they were going to last or what subsequent programs would be there. As they stayed on for a while, we developed additional tools to be able to have better prepayment control.

We learned. As Jean-François said, we were flying the plane as we were fixing it. This table is actually a reflection of that. As you see, at the very beginning there was more going out that wasn't getting caught by prepayment controls. As time went by, they were becoming more and more effective. As you said, 17.9% went down to 0.5% by the time we got to the lockdown benefit. That's really what was driving that.

There was an element, too, of additional data that came in that allowed us to do our work better. I think we talked earlier about our getting the income tax filings from 2019. It really is just a reflection of our gaining experience with the programs and putting in place some better controls to have less money go out the door before we were comfortable with it.

**Mr. Peter Fragiskatos:** Thank you very much.



I'm sure that process was made easier by the fact that, at the outset of the pandemic and in the peak periods, it would be difficult to put in place those controls all at once, but as things eased there was a greater opportunity to—you used the word “learn” before—learn and implement particular controls to the point where things.... We got to the point—again, I cited the number and you repeated it—where 0.5% of those who applied were ineligible, down from close to 18%. The whole experience of getting through the worst parts of the pandemic into a situation where things turned more normal obviously would have helped as well, I would think.

• (1700)

**Mr. Bob Hamilton:** That definitely would be a factor as well, but I think it's important to recognize that in the prepayment world we were learning and we were getting better. I think that's part of our message on the postpayment compliance. We have our risk-based approach. We have our algorithms. We use our intelligence, and we get better at the compliance as we see different things happening and say, there may be something here that we need to put into our program.

We always learn as we go with any compliance efforts, whether it's prepayment or post, but what you're seeing here is that learning and potentially a changing environment as well, as you say.

**Mr. Peter Fragiskatos:** Can you go into that learning a little more? How does that process unfold exactly? What does that look like?

Are officials within CRA engaging with one another, taking a look at what else is possible, having conversations and perhaps looking at what other countries are doing? How does that all come together? How does that learning unfold?

**Mr. Bob Hamilton:** I might just ask if one of my colleagues wants to go into detail, but I think it's basically all of the above.

**Mr. Marc Lemieux:** Exactly.

The agency worked very closely with ESDC. The risks that we were identifying by listening to leads, for example, that we would receive from external stakeholders, by looking at the business intelligence that we were able to acquire, that's how we developed those methods. Then we do the actual audit we see if our business intelligence is right, and then we adjust to make sure we go after the case where there is more risk.

**Mr. Peter Fragiskatos:** Thank you very much.

Do I have another minute, Mr. Chair?

**The Chair:** No, I'm afraid you have time for a three-second comment.

**Mr. Peter Fragiskatos:** Mr. Tremblay, if there's another opportunity I'll come straight to you, I promise.

Thank you.

**The Chair:** Very good.

[Translation]

Ms. Sinclair-Desgagné, you have the floor for two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

Mr. Tremblay, you looked somewhat disconcerted earlier when I talked about reforming employment insurance.

Did you know that the minister, Carla Qualtrough, is committed to tabling an employment insurance reform in 2023? We are in 2023 now.

**Mr. Jean-François Tremblay:** I am, of course, aware of this, Ms. Sinclair-Desgagné.

I'm not disconcerted about the reform of employment insurance or discussions about it, but it had nothing to do with the audit under discussion.

As I mentioned, there were consultations and it will be up to the government to decide on the matter of a reform and when to disclose the information.

**Ms. Nathalie Sinclair-Desgagné:** It's odd that you should have said that, and you're wrong to say that it was not addressed in the Auditor General's report. As we all know, we only needed the CERB because of the faulty employment insurance system. The system is inflexible and doesn't allow Canadians and Quebecers who need money quickly to obtain it. That's why the CERB was introduced. Its implementation was completely improvised. The billions of dollars that were diverted will never be recovered. The good news is that we are discussing it here today.

The reform will be presented by the government, but you worked on it. I'd be interested to know whether you are aware of when the reform will be tabled. Is it ready for tabling or is it still being worked on?

**Mr. Jean-François Tremblay:** It's not up to me to answer that question, but rather the minister and the government.

I'd like to add something about the CERB.

In the first month following the introduction of the CERB, we received 15 times more CERB applications than the number of employment insurance claims we would normally have received.

**Ms. Nathalie Sinclair-Desgagné:** Of course it was an economic crisis.

**Mr. Jean-François Tremblay:** No system could have handled the demand. The crisis was unprecedented in Canada's history. When there is an unprecedented situation, special measures are only to be expected.

**Ms. Nathalie Sinclair-Desgagné:** Special measures are a natural response, but if the system had been working and was better attuned to people's needs, there wouldn't have been as many instances of fraud.

You're not telling us anything new when you say that the crisis was unprecedented. But other countries managed to deal with it through their regular employment insurance system.

Canada's employment insurance system is rather archaic, to say the least.

Can some aspects of the reform be revealed now, or is that impossible?

**Mr. Jean-François Tremblay:** I'm truly sorry, but it's up to the government to decide where and when to reveal the details.

• (1705)

**The Chair:** Thank you very much.

Mr. Desjarlais, you have the floor now for two and a half minutes.

[English]

**Mr. Blake Desjarlais:** Thank you very much, Mr. Chair.

I'd like to now move to what I think is probably top of mind for most Canadians who took CERB, the fact that the recommendation by government members was to apply. Even if, in some cases, the eligibility criteria might not have been clear and maybe even arbitrary at times, they were told to apply.

It is a fact that we see messaging right across the board to regular Canadians who were suffering and who needed help.... Part of a government's responsibility, as the Auditor General puts it, is to be very clear. In this process of recouping or clawing back some of this, I think it's also fair to talk about the reality that they were encouraged to do this. They were encouraged to apply, even at times when asking their own MPs whether they were eligible or not. At times when they weren't, they were told to continue to apply, that this was an emergency, that we were all in this together and that we were going to get through it together.

To be frank, it seems as though we're prepared to abandon many Canadians, even at a time when the affordability crisis right now is pinching harder than in many years past. It's true that the major effects of the pandemic on our economy are certainly passing, but not for everyone. For many regular working-class Canadians, it's only making things worse.

My question is for the Auditor General.

How do you square that circle and the fact that the advice to the public at that time was to apply and to make sure they had the support they needed rather than going into poverty? I know your report makes some mention of that, but it's not explicit to the fact that government incentivized people's applications to this program.

How do we actually balance that with the reality that we need to be fair with our tax laws, and also the reality that Canadians were told to apply even at times when the eligibility criteria may have been confusing? Your audit didn't go into detail on the encouragement or process of the communication of this program. Why not?

**The Chair:** You have 30 seconds, please.

**Ms. Karen Hogan:** I would acknowledge that the pandemic was very difficult and continues to be very difficult for so many Canadians.

The questions you're asking me are policy questions. It's entirely up to the government to make a decision on whether or not they want to investigate further or look to recover payment. Under the

current tax system, any individual or business that receives something they were not entitled should pay it back.

My audit was carried without—

**Mr. Blake Desjarlais:** I don't think it's a policy decision, though, to be able to understand that the government incentivized this, even against—at times—the eligibility. That portion should have been in the report.

**The Chair:** Mr. Desjarlais, that is the time. We are now over the time.

I'm going to Mr. Chambers, please.

You have the floor for five minutes.

**Mr. Adam Chambers:** Thank you, Mr. Chair.

Ms. Hogan, you said in a couple of different forums that you would hope that CRA would be more transparent.

What do you mean by that?

**Ms. Karen Hogan:** We've identified some instances in our audit report. I would point you to paragraph 97, where their business intelligence identified a little over two million recipients that are potentially ineligible. Only a fraction of those are communicated with or followed up on. That's what I mean about being transparent. If you believe that two million individuals did not meet the criteria, then reaching out to all of them is the fair way to treat a taxpayer.

There are two steps to the process. First is identifying who is ineligible or not, and then it's making a decision about recovery. All of those need to be decisions that are clear and transparent.

I can point to an issue at the beginning of the pandemic when there was concern over net versus gross for self-employed individuals for the \$5,000. There was a lot of confusion. There was no clarity. The government clearly came out and said that gross is fine.

It's that kind of clarity that I think every Canadian—whether they be an individual or a business—is looking to find. Will you be asking them to repay it or not, and were they eligible or not?

**Mr. Adam Chambers:** Thank you.

Based on the level of postpayment verification activity that you've seen, do you think that the attestation-based approach is reasonable now that we know that a lot of postpayment verification activity may not occur?

Do you think that, on balance, the attestation-based approach would have made sense at the time, had we known the level of postpayment verification activity that has taken place so far and may not occur?

• (1710)

**Ms. Karen Hogan:** Again, hindsight's a wonderful thing.

Putting ourselves back in 2020, there was a lot of uncertainty. There was a need to have people stay home to help support our health system and to help protect Canadians.

The decision that was made to rely on attestation was a very reasonable one in unprecedented circumstances, but it has to come with rigorous postpayment work. That's why I continue to repeat that I am concerned about the little amount of postpayment work that's being carried out.

**Mr. Adam Chambers:** You wouldn't call the postpayment work "rigorous" at this point.

**Ms. Karen Hogan:** I don't believe enough is being done. No.

**Mr. Adam Chambers:** It's been mentioned—I believe by Mr. Tremblay—that the attestation-based approach is a public sector best practice in times of emergency. I have not been able to find that same organization say that, in times of no emergencies, an attestation-based approach is appropriate.

Would you agree?

**Ms. Karen Hogan:** The international best practice that we quoted in both of my audits around the individual payments say that, in the time of an emergency, relying on attestation is very acceptable, with rigorous postpayment verification.

**Mr. Adam Chambers:** It's relevant because the new dental and rental benefits that the government's distributing are relying on an attestation-based approach, but we are no longer in an emergency situation. Would you agree with that?

**Ms. Karen Hogan:** I think that as a country, we—many sectors, individuals and businesses—are still feeling the enduring effects of the pandemic. However, questions about designing other policies that I haven't studied, I can't really comment on that.

**Mr. Adam Chambers:** Do you think it's reasonable to use an attestation-based approach in a time of non-emergency?

**Ms. Karen Hogan:** I pointed to an international best practice that calls for it in times of emergencies.

**Mr. Adam Chambers:** For the CRA, how do you respond to this time of emergency? Are we in a time of emergency?

Why do we have to continue to rely on the attestation-based approach, which we are now seeing is resulting in a significant amount of cost associated with postpayment verification work?

**Mr. Bob Hamilton:** Thank you, Mr. Chair.

The first thing I would say is that I'm confident that, at the end of the day, people will find our compliance efforts to be rigorous in this space with regard to the COVID benefits. We're taking the risk-based approach. We're taking the time to do it, and we're finding the places where we need to look. It's early days, but that's what I expect, because that's something we take seriously.

It's more of a policy question, I suppose, as to whether an attestation-based approach is right in a non-emergency environment. I would just say that not all attestation-based programs are created equally. Some have greater ties to the information that you have at your disposal. I would use the dental program as an example of that. I'm not getting into the question of whether attestation is appropriate in non-emergency times, but if you look at the dental program, we have information on the person's tax filing and we have

information on the children involved through the Canada child benefit. It's a bit tighter—I suppose I would put it that way. I would just caution against treating them all equally.

**The Chair:** Thank you very much. That is the time.

Ms. Shanahan, you have the floor for five minutes, please.

[*Translation*]

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much, Mr. Chair.

I'd like to make a few comments about the employment insurance system. I remember that during the first few days and weeks of the crisis, my office was receiving calls from people who wanted to make employment insurance claims, and we helped them.

I was struck by one particular call. It was from a single father who provided an essential service and who had to work, but who did not have access to day care for his children. That's when it struck me: everything was closed but we still needed benefits unrelated to employment insurance. I clearly remember the teleconference calls we were trying to organize together.

As my colleague Mr. Desjarlais mentioned, we encouraged the people who were calling us and who were literally panicking to make an application. As soon as the CERB system was put online, there were something like 30,000 applications in the first 10 minutes. A few days later, the total had risen to 3 million. So clearly the pressure was enormous at the time.

I would also like to refer to an article published in *La Presse* On November 30, about the matter of recovery. When I heard about this decision, I was afraid that we'd be receiving calls at the office from people in a panic. But that didn't happen. I find the following quote very encouraging:

The amounts to be recovered are not considered fraud but rather benefits paid to individuals who were later deemed ineligible.

I think that in the midst of all the confusion at the time, people may have misunderstood or mistakenly made an application, or it may have been us who misunderstood.

At the moment, 1.2 million instances of recovery are being dealt with. Mr. Tremblay, you mentioned the number of letters sent out; the Commissioner, Mr. Hamilton, also mentioned these. How is the recovery process going? Are people complying with their obligations?

• (1715)

**Mr. Jean-François Tremblay:** We sent out recovery notices to 1.8 million individuals, and 1.2 million have responded. For advance payments, which we estimated to be over \$3.2 billion, I believe, we have recovered half of the total amount. Under the circumstances, we are definitely on the right track. As for the...

**Mrs. Brenda Shanahan:** How does that compare to other recovery methods?

**Mr. Jean-François Tremblay:** Rather well, I would say.

[*English*]

Mary, I don't know if you have any comparisons. To be frank with you, it's hard to compare with other cases.

[*Translation*]

But it's definitely good.

We're going to continue to move forward, and that's why the Commissioner said that these were still early days in the overall process. The letters were sent out barely a year ago. Replies are starting to come in, and people are working out payment agreements. It will take a while to put the system in place. What we are seeing, in fact, is that people are willing to repay what they owe. Of course the earliest ones to respond are likely to be the most willing. We'll have to see how things go as we progress. It's rather positive at this stage.

**Mrs. Brenda Shanahan:** Excellent.

In connection with the recovery process, are you experiencing the same thing, Mr. Hamilton?

**Mr. Marc Lemieux:** I can take this one.

Yes, things are going well. We've set up teams to answer calls from people who received a letter telling them that they had a debt to pay. We can give them support and help them determine how much they can repay based on their own financial circumstances. That's important. We are adopting an affordable repayment plan for each Canadian.

**Mrs. Brenda Shanahan:** Excellent.

I'd like to discuss one case in particular, a young man who was a victim of identity theft. Fraudsters managed to steal some money from him, and it's frozen in his bank account. He's awaiting instructions to determine how to repay his debt. Are there many cases like this, where the money is available but frozen in a bank account, and for which we are awaiting instructions?

**Mr. Marc Lemieux:** We have had to deal with hundreds of thousands of identity theft cases over the years. We take the time to examine each one so that we can investigate.

We introduced numerous measures to help these people, reassure them, and tell him there would be no repercussions from the identity theft. If the money is available, we take time to work out a repayment arrangement with them. We want to make sure that people do not have to suffer because of the situation. They are victims.

• (1720)

**The Chair:** Thank you very much.

[*English*]

Colleagues, we're nearing the end of the official time, but we started late. I'm informed by the clerk that we actually continue to have translation in the room, so I'm going to allow for one last full round. I will be judicious with the time.

Mr. McCauley, you're welcome to take up that last question you had with Mr. Hamilton. It is your time—five minutes, please—but you are on the clock, and it's my clock.

**Mr. Kelly McCauley:** Thank you. I will.

Mr. Hamilton, before I was so rudely interrupted, the question was on the 960,000, following up on the “with thousands more”. How many thousands more is it? Just a ballpark number would be good.

**Mr. Bob Hamilton:** Go ahead, Marc.

**Mr. Marc Lemieux:** At this time we've completed three hundred—

**Mr. Kelly McCauley:** The question was this: In the opening statement, it said “thousands more”. How many “thousands more” on top of the 960,000 redeterminations were there?

**Mr. Marc Lemieux:** We are working on doing about 875,000 reviews.

**Mr. Kelly McCauley:** Okay, but the opening statement was 960,000 “with thousands more”, but you're saying it will actually be less now.

**Mr. Marc Lemieux:** I'm saying these ones we've issued are mostly for the people who received two payments in one period. We completed a lot of the work of reviewing whether people were eligible because of income.

**Mr. Kelly McCauley:** Mr. Lemieux, I'll just ask the question maybe a bit more clearly.

In the opening statement, Mr. Hamilton said letters were sent out for 960,000 redeterminations, “with thousands more” coming. When you say, “thousands more”, how many thousands more is it on top of the 960,000?

**Mr. Marc Lemieux:** I can't tell you exactly how many more—

**Mr. Kelly McCauley:** Would you be able to get back to the committee with that?

**Mr. Marc Lemieux:** —but I would like to say that—

**Mr. Kelly McCauley:** I just had one question, and that was on the “thousands more”. Maybe you can get back to the committee on that.

AG Hogan, thanks again for everything you're doing with us today.

In your opening statement, you talked about postpayment verification not being done within the legislated timelines. What happens if it's not done within the legislated timelines, and how much money is at risk for taxpayers?

**Ms. Karen Hogan:** The legislation indicates that there's a period of about 36 months to communicate with an individual to notify them that they owe money, unless there is fraud or intentional misrepresentation, in which case that period of time is extended. When you think about some of the first payments under CERB going out in March of 2020, that time frame is quickly approaching. As I mentioned earlier, there were likely some very honest mistakes by people who were just confused. Those need to be identified in that time frame, or the government can't notify them and then proceed with the next step of deciding whether collection is the avenue to take.

**Mr. Kelly McCauley:** Right. Okay.

Mr. Hamilton, I just want to go back to you.

We talked about the change in the process in the summer of 2020. You've stated that there were 700,000 unwarranted applicants. You mentioned that you couldn't do it earlier because you didn't have the previous year's tax information. Walk me through very simply. I'm not a tax person, thankfully. April 1 is tax time. When did you have that information and when could you have changed it?

It sounded as though you changed it, from what you said, based on intelligence you were receiving regarding some fraud happening. Would you not automatically make the change when you had the tax information from the previous year?

**Mr. Bob Hamilton:** If I understand your question correctly—and one of my colleagues may help—

**Mr. Kelly McCauley:** The summer of 2020 was the first question.

**Mr. Bob Hamilton:** Think of the tax season that comes up, which will be starting shortly. As you say, the end of April is the end of it. Even in a normal year, we wouldn't have a lot of people's tax information for 2019 until after April 30 because people tend to back-end—

**Mr. Kelly McCauley:** When was it in the summer of 2020? Was it June 23 when summer starts or was it at the end of summer?

When exactly did you make that change?

**Mr. Bob Hamilton:** I don't know the precise date.

**Mr. Kelly McCauley:** Would you get back to us?

The question I asked was about April 30. A huge majority of Canadians are filing electronically now. It's not like the old days where as long as you got it stamped by midnight on April 30, you were fine. On May 1, the huge majority of taxes have been filed electronically.

Would we not then be able to put better fencing around it than simple self-attestation? If not, why do we wait until summer?

• (1725)

**The Chair:** You have 30 seconds, Mr. McCauley.

**Mr. Kelly McCauley:** As you mentioned in your statement, intelligence came up that fraud was happening. Why the wait?

**Mr. Bob Hamilton:** I think it's important to remember—and I did reference this earlier—that year the filing season was extended

to June because of the pandemic, so it came in later than it normally would. I think that's a key point as well.

**Mr. Kelly McCauley:** We're out of time.

Let me just ask you to provide to the committee how many were actually sent on regular timing and how many were sent on the delayed time for tax filing.

**The Chair:** Are you looking for a document to be tabled?

**Mr. Kelly McCauley:** No. It's just some general information. I don't need the documents, just what percentage was on time on May 1 and how many took advantage of the delay.

**Mr. Bob Hamilton:** Mr. Chair, I'm not sure if one of my colleagues has an answer to that, but if we don't, we can get back to you.

**Mr. Kelly McCauley:** Get back to us.

**The Chair:** Let's do that.

Mr. Dong, you have the floor, please.

**Mr. Han Dong:** Thank you very much, Chair.

I want to confess to my colleague, Mr. McCauley, that I did file my taxes late that year.

**The Chair:** There's one.

**Mr. Han Dong:** I couldn't find my accountant, who wasn't working at the time. Anyway, I was going to point out that was a change that year.

I'm sure there are a lot of people watching this—this is a very important topic—including for individuals who may not be too sure of whether or not they should pay back the CERB or if they are responsible for the CEWS.

For the benefit of the public watching this, can Commissioner Hamilton tell us where people can find information if they do have these kinds of questions?

Would they have to pay a penalty for the overpayment? Is there any interest on the overpayment for individuals and businesses who find out through their accountants—because we're going into a tax filing season—that they were not 100% eligible?

**Mr. Bob Hamilton:** Thank you for the question.

If people think they need to repay, they should contact us and find the information. We will make arrangements to get repaid.

For the individuals, certainly the government indicated early on that if you received it in error there would be no interest or penalties that you would have to pay. That's an important consideration. You asked about interest and penalties.

We have information on our website. We have contact centres that people can call and talk to an agent to get more information. If I'm in this situation where I think I have received something that I'm not eligible for, how do I go about repaying it? We have actually received a lot of repayments already from those kinds of people. They should look to our sources of information.

**Mr. Han Dong:** Maybe later on can you quantify for the committee how much you have recovered.

**Mr. Bob Hamilton:** Yes. We have those numbers. I don't have them at my fingertips.

**Mr. Han Dong:** You can do it after.

**Mr. Bob Hamilton:** Definitely. A lot of people have come to us voluntarily and repaid. They understood after that they weren't eligible for it.

I almost think I have the number, but I don't want to give you the wrong number.

**Mr. Han Dong:** That sounds good.

I have two other questions.

I notice that on page 15, the Auditor General's report says, "Missing data for assessment of Canada Emergency Wage Subsidy effectiveness".

I remember you said that, when it comes to CERB, individuals do have to submit their SIN and this personal information that helps CRA to check later on. Why was it not required by the Canada emergency wage subsidy program that the employer submit the personal information of the employee who ultimately benefited from this program?

**Mr. Bob Hamilton:** That goes back to the issue that we've talked about several times here today: the speed of getting these programs in place and delivered. It was felt at the time that if we did force employers to give us the SIN numbers, that was really going to slow down the process, and we weren't going to be able to get the benefits out in time.

I may ask Gillian to elaborate on that, but that's essentially it. In a world.... It might have been nicer to have the SIN numbers, but we just didn't feel like we had the time to do that. Again, we knew we would be able to come back and verify after the fact, so to speak.

**Mr. Han Dong:** My follow-up question to that is this: Would that diminish our ability to recover funds that were paid out to individuals who weren't qualified—the fact that we did not get these employees' SIN numbers?

**Mr. Marc Lemieux:** If I may—

• (1730)

**Mr. Bob Hamilton:** No, I don't—

Go ahead, Marc. I'm sorry.

**Mr. Marc Lemieux:** We now have that information because we have the T4s for all the employees in Canada for that period of time, and we know for which businesses they were working. It's now possible for us to look at that information.

**Mr. Han Dong:** That's good to know.

On page 23, the Auditor General talked about no real-time business revenue data. The report goes on to say:

- 10.77 More broadly, real-time GST/HST reporting could also
  - reduce the reporting burden on businesses
  - reduce errors and improve compliance on tax assessments
  - help in informing, designing, and assessing public policies

I also see the response of the—

**The Chair:** Could you pose your question very quickly, please, so that we have time for a quick answer?

**Mr. Han Dong:** Sure.

Could you tell us what's in the works when it comes to real-time reporting?

**Mr. Bob Hamilton:** Yes, I'll be very quick on this.

There are two aspects to real-time reporting. One is ePayroll, which we talked about earlier, where we get electronic, real-time payroll information from businesses. The one that you're referring to there is what we call e-invoicing, where we get electronic invoices at the time of the transaction rather than waiting for the monthly or quarterly filing.

What we're doing right now is looking at what other countries have done, because there are a few countries that have implemented this system. It's a fairly big change, so we're taking our time to make sure that we think about it and get it done right. We're doing the ePayroll at the same time. We're really in an advanced investigative stage of how we might implement such a system.

**The Chair:** Thank you very much.

[*Translation*]

Ms. Sinclair-Desgagné, you have two and a half minutes.

**Ms. Nathalie Sinclair-Desgagné:** Thank you, Mr. Chair.

My questions are once more for Mr. Tremblay, of Employment and Social Development Canada, the ESDC.

Are you aware of the fact that "unemployment insurance" systems, as they are called in the United States and France, were sufficiently flexible to add other components to deal with the crisis?

**Mr. Cliff C. Groen:** I can take this question if that's all right.

Good afternoon, and thanks for your question.

I'm unaware of the employment insurance system in France, but I'm thoroughly familiar with the one in the United States.

The solution adopted in the United States for benefits during the pandemic shows that Canada's decision was really the better one. Many reports released in March, April and May 2020, revealed that it took months for eligible applicants to receive benefits. That's what we wanted to avoid and that's why we introduced the CERB.

**Ms. Nathalie Sinclair-Desgagné:** Thank you. That's interesting.

On the other hand, the United States did better than the Canada Revenue Agency in terms of recovering funds. At least they can estimate the total amount of benefits that were sent in error or wrongly claimed.

My understanding is that each system had advantages and disadvantages. Would it be fair to say that?

**Mr. Cliff C. Groen:** Yes, each of the two systems clearly had advantages and disadvantages.

As the Auditor General's report pointed out, there were shortcomings in implementing and designing the program. However, the situation was an emergency and it was related to the pandemic...

**Ms. Nathalie Sinclair-Desgagné:** Okay.

Excuse me for interrupting. I have only 30 seconds left and a final question I'd like to ask.

A recession is expected.

Do you believe that the Department of Employment and Social Development is in a position to deal with a potential increase in applications if there were a future crisis, in the distant future we hope, but which unfortunately will no doubt arise in the not-so-distant future?

**Mr. Cliff C. Groen:** Yes, of course.

We are aware of the risk of a recession, and it may lead to more employment insurance claims. We are analyzing the situation in some depth. As we have done in other situations, we will take whatever action is needed to be able to pay employment insurance benefits to Canadians on a priority basis.

**The Chair:** Thank you very much.

[English]

Mr. Desjarlais, you have the floor for your last two and a half minutes, please.

**Mr. Blake Desjarlais:** Thank you very much, Mr. Chair.

I do want to thank all the witnesses for being present today on this important discussion. I know how important this is to many regular Canadians who will, unfortunately, be forced, in some cases, with having some of the dollars clawed back that, in many instances, I believe, they were encouraged to.... You know, you heard it from Ms. Shanahan and from other MPs during that time.

I believe that's a critical fact that's only speaking to the matter of fairness on behalf of Canadians. We understand the circumstances in which they were incentivized to actually apply for the program, in what was one of our country's most dire situations. I have a great amount respect for the families who had to make that decision. However, I understand the need, of course, to do the work of making sure that we regulate and take the appropriate measures to en-

sure that some of that money is recouped, particularly in fraudulent situations.

Of course, that work wasn't done by a wave of a magic wand. It was done by regular, everyday folks, regular Canadians working for the CRA.

I have a really tough time, especially when the commissioner mentions that there are unlimited resources at the CRA, that everything is great and that you can do all the things, even though Canadian taxpayers know that tax avoidance is high in Canada and has become an issue. Then there is the fact that the CRA had to administer an unprecedented program like this, given the CERB capacity. I have capacity concerns.

My question is this: Given the unprecedented strain of administering and delivering the pandemic relief programs, did it have a negative effect on the CRA's efforts to address the long-standing corporate tax gaps? That's for the commissioner.

• (1735)

**Mr. Bob Hamilton:** Maybe just to correct the record.... I don't think I would have ever said that everything is fabulous at the CRA and that we have infinite resources. I mean, we all deal with having the resources to do a job.

What I do think is that we have adequate resources to do both of the things you're describing. We haven't seen a material reduction in our efforts on tax evasion more broadly. There was certainly a pause as the pandemic arrived and we had to send people home and take people off their duties so that they could help us on other fronts, but that was a temporary—

**Mr. Blake Desjarlais:** Okay, sure, but what were the CRA's estimates for the annual gaps and uncollected corporate tax, then, between 2018 and today? Have they grown?

**Mr. Bob Hamilton:** Could you just repeat the last part?

**Mr. Blake Desjarlais:** Have they grown?

The numbers I cited before were from 2014 to 2018—that \$5 billion to \$7 billion in tax avoidance. You're saying you have enough resources to tackle that problem. I'm saying, "Show me the results." Between 2018 and 2022, have you been able to actually monitor this and get the results Canadians deserve?

**The Chair:** Thank you, Mr. Desjarlais. Let's hear from Mr. Hamilton for a brief answer.

**Mr. Bob Hamilton:** I would say yes. I don't have the results right at my fingertips, but every time we get additional money to battle tax evasion, it comes from the Department of Finance with a measure of how much money we are going to bring in by our audits and by our additional efforts. We've always been able to meet those. As I say, there was a particular point in time as the pandemic arrived—

**The Chair:** Thank you. That was a superb answer. I'll stop there, because I don't want to keep you here all night.

Mr. Kram, you have the floor for five minutes. After that, we'll have one more from the government side, and then that will be it. It's over to you.

**Mr. Michael Kram:** Okay. Thank you very much, Mr. Chair.

I would like to come back to the Auditor General and to pages 32 and 33 of the report. I'd like to read a couple of quick quotes. It says:

As of June 2022, the department identified approximately 13,000 cases of identity theft in Employment Insurance Emergency Response Benefit payments worth \$7.9 million.

Then the next point is this:

As of July 2022, the agency identified more than 23,000 cases of identity theft in COVID-19 benefit payments for individuals worth \$131 million.

Those two points are, regrettably, under the heading “Unrecoverable amounts”. Is it safe to say that the \$138.9 million is gone forever?

**Ms. Karen Hogan:** I'm not sure I can conclude on that because some of those cases were referred to law enforcement. Those activities have to continue to determine whether or not the parties in question can be found and whether amounts can be recovered, so it's impossible for me to tell you that it's hopeless.

It's really probably the department who can give you an update, or we'd have to wait for time to pass for law enforcement to conclude on the cases.

**Mr. Michael Kram:** Okay.

Then maybe I will ask the witnesses from the CRA and ESDC. Could you describe some of your activities with law enforcement as we go after these 36,000 cases of identity theft and the \$138.9 million?

**Ms. Mary Crescenzi:** Thank you for the question.

I would say that, in anticipation of the emergency benefits being launched, we understood that fraudulent activities would be increasing, so we strengthened our anti-fraud controls and our measurements in regard to algorithms and other fraud-detection capabilities.

We prevented and issued stop payments for more than 30,000 cases, demonstrating about \$42 million in savings. Some of the stop payments did not happen on a timely enough basis to be able to prevent money going out the door, but we prevented further money from going out the door. Because we saw that some of these fraudulent activities appeared to be potential fraud schemes—this is where you have the 13,000 cases that were referred to the RCMP for follow-up—that represents about \$7.9 million.

We stay in constant contact with our colleagues during their official duties. We will be told when they are ready to tell us where they are at in their investigation process.

● (1740)

**Mr. Michael Kram:** Just for thoroughness, the fourth bullet point on that is related to \$60 million under criminal investigation with respect to the Canada emergency wage subsidy. Is the investigation of the fraud related to the wage subsidy following all the same processes as for all the other cases of fraud?

**Mr. Bob Hamilton:** Thank you for the question.

Yes, it would be essentially the same process whereby we identified fraud and stopped some cases. Where we weren't able to do it, we referred it to the authorities if we couldn't handle it ourselves.

I think it is miscast under the title of “Unrecoverable amounts”, because that chapter hasn't been written yet, though we are hopeful that we will be able to recover some if not all of that.

**Mr. Michael Kram:** I would like to change gears now to go to page 18 of the report. I'll read another quick quote from the Auditor General:

In our opinion, the ability for low-income individuals to earn more on the Canada Recovery Benefit represented a disincentive to work, which impacted some labour markets at a crucial time when the need for employees was trending upwards.

I was wondering if ESDC has ever done a study or come up with an estimate regarding the loss to the Canadian economy due to this disincentive to work and instead to just collect pandemic benefits.

**Mr. Jean-François Tremblay:** We don't have a study at this time that would say that.

There has always been this possibility. We have always actually been kind of aware, and that's why we put the \$1,000, you remember, in the EI-ERB to allow people to continue to work, because we wanted them to stay attached to the labour market. Later, of course, with CRB, we created a situation in which they could actually do even more, so that's what we've done.

What is very encouraging from an economic perspective is that, as soon as the public health measures were off, people were going back to work. That's what we have seen, including when we had measures to facilitate access to EI. We ended up with less than 5% in terms of unemployment, which gave the impression that actually people were happy to go back to work.

You have to remember that for a lot of workers this was not—

**The Chair:** Thank you. I'm going to stop you there. That was a fine answer.

[Translation]

Very good indeed.

[English]

Ms. Yip, you have the floor for five minutes.

**Ms. Jean Yip:** Thank you. I'll be sharing my time with Mr. Fragiskatos.

My question is for Mr. Hamilton. It's in regard to the Auditor General's recommendation 10.114:



To increase the recovery of COVID-19 amounts owed and reduce the administrative burden, the [CRA] should...put system functionalities in place to apply refunds against COVID-19 amounts owed.

Can you explain what system functionalities will be in place and update the status of this recommendation?

Thank you.

**Mr. Bob Hamilton:** Certainly. Thank you for the question.

That's a feature we have in our systems to be able to offset amounts that are owed to the government against refunds or other payments that would go out, so that's a way of collecting.

We have that functionality in place now for almost all aspects, and there is one other piece that is coming up next week. We're hoping to have the update to the system to allow that, but maybe I would just ask Gillian to elaborate a little bit on that point, because it is quite an important part of our recovery efforts.

**Ms. Gillian Pranke (Assistant Commissioner, Assessment, Benefit and Service Branch, Canada Revenue Agency):** Mr. Chair, in normal systems, it's standard practice that there's an opportunity to apply refunds against amounts outstanding in the same revenue line. With the COVID benefits, as the commissioner stated, in October 2022 we had the ability to apply T1 refunds, individual refunds, to outstanding COVID debts. In February, we will have the ability in our benefit system to apply any benefit credits to outstanding COVID debts as well.

As the commissioner mentioned, this coming weekend, the treatment of debts or refunds towards COVID debts will look like any other program delivered by the Canada Revenue Agency, and we'll be able to apply those amounts to COVID debts outstanding.

• (1745)

**Mr. Peter Fragiskatos:** Thank you very much.

Time is limited, and I did want to go back to Mr. Tremblay.

Sir, you have a lot of experience in the public service. This question was asked of Mr. Hamilton, but I did want to get your thoughts on it. Suppose that a system of prepayment verification was put in place, along the lines of some of the ideas that have been raised here by friends across the table, so to speak. What would have been the result in terms of getting payments out to Canadian individuals, families and businesses? Obviously there would have been a delay, but can you talk about what the delay would have looked like, what we might have seen and the affect on the society at large?

**Mr. Jean-François Tremblay:** If we had received three million demands, in the EI process, as the EI system works with pre-measures, it would have been months and months of backlog. Let's be honest. The system would not have been able to respond quickly to such a demand. I can ask Cliff to speak about this because he has the longest experience on EI here.

**Mr. Peter Fragiskatos:** Please.

**Mr. Cliff C. Groen:** Yes, and that was a critical factor in the design of the emergency response benefit.

In the middle of March, overnight, we saw an increase of hundreds of thousands of applications coming into the EI system, and we were in a situation where the EI system was about to crumble if it was not a different decision that was made because of the rules related to the EI program. If we hadn't implemented the emergency response benefit partnership between ESDC and CRA, millions of Canadians—it ended up being 8 million Canadians who received the CERB—would have been waiting well through 2020 and into 2021 before they would have been able to receive any type of payment.

**Mr. Peter Fragiskatos:** Those are a lot of constituents and a lot of businesses waiting across the country. Thank you very much for adding a bit more colour to what CRA put forward.

Mr. Hamilton, just very quickly, I have a final question. I think you put this forward last week. You did mention it again, but I think it's an important point. It speaks to this whole issue of the legislative timeline. Is CRA confident that it will meet its verification obligations under the legislative timeline?

**Mr. Bob Hamilton:** Thank you for the question.

Yes, we are very confident that we can. As I think the Auditor General pointed out, if there is a case of misrepresentation, that three-year time frame does not come into play. We're confident that we will be able to get the compliance work done that we need to do and not be impacted by those deadlines.

**The Chair:** Thank you all very much. I appreciate everyone coming in today and for your indulgence. We went a little bit late, but it was a very good committee meeting.

The meeting is adjourned.





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