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CANADA

SPECIFIC COVID-19 BENEFITS

Report of the Standing Committee on Public Accounts

John Williamson, Chair

DECEMBER 2023
44th PARLIAMENT, 1st SESSION

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Chair**

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Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

THIRTY-FIFTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the committee has studied the Report 10, Specific COVID-19 Benefits, of the 2022 Reports 9 and 10 of the Auditor General of Canada and has agreed to report the following:



SPECIFIC COVID-19 BENEFITS

KEY FINDINGS OF THE AUDITOR GENERAL OF CANADA

- COVID-19 programs supported Canada's economic recovery.
- Employment and Social Development Canada (ESDC) adjusted benefit programs to try to address disincentives to work.
- The trade-off between expediency and confirming eligibility resulted in payments to ineligible recipients.
- ESDC and the Canada Revenue Agency (CRA) were planning to do few post-payment verifications.
- The CRA performed limited collection activities on COVID-19 programs.¹

1 Office of the Auditor General (OAG), Specific COVID-19 Benefits, Report 10 of the 2022 Reports of the Auditor General of Canada, [At a Glance](#), Our findings.



SUMMARY OF COMMITTEE RECOMMENDATIONS AND DEADLINES

Table 1—Summary of Committee Recommendations and Deadlines

Recommendation	Recommended Action	Deadline
Recommendation 1	The Canada Revenue Agency (CRA) must provide the House of Commons Standing Committee on Public Accounts with a report confirming that its Directive for Developing Written Collaborative Arrangements has been updated to formally include data requirements for the measurement of program outcomes.	29 February 2024
Recommendation 2	Employment and Social Development Canada (ESDC) must provide the Committee with a report detailing the measures taken to establish performance standards measuring administrative efficiency, effectiveness and program results.	29 February 2024
Recommendation 3	CRA must provide the Committee with a report on the value of implementing a real-time business revenue data requirement in Canada.	31 March 2024
Recommendation 4	CRA must provide the Committee with reports on the development and implementation of a real-time payroll system and its collaboration with ESDC in this regard.	31 March 2024 31 March 2025

Recommendation	Recommended Action	Deadline
<p>Recommendation 5</p>	<p>CRA and ESDC must provide the Committee with:</p> <ol style="list-style-type: none"> 1) a report explaining the changes to their verification plans, including a costed justification (potential costs and benefits to the taxpayers) for not pursuing all potentially ineligible applications, and a cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was under Statistics Canada’s After-Tax Low Income cut-offs at the time of their demand, who received individual benefits, but were then found to be ineligible according to the CRA or ESDC; 2) a report showing statistics on the number of post-payment verifications conducted for the COVID-19 benefit programs up to 31 December 2023, for each of the individual programs and for the Canada Emergency Wage Subsidy, as well as the amounts paid to ineligible recipients, the amounts collected, and the number of ineligible recipients according to the CRA or ESDC, and those subject to such collections; and 3) quarterly reports presenting these same statistics for the previous quarter. 	<ol style="list-style-type: none"> 1) 29 February 2024 2) 29 February 2024 3) 31 May 2024 31 August 2024 30 November 2024 28 February 2025 31 May 2025 31 August 2025 30 November 2025 28 February 2026
<p>Recommendation 6</p>	<p>CRA must provide the Committee with a report confirming that it has implemented functionality to apply GST credits to COVID-19 individual benefit debts, and stating whether it plans to introduce further functionality to apply future government payments against a COVID-19 benefit amount owed by an individual or business.</p>	<p>29 February 2024</p>



INTRODUCTION

Background

On 6 December 2022, the reports of the Auditor General of Canada were tabled in the House of Commons and referred to the House of Commons Standing Committee on Public Accounts (the Committee) for consideration, one of which was “Specific COVID-19 Benefits.”² This report summarizes the Office of the Auditor General’s (OAG) report and includes the Committee’s recommendations to the CRA and ESDC.

Audit Parameters

The key parameters of the OAG performance audit are summarized in Table 2.

Table 2—Audit Parameters

Context	On 17 December 2021, Bill C-2, An Act to provide further support in response to COVID-19 , received royal assent and served to extend or create specific benefits and programs related to COVID-19. The act also required that the Office of the Auditor General of Canada (OAG) complete a performance audit of specific COVID-19 benefits during the first year after Bill C-2 came into force and submit a report to the Speaker of the House.
Audited organizations	<ul style="list-style-type: none"> • Canada Revenue Agency (CRA) • Employment and Social Development Canada (ESDC)
Audited programs	<ul style="list-style-type: none"> • Canada Worker Lockdown Benefit • Canada Recovery Benefit (CRB) • Canada Recovery Sickness Benefit • Canada Recovery Caregiving Benefit • Canada Emergency Response Benefit (CERB). Individuals could apply for the CERB through the CRA or ESDC. Claims through ESDC were referred to as the “Employment Insurance Emergency Response Benefit.” • Canada Emergency Wage Subsidy (CEWS)

² House of Commons, *Journals*, 6 December 2022.

Focus of the audit	<p>Determine whether the CRA and ESDC:</p> <ul style="list-style-type: none"> • ensured that COVID-19 benefit payments were accurate and paid to eligible applicants; • undertook timely procedures to recover overpayments and payments made to ineligible recipients; • managed the COVID-19 programs efficiently; and • measured their administrative effectiveness. <p>Finally, the audit examined whether the programs achieved their objectives and provided value-for-money outcomes.</p>
Period covered by the audit	<p>The audit covered the period from 15 March 2020 to 30 September 2022. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.</p>

Source: Office of the Auditor General of Canada, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, paras. 10.8, 10.9, 10.13, 10.A.2 and About the Audit.

Roles and Responsibilities

The main roles of the CRA and ESDC in relation to the audit are presented in Table 3.

Table 3—Roles and Responsibilities

ESDC	<p>The department is responsible for:</p> <ul style="list-style-type: none"> • policy development and program design of the COVID-19 benefits for individuals; and • administration of the Employment Insurance Emergency Response Benefit, including accepting applications, verifying and validating the eligibility of applicants, authorizing payments, and preventing non-compliance.
CRA	<p>The agency is responsible for:</p> <ul style="list-style-type: none"> • administration, on behalf of ESDC, of the other COVID-19 benefit programs for individuals and the CEWS, which included accepting applications, verifying and validating the eligibility of applicants, authorizing payments, and preventing non-compliance; and • collection of overpayments and payments made to ineligible recipients for all benefit programs for individuals and employers.

Source: Office of the Auditor General of Canada, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, paras. 10.11 and 10.12.



Audited Program Expenditures and Previous Reports

Total payments to recipients were \$211 billion, including \$101 billion for the CEWS, \$75 billion for the CERB, and \$28 billion for the CRB.³

The OAG has conducted numerous performance audits related to COVID-19, including two audit reports released in spring 2021 on specific benefit programs: [Report 6—Canada Emergency Response Benefit](#) and [Report 7—Canada Emergency Wage Subsidy](#).⁴

The Committee studied these two reports and presented its own reports ([Canada Emergency Response Benefit](#) and [Canada Emergency Wage Subsidy](#)) with recommendations to the CRA, ESDC and Finance Canada. Regarding the CERB, the [ESDC’s assessment report](#) and the [CRA’s assessment report](#) were provided to the Committee in response to its recommendations. As to the CEWS, Finance Canada presented its [report on federal tax expenditures](#) (Recommendation 1) to the Committee. The CRA provided a [report](#) on the preliminary results of its post-payment audits (recommendation 4) and [another report](#) on its plans to use real-time sub-annual data (Recommendation 5). The government presented its [response to the report on the CERB](#) and its [response to the report on the CEWS](#) to the House on 8 June 2022.

Meetings of the Standing Committee on Public Accounts

On 26 January 2023, the Committee held a meeting on the new OAG report, focusing specifically on CEWS-related outcomes, with the following in attendance:

- CRA – Bob Hamilton, Commissioner of Revenue and Chief Executive Officer; Cathy Hawara, Assistant Commissioner, Compliance Programs Branch; Marc Lemieux, Assistant Commissioner, Collections and Verification Branch; and Gillian Pranke, Assistant Commissioner, Assessment, Benefit and Service Branch
- OAG – Karen Hogan, Auditor General of Canada; Mélanie Cabana, Principal; and Josée Surprenant, Director⁵

3 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, Exhibit 10.2.

4 Ibid., para. 10.6.

5 House of Commons, Standing Committee on Public Accounts (PACP), *Minutes of Proceedings*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#).

On 2 February 2023, the Committee held a second meeting on this audit, focusing on the benefits for individuals, with the following in attendance:

- CRA – Bob Hamilton, Marc Lemieux, and Gillian Pranke
- ESDC – Jean-François Tremblay, Deputy Minister; Tammy Bélanger, Senior Assistant Deputy Minister, Benefits and Integrated Services Branch; Catherine Demers, Associate Assistant Deputy Minister, Skills and Employment Branch; Mary Crescenzi, Assistant Deputy Minister, Integrity Services Branch, Service Canada; Cliff Groen, Business Lead, Benefits Delivery Modernization; and Nathalie Manseau, Acting Chief Financial Officer and Director General, Financial Management Advisory Services
- OAG – Karen Hogan, Mélanie Cabana, and Lucie Després, Director⁶

FINDINGS AND RECOMMENDATIONS

A. Outcomes and Effectiveness

1. Support for Canada’s Economic Recovery

The OAG found that the “COVID-19 programs achieved their objective to help Canada avoid a more severe contraction of the economy and the social consequences of, for example, a significant increase in poverty. This financial support allowed the economy to rebound and return to its pre-pandemic level.”⁷

a) Economic Rebound

Statistics Canada reported that, between February and April 2020, Canada’s gross domestic product decreased, after adjusting for inflation, by \$350 billion, equal to a 17% reduction in economic activity. But, by November 2021, 20 months after the beginning of the pandemic, economic activity was back to its pre-pandemic level.⁸

6 PACP, *Minutes of Proceedings*, 1st Session, 44th Parliament, 2 February 2023, [Meeting No. 47](#).

7 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.23.

8 *Ibid.*, para. 10.28.



b) Mitigation of Poverty and Income Inequality

The OAG stated that “Statistics Canada data revealed that, without benefit programs, the poverty rate in Canada would have reached 11.6% in 2020, more than 5 percentage points higher than the observed 6.4% rate. This data showed that the COVID-19 benefits had a notable impact on preventing a spike in the poverty rate in 2020.”⁹

Statistics Canada data also showed that workers with relatively lower income were among those who received the most benefit payments, which compensated their loss of income. The after-tax income and cash benefits of families in the lowest market income quintile (employment, pensions and investment) in 2019 had increased by 16% by 2020, compared to 2% for those in the highest income quintile.¹⁰

Karen Hogan, Auditor General of Canada, added the following at the first meeting:

What we looked at was whether the programs were meeting some of their stated objectives. The ones to support individuals and businesses combined helped to mitigate an increase in poverty. We also looked at whether people were able to stay home and stay healthier and then allow the economy to bounce back. All of the statistical information that we analyzed supported that.¹¹

2. Support for People and Sectors Most Impacted by the Pandemic

a) People Most Impacted by the Pandemic

The OAG found that “individuals from the groups most impacted by the pandemic were able to benefit from the programs. Women, visible minorities, Indigenous groups, and youth aged 15 to 24 accessed programs at slightly higher rates than other groups did.”¹² In addition, “benefit payments supporting individuals were made in a timely manner, particularly during periods of public health restrictions.”¹³

9 Ibid., para. 10.30.

10 Ibid., para. 10.31 and Exhibit 10.6.

11 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1320.

12 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.34.

13 Ibid.

b) Unclear Impact of the Canada Emergency Wage Subsidy

The OAG found that the CEWS “supported employers in sectors that suffered the biggest employment declines.”¹⁴ However, “it was difficult to assess the impact of the program and how effectively the program met its objectives because of the limited information employers were required to provide upon application.”¹⁵

c) Missing Data for Assessment of Canada Emergency Wage Subsidy Effectiveness

The OAG found that the CRA did not have the data needed to measure the effectiveness of the CEWS. For example, the application form did not require employees’ social insurance numbers, who were supposed to be the ultimate beneficiaries of this program through their employers. Without data, the OAG could not “accurately determine

- the exact number of employees who benefited from this program;
- whether employees remained working for the same employers, changed to another employer, or moved to work in another sector; or
- the exact number of employees who were rehired (as the program aimed to encourage employers to rehire workers who were laid off as a result of the pandemic).¹⁶

Consequently, the OAG made the following recommendation:

In the administration of future programs, the Canada Revenue Agency should engage with its partners, such as Statistics Canada and relevant departments, to ensure it collects pertinent data from applicants to better monitor and measure the effectiveness and outcomes of programs.¹⁷

14 ibid., para. 10.35.

15 ibid.

16 ibid., para. 10.45.

17 ibid., para. 10.47.



According to its Detailed Action Plan, the CRA will “update its Directive for Developing Written Collaborative Arrangements (WCA) to formally include data requirements for the measurement of program outcomes where applicable.”¹⁸

Therefore, the Committee recommends:

Recommendation 1—On collecting relevant data from applicants

That, by 29 February 2024, the Canada Revenue Agency provide a report to the House of Commons Standing Committee on Public Accounts confirming that its Directive for Developing Written Collaborative Arrangements has been updated to formally include data requirements for the measurement of program outcomes.

3. Changes to Programs for Individuals

The government was aware from the onset that the introduction of COVID-19 benefits to individuals would create a disincentive to work for some recipients. ESDC announced changes to the CERB program to counter this disincentive.¹⁹

The OAG also found that some “lower-income recipients of the benefits replaced their previous annual earning by more than 100% using the [CERB] and by 119% by staying on the [CRB] for all periods. The government assessed the impact and took steps to mitigate these issues. These included introducing incentives to get more people working, especially when the economy was reopening.”²⁰

In the OAG’s opinion, “the ability for low-income individuals to earn more on the [CRB] represented a disincentive to work, which impacted some labour markets at a crucial time when the need for employees was trending upwards.”²¹

18 Canada Revenue Agency (CRA), [Detailed Action Plan](#), p. 1.

19 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.48.

20 *Ibid.*, para. 10.49.

21 *Ibid.*, para. 10.57.

B. Program Delivery and Controls

1. Limited Pre-Payment Controls

According to the OAG, despite “the fact that the [CRA and ESDC] added some pre-payment controls over time, there were still eligibility criteria for each program for which no pre-payment controls were implemented. [The OAG] found that \$4.6 billion was overpaid to ineligible recipients. [The OAG] also estimated that at least \$27.4 billion was paid to recipients that have an indicator of ineligibility and should be investigated further.²²”

The \$4.6 billion in overpayments to ineligible claimants included:

- \$3.1 billion paid to 1.8 million recipients who received an advance lump-sum overpayment for the Employment Insurance Emergency Response Benefit; and
- \$1.5 billion paid to 711,000 recipients who received more than one benefit per period.²³

The \$27.4 billion that should be investigated further included:

- \$8.3 billion paid to 627,000 recipients who earned less than \$5,000;
- \$3.8 billion paid to 1.4 million recipients who earned more than \$1,000 during a 4-week CERB period; and
- \$15.5 billion paid to CEWS recipients showed insufficient revenue decline based on GST/HST filing data.²⁴

During the meeting on the CEWS, CRA Commissioner Bob Hamilton stated that the OAG’s \$15.5 billion estimate was likely an overestimate:

At the same time, on one point the CRA had some observations surrounding the OAG’s estimate of potentially ineligible payments that require further investigation into the CEWS, and the Auditor General has referenced that in her remarks. The results of

22 *Ibid.*, para. 10.64.

23 *Ibid.*, pièce 10.9.

24 *Ibid.*



completed CEWS audits to date suggest that the number of ineligible claims is expected to be significantly lower than initially projected by the Auditor General.

By way of background, as is usual in compliance work, the CRA has started its reviews and audits of the highest-risk claimants, allowing the CRA to focus on claims that are most likely to be ineligible or overstated. This approach optimizes recoveries and ensures that high-risk claims are addressed while making efficient use of CRA resources.

In the audits that the CRA completed as of January 3, 2023, 94.2% of the amounts reviewed have been allowed, and the CRA has denied or adjusted 5.8% of the dollar value of these claims. Admittedly, the compliance work is in the early stages, but that's our experience on the ground so far.²⁵

He also added the following explanation on this estimate:

To be fair to the Auditor General's team, they were trying to come up with an estimate of how much might be out there, when there wasn't a lot of information available.

That's more of a projection of what's out there, rather than an approach. If we get to the projection, we think that GST data is not actually a very good indicator of who might be ineligible, and we have some experience with that. That's the issue of the estimate of the number. However, on the approach, ours is more of a risk-based approach.²⁶

In addition to these overpayments, the OAG "found other limitations to pre-payment controls that suggest more payments and recipients should be further investigated."²⁷ It should also be noted that the following examples were not included in the \$27.4 billion either because the OAG could not quantify the amount or because the information had not been validated to confirm its reliability:

- For the CERB, 190,254 recipients received \$1.6 billion in payments for which ESDC has information indicating recipients quit their employment. This information needs to be verified, as quitting may have made them ineligible for benefits.
- For the CEWS, a lack of detailed employee information (for example, not requiring social insurance numbers on application forms) prevented the CRA from using a control that would have identified instances of businesses inaccurately reporting information about employees (number

25 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1305.

26 *Ibid.*, 1315.

27 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.70.

and remuneration) in their claim and employees who were also claiming individual benefits.²⁸

According to the OAG, in addition to allowing for a better evaluation of the program, requiring social insurance numbers on CEWS application forms would have identified “instances of businesses inaccurately reporting information about employees (number and remuneration) in their claim and employees who were also claiming individual benefits.”²⁹ As Mr. Hamilton noted:

There were a few problems with that and reasons we didn’t. It would have taken a lot longer to do the systems development that we would have needed to do to incorporate those. It would have placed a burden on employers to provide those, so we didn’t do it because it was going to take too long and it was going to delay the program.³⁰

2. Limited Performance Standards and Measures

The OAG found that ESDC established performance standards by focusing solely on the speed of payment but had none to measure results related to the administrative efficiency, effectiveness, and outcomes of the programs.³¹ This could have been partly the case because the “urgency of responding to the impacts of the pandemic meant that government programs that would normally have taken months or years to design and implement had to be operational within weeks.”³² Nevertheless, the Committee feels that efficiency, effectiveness and outcomes of the programs should have been measured; thus, it recommends:

Recommendation 2—On Performance Standards

That, no later than 29 February 2024, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report detailing the measures taken to establish performance standards measuring administrative efficiency, effectiveness and program results.

28 Ibid.

29 Ibid.

30 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1410.

31 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, paras. 10.72 and 10.73.

32 Ibid., para. 10.58.



3. No Real-Time Business Revenue Data

The CRA did not have timely and sufficient data in its systems to reliably assess the CEWS eligibility criteria at the time of application. In the absence of real-time data, the CRA did not use the available GST/HST information to assess the eligibility criteria for demonstrating revenue decline.³³

Consequently, the OAG made the following recommendation:

In order to improve the efficiency of the tax and programs administration and to follow good practices, the Canada Revenue Agency should assess the value of implementing a real-time business revenue data requirement.³⁴

According to its action plan, the CRA will complete its examination of the various types of e-invoicing models and relevant international best practices and submit a final report in March 2024 on “the value of implementing a real-time business revenue data requirement in Canada that outlines the required infrastructure, a cost benefit analysis, and required policy and legislative changes.”³⁵

Therefore, the Committee recommends:

Recommendation 3—On real-time business revenue data

That, by 31 March 2024, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report on the value of implementing a real-time business revenue data requirement in Canada.

4. No Real-Time Payroll Data

The OAG found that the CRA and ESDC did not have a modern real-time payroll data requirement for businesses. Such data could have been used to assess program eligibility, calculate the benefit payment, and improve the overall efficiency of managing the COVID-19 programs.³⁶

33 Ibid., para. 10.74.

34 Ibid., para. 10.78.

35 CRA, [Detailed Action Plan](#), p. 1.

36 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.79.

Consequently, the OAG made the following recommendation:

In order to improve its efficiency of delivering benefit programs, the Canada Revenue Agency, with the collaboration of Employment and Social Development Canada, should pursue the development and implementation of a real-time payroll system with clear timelines and deliverables.³⁷

According to its action plan, by March 2024 the CRA “will deliver a fully costed implementation plan consisting of 3 deliverables: a business case that will recommend an ePayroll solution, supported by a transformation blueprint and a project management framework.”³⁸ Subsequently, the “implementation phase will move beyond March 2024.”³⁹

Karen Hogan noted the following about the two real-time data recommendations:

The Canada Revenue Agency is in full agreement with both of these recommendations, and as Mr. Hamilton mentioned, it is already well ahead of schedule in implementing them. So I encourage the country to continue this work. It will be long and difficult, but it will improve the management of a number of benefit programs, and not just those related to emergency situations.⁴⁰

Therefore, the Committee recommends:

Recommendation 4—On real-time payroll data

That, by 31 March 2024, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a progress report on the development of a real-time payroll system and its collaboration with Employment and Social Development Canada in this regard. A final report on the implementation of the system should also be provided by 31 March 2025.

C. Post-Payment Verification and Collection

According to the legislation, “for most COVID-19 benefit programs, verifications of eligibility must be completed within 36 months after the benefits have been paid. If

37 Ibid., para. 10.84.

38 CRA, [Detailed Action Plan](#), p. 2.

39 Ibid.

40 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1445.



either the department or the agency suspects that recipients misrepresented information, then the verification time frame could be extended to a maximum of 72 months.”⁴¹

1. Post-Payment Verification

Plans for verifying eligibility of recipients of benefits after payments for individual programs were incomplete. These plans did not include post-payment verification of all the overpayments or payments to recipients that either were ineligible or should be investigated further to verify eligibility.⁴²

The CRA’s and ESDC’s plans were not aligned with the early decision to focus on verifying eligibility after payment, given the low number of post-payment verifications to be performed. As the COVID-19 pandemic evolved, the CRA and ESDC delayed their post-payment verifications of recipients’ eligibility. As a result, the CRA and ESDC are at risk of not completing planned post-payment verifications within the legislated time frames.⁴³

At the second meeting, Ms. Hogan explained the reasons for the post-payment verification delays:

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.⁴⁴

Although the post-payment verifications for the CEWS started in August 2020, the CRA is at risk of not being able to complete all the planned post-payment verifications. This is because of their complexity, as well as the significant amount of time and effort required

41 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.86.

42 Ibid., para. 10.88.

43 Ibid., para. 10.89.

44 PACP, *Evidence*, 1st Session, 44th Parliament, 2 February 2023, [Meeting No. 47](#), 1610.

to conduct them. Subject to exceptions, the CRA normally has 36 or 48 months, depending on the type of recipient, to complete the verifications.⁴⁵

According to the International Public Sector Fraud Forum, given the limited ability to implement pre-payment controls in an emergency situation, it is important that verifications following payment are carried out to uphold the stewardship of public funds. In addition, considering the Treasury Board's policy on financial management, organizations should follow up and recover payments made in error. That is why the OAG is of the view that "all cases identified as representing a risk of not meeting program criteria must be followed up and verified for fairness to all recipients and Canadians."⁴⁶

At the first meeting, Ms. Hogan added the following:

In terms of the need for more rigorous post-payment audits, I would suggest that the government look not only at the amount of payments that have been made to ineligible businesses or taxpayers, but also at the error rate. As I mentioned, during the second phase of audits that the Canada Revenue Agency is currently doing, it found that about two out of three files were problematic. I think this indicates that much more work needs to be done, because the law requires that our tax system treat every taxpayer fairly. It's not enough to look at the figures, but we also have to make sure that every taxpayer has been treated fairly.⁴⁷

Consequently, the OAG made the following recommendation:

The Canada Revenue Agency and Employment and Social Development Canada should:

- update their post-payment verification plans to include all activities to identify payments to ineligible recipients of COVID-19 benefit programs, taking into account the legislated time frames; and

45 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.102.

46 Ibid., para. 10.100.

47 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1445.



- increase the extent of post-payment verifications for COVID-19 benefit programs for individuals to include all cases identified as being at risk of being ineligible.⁴⁸

The CRA and ESDC only partially agreed with this recommendation, with both stating that it “would not be cost effective nor in keeping with international and industry best practices to pursue 100% of all potentially ineligible claims.”⁴⁹

Mr. Hamilton explained the disagreement with the recommendation:

In terms of partially disagreeing, our perspective on it is we generally—almost exclusively—take an approach within the agency to focus on a risk-based assessment. We take a look at the information that we have at our disposal, try to identify where the highest risks are and go after those. It's the highest risks and potential for recovery, and not covering 100% of the people.

There is an approach where you could go after 100% and uncover everything, but we take that risk-based approach and we amend it as we move forward. As we develop evidence about what worked and what did not work in previous attempts, we adjust our risk parameters based on business intelligence that we have. That may be leads that we have or some of the information we have at our disposal.

I think that's the core of the issue, in terms of partially disagreeing. We didn't want to commit to reviewing every claim that came in.⁵⁰

According to its action plan, the CRA will update its verification plan to “include known risk-based ineligible applications by June 2023. The plan will continue to be updated as needed to incorporate lessons learned from results of ongoing compliance activities.”⁵¹ The CRA will also “complete all planned compliance activities, which began in July 2020 and involves the validation of eligibility for all COVID-19 benefits for individuals,”⁵² by March 2025.

For its part, ESDC will establish “a risk-based approach to post-payment verifications for the [Employment Insurance Emergency Response Benefit] focussing on the highest risk

48 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.101.

49 Ibid., Recommendations and Responses.

50 PACP, *Evidence*, 1st Session, 44th Parliament, 26 January 2023, [Meeting No. 45](#), 1310.

51 CRA, [Detailed Action Plan](#), p. 2.

52 Ibid.

files and greatest dollars at risk.”⁵³ Its verification plan “will be updated on an annual basis, incorporating lessons learned from ongoing verification activities and will outline planned activities for the subsequent fiscal year.”⁵⁴ ESDC will also “report annually to stakeholders, Parliamentarians and Canadians on [Employment Insurance Emergency Response Benefit] savings associated with errors, misrepresentation and fraud.”⁵⁵

At the second meeting, Jean-François Tremblay, Deputy Minister, ESDC, explained the ongoing verifications:

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.⁵⁶

The CRA and ESDC note that this “approach is evergreen, and will be adapted as the circumstances warrant.”⁵⁷

Because the CRA and ESDC did not fully agree with the OAG’s recommendation, and because “the department’s and agency’s plans were not aligned with the early decision to focus on verifying eligibility after payment, given the low number of post-payment verifications to be performed,”⁵⁸ the Committee would like to receive costed

53 Employment and Social Development Canada, [Detailed Action Plan](#), p. 1.

54 Ibid.

55 Ibid.

56 PACP, *Evidence*, 1st Session, 44th Parliament, 2 February 2023, [Meeting No. 47](#), 1630.

57 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.101.

58 Ibid., para. 10.89.



justifications of different collection scenarios, as well as quarterly data on verifications and collections. Therefore, it recommends:

Recommendation 5—On verifications and collections

That the Canada Revenue Agency and Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts:

- **no later than 29 February 2024, a report explaining the changes to their verification plans, including a costed justification (potential costs and benefits to the taxpayers) for not pursuing all potentially ineligible applications, and a cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was under Statistics Canada’s After-Tax Low Income cut-offs at the time of their demand, who received individual benefits, but were then found to be ineligible according to the Canada Revenue Agency or Employment and Social Development Canada;**
- **no later than 29 February 2024, a report showing statistics on the number of post-payment verifications conducted for the COVID-19 benefit programs up to 31 December 2023, for each of the individual programs and for the Canada Emergency Wage Subsidy, as well as the amounts paid to ineligible recipients, the amounts collected, and the number of ineligible recipients according to the Canada Revenue Agency or Employment and Social Development Canada, and those subject to such collections; and**
- **quarterly reports presenting these same statistics for the previous quarter by 31 August (1st fiscal quarter – April through June), 30 November (2nd quarter – July through September), 28 February (3rd quarter – October through December), and 31 May (4th quarter – January through March), beginning on 31 May 2024 and ending on 28 February 2026.**

2. Collection

Due to the delays in post-payment verification work, the CRA’s collection activities were at the early stages for the COVID-19 programs audited. It had sent few notices of amounts owed, with the exception of notices to recipients of lump-sum advance payments, which were sent by ESDC. Once notifications were sent, the CRA’s collection

activities were limited to answering incoming calls from individual recipients or employers.⁵⁹

For benefits to individuals, the information the CRA and ESDC provided to the OAG showed that approximately \$2.3 billion of ineligible payments have been repaid.⁶⁰

The OAG “also found that the agency’s information technology system did not have the capability to apply future government payments against a COVID-19 benefit amount owed by an individual, whereas the department’s system had this functionality. For example, the agency could not apply income tax refunds or GST payments against the amounts owed.”⁶¹

Consequently, the OAG made the following recommendation:

To increase the recovery of COVID-19 amounts owed and reduce the administrative burden, the Canada Revenue Agency should, before the end of December 2022, put system functionalities in place to apply refunds against COVID-19 amounts owed.⁶²

According to its action plan, beginning 17 October 2022, “the Agency implemented the ability to apply T1 refunds to COVID-19 individual benefit debts.”⁶³ As well, in “February 2023, the Agency will introduce the necessary functionality to apply GST credits to COVID-19 individual benefit debts.”⁶⁴

Therefore, the Committee recommends:

Recommendation 6—On the recovery of amounts owed

That, no later than 29 February 2024, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report confirming that it has implemented functionality to apply GST credits to COVID-19 individual benefit debts, and

59 Ibid., para. 10.103.

60 Ibid.

61 Ibid., para. 10.113.

62 Ibid., para. 10.114.

63 CRA, [Detailed Action Plan](#), p. 3.

64 Ibid.



stating whether it plans to introduce further functionality to apply future government payments against a COVID-19 benefit amount owed by an individual or business.

The OAG was unable to audit the amounts the CRA received from individuals and businesses for each of the COVID-19 programs under audit because the CRA could not provide detailed and disaggregated reporting data.⁶⁵

Consequently, it made the following recommendation on information collection:

To increase the recovery of COVID-19 amounts owed and reduce the administrative burden, the Canada Revenue Agency should, before the end of December 2022, put system functionalities in place to apply refunds against COVID-19 amounts owed.⁶⁶

According to the CRA's Detailed Action Plan, for "collections reporting of the individual and business COVID-19 benefit programs, the development of aggregated reporting capabilities will be completed by end of June 2023, and the implementation of detailed reporting capabilities will be completed by end of October 2023."⁶⁷

If these measures are effective, they should address the OAG's recommendation to accurately report for each benefit program how much has been collected for each individual and business. The amounts recovered under each program should be available and will be reported to the Committee, in accordance with Recommendation 5 of this report.

CONCLUSION

The Canada Revenue Agency and Employment and Social Development Canada were responsible for the initial design, administration and collection of overpayments and payments made to ineligible recipients of the COVID-19 benefit programs for individuals and the Canada Emergency Wage Subsidy.

The Office of the Auditor General found that the CRA's and ESDC's approach to limit pre-payment controls, as well as the lack of timely data at the time of application, resulted in a significant number of payments made to recipients who were ineligible or

65 OAG, [Specific COVID-19 Benefits](#), Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.103.

66 Ibid., para. 10.115.

67 CRA, [Detailed Action Plan](#), p. 3.

whose eligibility needs to be verified. The OAG found \$4.6 billion of overpayments made to ineligible recipients of benefits for individuals. In addition, at least \$27.4 billion of payments to individuals and employers should be investigated further.

The CRA and ESDC did not develop rigorous and comprehensive plans to verify the eligibility of recipients. There have also been delays in conducting post-payment verifications and the collection of amounts owing has just started at the end of the audit period.

The Committee therefore makes six recommendations to ensure that the OAG's recommendations are adequately addressed, and that the CRA and ESDC provide evidence of this to the Committee through progress reports. The recommendations relate to collecting relevant data from applicants, real-time business revenue data and real-time payroll data, and post-payment verification and collection.

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Canada Revenue Agency Bob Hamilton, Commissioner of Revenue and Chief Executive Officer Cathy Hawara, Assistant Commissioner, Compliance Programs Branch Marc Lemieux, Assistant Commissioner, Collections and Verification Branch Gillian Pranke, Assistant Commissioner, Assessment, Benefit and Service Branch	2023/01/26	45
Office of the Auditor General Mélanie Cabana, Principal Karen Hogan, Auditor General Josée Surprenant, Director	2023/01/26	45
Canada Revenue Agency Bob Hamilton, Commissioner of Revenue Marc Lemieux, Assistant Commissioner, Collections and Verification Branch Gillian Pranke, Assistant Commissioner, Assessment, Benefit and Service Branch	2023/02/02	47

Organizations and Individuals	Date	Meeting
<p>Department of Employment and Social Development</p> <p>Tammy Bélanger, Senior Assistant Deputy Minister, Benefits and Integrated Services Branch</p> <p>Mary Crescenzi, Assistant Deputy Minister, Integrity Services Branch, Service Canada</p> <p>Catherine Demers, Associate Assistant Deputy Minister, Skills and Employment Branch</p> <p>Cliff Groen, Business Lead, Benefits Delivery Modernization</p> <p>Nathalie Manseau, Acting Chief Financial Officer and Director General, Financial Management Advisory Services</p> <p>Jean-François Tremblay, Deputy Minister</p>	2023/02/02	47
<p>Office of the Auditor General</p> <p>Mélanie Cabana, Principal</p> <p>Lucie Després, Director</p> <p>Karen Hogan, Auditor General</p>	2023/02/02	47

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 45, 47, 81, 82, 87, 90](#)) is tabled.

Respectfully submitted,

John Williamson
Chair

OPINION – LIBERAL PARTY OF CANADA

Liberal members of the Standing Committee on Public Accounts do not contest any of the main points contained in the report. They are also in agreement with all the recommendations inside the report.

However, Liberal members take issue with the conclusion as being incomplete, by omitting key elements of the testimonies made in front the committee.

The COVID-19 programs were a significant contributive factor in preventing Canada from a more severe contraction of its economy due to the pandemic, the majority report's conclusion does not reflect that very critical fact.

a) This reality was acknowledged by the OAG in their audit; the COVID-19 programs did accomplish the objectives the government had set during the pandemic, at a time of incredible financial and emotional stress for Canadians. She recognized that the vast majority individuals from the groups that were most impacted by the pandemic were able to benefit from these programs.

b) As cited in the section "Support for Canada's Economic Recovery" of the majority report, the COVID-19 programs, the COVID-19 programs helped avoid the economic and social consequences of a significant increase in poverty due to the income losses caused by the pandemic. The OAG equally concluded that this financial support allowed the economy to rebound and return to its pre-pandemic level. (1)

Furthermore, the majority report's conclusion completely omits the testimony made by the Commissioner of the Canada Revenue Agency (CRA) in response to the OAG's reported amounts in overpayments to ineligible recipients of benefits for individuals.

- a) On behalf of the CRA, the Commissioner has cautioned the Committee that the OAG's estimations remained projections and could be overestimated.
- b) During his testimony, the Commissioner confirmed that the CRA has conducted post-pandemic audits earlier this year, which have revealed that the vast majority of the amounts reported by the OAG had being made to recipients who were in fact later determined to be eligible.

The Liberal members of the Committee thus believe the report's conclusion should reflect the complete picture of the OAG's audit report, together with the response from the CRA. However this is not the case. Instead, the majority report rejected these considerations to the detriment of the context of the programs and the completeness of the report.

Therefore, Liberal members of the Standing Committee on Public Accounts must dissent with the conclusion of the majority report.

1. *OAG, Specific COVID-19 Benefits, Report 10 of the 2022 Reports of the Auditor General of Canada, para. 10.23.*

Conservative Party of Canada Dissenting Report: Report 10, Specific COVID-19 Benefits, of the 2022 Reports 9 and 10 of the Auditor General of Canada

Background

Liberal government interference in design and implementation of the Canadian Emergency Wage Benefit and the Canadian Emergency Response Benefit resulted in at least 32 Billion dollars of taxpayers money being paid to ineligible recipients.

Political decisions made by the Cabinet overrode recommendations by the CRA on setting up more stringent pre-payment controls and instead forced the departments to dole out taxpayers' dollars based upon self-attestation, a very limited prepayment control, despite this knowledge "this would lead to very large eligibility problems."¹

Then-Minister of National Revenue, Diane LeBoutillier further politicized this issue by attacking the Auditor's General's integrity "The CRA's actual audits indicate that compliance with the subsidies was high and that the Auditor General's figure is exaggerated. That is not the Auditor General's fault. We all know that she was pressured by the opposition to produce this report."²

We are particularly disturbed by the Auditor General's finding that "the department and agency's approach to limit pre-payment controls, as well as the lack of timely data at the time of application, resulted in a significant amount of payments made to recipients who were ineligible or whose eligibility needs to be verified, and the department and agency did not develop rigorous and comprehensive plans to verify the eligibility of recipients."³

Despite the billions of dollars lost by the Government of Canada, Employment and Social Development Canada and the Canada Revenue Agency still questions the feasibility and economics to pursue ineligible claims.⁴

¹ <https://www.ourcommons.ca/documentviewer/en/44-1/PACP/meeting-47/evidence>

² <https://www.ourcommons.ca/PublicationSearch/en/?targetLang=&Text=%22agree%22&PubType=37&ParlSes=44-1&Topic=&Proc=&Per=88460&com=&oob=&PubId=&Cauc=&Prov=&PartType=&Page=1&RPP=15#>

³ https://www.oag-bvg.gc.ca/internet/docs/parl_oag_202212_10_e.pdf, Pg. 4

⁴ Ibid, Pg. 87

The Conservative members of the committee recommend:

Recommendation #1

That former Minister of National Revenue and current Minister of Fisheries and Oceans, the Hon. Diane Lebovillier, apologize to the Auditor General of Canada for her politically motivated attack on the Auditor General's integrity.

Recommendation #2

The Canadian Revenue Agency immediately implement the Auditor General of Canada's methodology that calculated levels of ineligibility for the COVID benefit wage subsidy.

Recommendation #3

That the Canadian Revenue Agency and Employment and Social Development Canada accept the findings of the Auditor General in its entirety and perform immediate and extensive post-payment verifications to identify payments made to ineligible recipients.

Recommendation #4

The Canadian Revenue Agency and Employment and Social Development end their post-payment verification delays and work expeditiously to retrieve all ineligible COVID financial aid.

The New Democratic Party of Canada has deep disagreements with many aspects of this report.

However, New Democrats strongly support recommendation 5's call on the Canada Revenue Agency to produce a cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was under Statistics Canada's low-income cut-off. We also emphasize that recommendation 103 of the Standing Committee on Finance's March 2023 pre-budget consultation report called for a CERB repayment amnesty for Canadians living at or near the low-income measure. Sadly, this call was not reflected in the 2023 federal budget. New Democrats are pleased that the Public Accounts Committee of Canada has called on the government to produce a cost estimate for a low-income repayment amnesty.

New Democrats profoundly disagree with recommendation 6 – which calls on the Canada Revenue Agency to confirm that they have functionality to apply GST credits to COVID-19 individual benefit debts. These GST clawbacks will have devastating effects on some of the poorest and most vulnerable members of Canadian society. It is also our opinion that this recommendation is premature given that the committee recognized the need to call on the government to cost a repayment amnesty for low-income Canadians in recommendation 5 of this report.

The New Democratic Party of Canada strongly believes that the issue of the repayment of individual COVID-19 benefits is not a settled question of program performance and public accounting, but rather an urgent political issue that must be debated by parliamentarians. At a time when millions of working families are struggling to put food on the table and keep a roof over their heads, it is grotesque that the limited capacity of the Canada Revenue Agency should be directed at clawing back emergency pandemic aid from low-income people instead of ending the rampant tax evasion from corporate Canada and the ultra-wealthy that costs Canadians tens of billions of dollars every year according to economists and taxation experts.

New Democrats will keep pushing for a COVID-19 benefits low-income repayment amnesty and for the appropriate use of the Canada Revenue Agency's resources as part of our efforts to build a fair taxation system.

