

**GOVERNMENT RESPONSE TO THE 35th REPORT OF THE STANDING
COMMITTEE ON PUBLIC ACCOUNTS, ENTITLED: “SPECIFIC COVID-19
BENEFITS”**

INTRODUCTION

The Government of Canada is pleased to respond to the Thirty fifth Report of the Standing Committee on Public Accounts entitled “Specific COVID-19 Benefits”, tabled in the House of Commons on December 12, 2023. The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations.

Below is the Government Response to each recommendation.

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.

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the 29 February 2024 report requested by the Committee. The Canada Revenue Agency (CRA) has updated its Directive for Developing Written Collaborative Arrangements to ensure that data requirements for the measurement of program outcomes are systematically considered and that the responsibility for reporting program outcomes are clearly established as of March 2023.

As the administrator of government programs, the CRA will continue to engage with program departments to discuss the data required to measure and report on the effectiveness of these programs, as well as the framework to exchange this information in a timely and secure manner. While the program departments are responsible for measuring and reporting on the outcome of initiatives under their responsibility, the CRA will be an active partner, supporting them in their data needs.

With regards to the administration of future programs on behalf of other Departments or Agencies:

- The CRA will continue its current practice to engage with program departments as new programs are announced to discuss data requirements (ongoing).

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.

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the 29 February 2024 report requested by the Committee.

In a standard program implementation cycle, key performance indicators for administrative efficiency, effectiveness and outcomes are typically developed. However, recognizing the acute impact of the pandemic on Canadians, the Government of Canada's priority at the time of developing and implementing the COVID-19 benefits was to get these supports to workers as quickly as possible. As such, key performance indicators were not developed prior to implementation.

Performance Standards were established for the COVID-19 benefits and focused on speed of payment of the benefits, as noted in the December 6, 2022, report of the Office of the Auditor General (OAG). This was due to the urgency of responding to the impacts of the pandemic, which meant that government programs that would normally have taken months to design and implement.

Basic eligibility criteria and an attestation-based application process were used to allow rapid delivery of these emergency supports to the broadest number of claimants. The OAG performance audit found that Employment and Social Development Canada (ESDC) and the CRA effectively delivered COVID-19 emergency programs and provided relief to individuals and employers affected by the pandemic.

The attestation-based application process approved by Parliament was the only effective way to provide money quickly to eligible workers. This process is also an acknowledged best practice by the International Public Sector Fraud Forum (IPSFF) when providing rapid supports.

The Government of Canada was fully aware of the risks associated with the attestation-based application approach. The approach was balanced by a risk-based integrity framework focused on post-payment verifications. As part of the 2020 Fall Economic Statement (FES), the Government of Canada announced \$260.4 million over four years for ESDC and the CRA to increase their respective capacities to detect, investigate and address cases of error, misrepresentation/abuse and fraud related to the Canada Emergency Response Benefit (CERB) and the Employment Insurance – Emergency Response Benefit (EI-ERB). The Government has a strong post-payment verification plan that it will continue to apply methodically.

All of the COVID-19 emergency benefits programs have ended and are no longer operating. As such, no new performance standards specific to those benefits will be developed. The Government reported on how the emergency benefits fit into overall Employment Insurance results for the pandemic period in the 2021-22 Departmental Performance Report for ESDC.

On March 31, 2022, the CRA tabled with PACP its Final Report entitled "*Canada Emergency Response Benefit Formal Assessment - Best Practices and Lessons Learned*", an assessment of the work the CRA undertook over the span of March 15 to

December 31, 2020. This reports aimed to preserve the institutional memory so the CRA can apply the findings to the design and delivery of future government emergency response and recovery benefits. The best practices and lessons learned identified in this formal assessment will be useful in guiding the planning and implementation for future emergency benefits. The Final Report embodied the key known risks when the CRA implemented the CERB and captures the decisions the CRA made and the risks it took to aid Canadians as quickly as possible during a time of crisis.

On November 25, 2022, ESDC tabled its formal assessment report of the CERB, including EI-ERB, entitled "*Formal Assessment of the Delivery of the Canada Emergency Response Benefit*" as delivered by ESDC" with PACP. It confirmed that CERB's streamlined design was fundamental to its success, affirming that prioritizing simplicity is a best practice when designing emergency benefits. Developing a client-centric, simplified benefit that was easy for clients to understand and for staff to administer was essential to quickly provide support to workers (e.g., flat rate and set dollar value, straightforward application system, no requirement for supporting documentation, streamlined rules, limited up-front controls, and automation). The report also stated that the risk-based approach to post-payment verifications was intended to balance the need for program integrity, financial stewardship and compassion for workers in Canada facing financial hardship due to the COVID-19 pandemic. The challenges of managing the delicate balance between these objectives was recognized.

These emergency benefits were also implemented in the context of significant uncertainty about the length of the COVID-19 pandemic and its impacts on the economy and labour market. As such, a performance results framework would not have been possible. However, the OAG report supports the conclusion that these COVID-19 benefits 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.

Given the speed in which the CERB was designed and implemented, a full Gender Based Analysis Plus (GBA+) was not done. However, it was designed to be as universal as possible to quickly support workers who had lost employment income due to the COVID-19 pandemic. According to a Statistics Canada 2020 analysis of ESDC data, more First Nations, Métis and Inuit workers received CERB payments in 2020 (total of 39.2%) than for non-Indigenous workers (33.9%). Also, workers in visible minority groups, low-wage workers and young workers were more likely to have received the CERB. A slightly higher percentage of women workers in 2019 received the CERB (36.3%) compared to men (34.2%). Overall, 48.5% of applicants who accessed the benefit identified as female, 51.4% as male and 0.1% as gender diverse.

As part of their integrity work, ESDC and the CRA have assessed all COVID-19 benefit program applications against the eligibility criteria and are leveraging a risk-based approach to post-payment verifications that focuses on the highest risk files and the greatest dollars at risk. Given the emergency situation and pandemic circumstances ESDC and CRA managed the COVID-19 programs efficiently and effectively, both in terms of the attestation-based response to the situation and in developing the post-payment integrity framework. The Government of Canada is committed to ensuring the

financial stewardship of its benefits and continuing to make investments that benefit Canadian workers and the work to modernize efforts related to benefits delivery is ongoing.

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.

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the 31 March 2024 report requested by the Committee.

The CRA continuously strives to enhance its program administration through the review of international best practices, including assessing options to support program administration and increase business efficiencies through the receipt of real-time, or near real-time, business revenue data, given that Canada does not currently have a national standard for exchanging of invoices between businesses.

Within its legislative authority, the CRA has assessed the value of implementing electronic invoicing (e-invoicing) that would provide the CRA with access to close to real-time sales transactional data. As part of this undertaking, the CRA conducted a feasibility study and drafted a report including the necessary infrastructure analysis, completion of a cost benefit analysis, and necessary policy and legislative changes to implement such a requirement.

E-invoicing encompasses the automated transmission of structured data from a supplier in a manner that can be integrated into the buyer's accounts payable system without requiring manual data entry and other error-prone and costly interventions. E-invoicing also allows governments to embrace modernization and digitization goals, increase tax revenue and compliance levels, lower the Goods and services Tax (GST) /Harmonized Sales Tax (HST) gap through access to real-time business revenue data. As such, the CRA has researched e-invoicing to better understand the opportunities it presents in addressing both tax compliance concerns and increasing business efficiencies.

While still in the exploratory stages, the CRA began looking at e-invoicing in 2019, forming a dedicated E-invoicing for Sales Tax Section within the Compliance Programs Branch to lead the e-invoicing initiative and evaluate how e-invoicing may be leveraged to enhance sales tax compliance within the Canadian context.

Phase 2 of the project has recently concluded, where the CRA identified the impacts of e-invoicing data on internal programs and business processes, defined critical requirements for an e-invoicing mandate including legislative requirements, and explored tangible tax and service benefits for e-invoicing adoption.

As the e-invoicing landscape is complex and ever-evolving internationally, the CRA will continue to assess the feasibility of e-invoicing adoption through continued research and stakeholder engagement to ensure the success of not only a technological shift but

a cultural shift in how businesses and the tax administration interact with each other and what the long-term vision is for ensuring the CRA maintains its people-first approach while addressing emerging compliance risks and helping to secure tax revenues for key public investments.

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.

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the initial 31 March 2024 report requested by the Committee. As requested, the CRA will submit a final report to the Committee by 31 March 2025.

The CRA, as the project lead and in collaboration with ESDC and the Treasury Board Secretariat – Office of the Chief Information Officer (TBS-OCIO), is on track to submit the fully costed ePayroll implementation plan for Phase II (the implementation phase) which consists of three main deliverables: a business case, a transformation blueprint, and a project management framework, by March 31st, 2024.

The ePayroll information service is dependant on continued government support and related funding in order to proceed to the implementation stage. Should the Government decide to move forward with Phase II, the implementation of this initiative would be comprised of three components:

1. CRA as the host and administrator of the ePayroll information service.
2. CRA as an authorized user of ePayroll data to enhance the generation of the T4 Statement of Remuneration Paid (T4); and
3. ESDC as an authorized user of ePayroll data to enhance the administration of EI replacing the need for employers to issue a Record of Employment (ROE).

The ePayroll information service is expected to be a valuable data source from which business intelligence can be leveraged by the Government of Canada to improve policy development, program integrity, and the design and delivery of services to Canadians, while reducing administrative burden on employers.

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:

I. 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;

II. 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

III. 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.

The Government of Canada acknowledges this recommendation. The information in the following paragraphs represents the 29 February 2024 reports requested by the Committee for recommendations 5.1 and 5.2. As requested, for recommendation 5.3, the CRA will also submit a quarterly report to the Committee from 31 August 2024 until 28 February 2026.

The CRA's and ESDC's verification plans for the suite of COVID-19 individual support payments has undergone revisions since the last update tabled on May 31, 2023, and may continue to change in the future as the CRA and ESDC strives to remain agile and adaptive to emergent risks and as additional compliance results become available.

As of December 31, 2023, the CRA has completed the verification of ~544,000 individuals, representing 62% of the total 875,000 objective of the plan. In addition, the CRA currently has ~203,000 underway at varying degrees of completion. The completed verification includes individuals that were incarcerated while in receipt of one or more of the emergency and recovery benefits. The CRA anticipates completion of these projects by mid-2024-2025.

In order to complete the remaining reviews to reach the 875,000 verifications, the CRA developed a composite risk model to assess 7.2 million unique benefit recipients across the emergency and recovery benefit programs, allowing recipients with the highest risk of ineligibility to be selected for a review. This risk model leverages data analytics and intelligence capabilities to establish a multi-risk factor for each individual as a basis to establish CRA's Plan for Post-Payment Verifications.

In fiscal year 2022-2023, ESDC's EI-ERB post-payment verification activities focused mainly on confirming compliance with the qualifying income eligibility requirement. ESDC leveraged its data analytics and intelligence capabilities to assess all EI-ERB applications using a variety of risk parameters and is currently employing a risk-based approach that focuses on the highest risk files and the greatest dollars at risk. In the fall of 2023, ESDC began post-payment verification activities to confirm compliance with the earnings while on claim eligibility requirement. This work will continue into fiscal year 2024-2025. As of December 31, 2023, 77,353 EI-ERB post-payment verifications have been completed, representing 49% of the total 157,000 workload and an estimated overpayment value of \$250 million dollars. As of the same date, \$133.9 million in overpayments has been recovered.

The CRA and ESDC continue to work with benefit recipients to help them provide the necessary documents to support their eligibility during both the review and recourse process. Plans will remain evergreen and will continue to be adapted as delivery of post-payment verifications remain ongoing.

Recommendation 5.1 requests a costed justification for not pursuing all potentially ineligible applications. The CRA administers the COVID-19 benefits for individuals on behalf of ESDC who established the total volume of reviews at 875,000. ESDC has established a target of 157,000 reviews.

The International Public Sector Fraud Forum advises stewards of public funds to carry out targeted post-payment verification, and the CRA and ESDC strives to adhere to the forum's principles. For this reason, the CRA and ESDC designed comprehensive compliance programs for COVID-19 benefits, which considers socio-economic factors and applies risk assessment tools. A risk-based approach allows for exclusion of vulnerable populations and the selection of the most high-risk cases and therefore the greatest probability of ineligibility. The CRA and ESDC have determined that reviewing all files or all potentially ineligible files would not be cost effective and would lead to a low rate of return and would not align with the Government's commitment to uphold sound stewardship of public funds.

Further integrity work is planned to continue until 2025, with a projected cost of \$707 million encompassing fiscal year 2020-21 to 2025-26. The CRA plans to review a total of approximately 875,000 recipients of all COVID-19 income support benefits for individuals, in addition to double dipper (individuals who received COVID-19 benefit payments from both the CRA and Service Canada with respect to the same period) reviews. These figures include validation costs and the associated downstream impact costs to collections and recourse for work completed and estimated to be completed for CERB, CESB, CRB, CRCB, CRSB and CWLB. ESDC received \$114.3 million in funding encompassing fiscal years 2021-22 to 2024-25 to complete post-payment verification of EI-ERB claims. The ESDC amount only includes costs for performing post-payment verifications.

While it is impossible for the CRA to determine ineligibility without reviewing a payment manually, the OAG identified potential overpayments and ineligible amounts across all

programs (CERB, EI-ERB, CRB, CRCB, CRSB and CWLB). The OAG identified \$4.6B in overpayments to ineligible recipients (advance EI-ERB payments and so called “double dippers”) in Exhibit 10.9 of Report 10 – Specific COVID-19 Benefits. All of these cases will be reviewed.

The OAG identified a further \$12.1B of payments that should be investigated further in Exhibit 10.9, as well as an additional \$2.2B of payments for investigation in Annexes A – E. Overall, Report 10 identified ~\$14.3B in payments that should be investigated further by the CRA and ESDC.

The CRA estimates that it will have reviewed approximately \$17.5B in individual benefit payments once it has completed the planned 875,000 reviews.

Overall, the CRA estimates that its verifications alone (excluding those of ESDC for EI-ERB) will exceed the dollar value of potentially ineligible benefits received by individuals (as identified in the OAG report) by almost \$3.2B. That is 22% more coverage than the amount of potentially ineligible payments requiring further investigation identified by the OAG.

In addition, ESDC has completed about 49% of its planned verifications, representing approximately \$250M in ineligible payments.

A cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was below the Statistics Canada’s After-Tax Low-Income Cut-offs (LICO) at the time of their demand, as requested in recommendation 5.1, is a complex query. The CRA and ESDC are unable to provide a cost estimate. Costs would be driven by the volume of individuals who fall under the mechanism used to enact an amnesty (ex. remission order), which would require a remission order and the processing costs associated with the implementation.

As well, it would be operationally complex to apply the LICO cut-offs in context of considering a benefit repayment amnesty for various reasons. First, the definition of family employed in the LICO differs from the way the CRA systems connect individuals. While the CRA systems connect married and common-law couples and connect a parent with their under-age children, it does not connect family members as is the case for LICO that use a broad definition of family including co-habiting siblings or multi-generational households

Second, the types of income used in the LICO calculation are broad and less generous than the approach used by CRA. The LICO cut-offs includes taxable and non-taxable income such as employment, self-employment, employment insurance, and Canada Pension Plan. However, unlike the COVID-19 emergency benefits, it also incorporates government transfers, including the Canada Child Benefit, GST credit/HST credit, and the COVID-19 individual benefits.

Accurate use of the LICO table for the purposes of amnesty would require the CRA to use the same method to calculate income and family size used by Statistics Canada which poses challenges based on CRA system limitations. Third, assessment for

amnesty would likely not be responsive to individual circumstances as specific income thresholds would need to be set irrespective of specific vulnerabilities of an individual. For instance, utilization of LICO data would create situations where individuals in close proximity, but in different community size (based on postal code) would have different qualification thresholds for an amnesty.

Finally, if the Government of Canada were to develop an amnesty program related to a determined income level, there would be also considerable administrative costs of implementation depending on the parameters of the program. Further, future verification efforts would be adjusted to avoid verifications of individuals who would qualify for an amnesty.

In contrast to a blank amnesty approach, as the administrator for the collection of COVID-19 debts, the CRA currently follows ESDC direction of implementing flexible payment arrangements for all COVID-19 individual debtors based on their ability to pay. This helps ensure that those vulnerable individuals whose basic necessities of life are not being met and are found to be ineligible for these benefits are not placed into financial hardship, while those who have capacity to repay are provided options in alignment with their capacity. These include allowing for zero interest or penalties, low-monthly payment plans, partial or full reversal of any tax or benefit offset, and in situations where an individual may be facing financial hardship, deferral or write-off of their debts. If, based on CRA's analysis of the information available, the client's situation is unlikely to improve, the CRA arranges to write-off the debt based on financial hardship. However, there are cases where an individual may have low or even negative income and have capacity through their assets to repay the debt.

The Government Response encompasses both the COVID-19 individual support payments (CERB, EI-ERB, CRB, CRCB, CRSB, and CWLB) and the Canada Emergency Wage Subsidy for employers (CEWS). For ease of reference, the response to recommendation 5.2 has been divided between the individual support payments and the CEWS.

Individual Benefits Administered by CRA

While the CRA does not review individuals by benefit program, the CRA can confirm that as of December 31, 2023, verifications have been completed for a total of 544,000 individuals, representing 62% of the total 875,000 planned workload. This figure includes both pre-validation and post-validation reviews. Of the 544,000 individuals reviewed, approximately 450,000 were found ineligible for at least one benefit payment. While the CRA has conducted some targeted work that reviews specific eligibility criteria for a particular benefit, many of the reviews conducted involve reviewing multiple benefits at one time. It is important to note that the ineligibility rate cannot be projected on the entire population that received COVID-19 benefits.

The table below provides information regarding the eligible/ineligible reviews by benefit type and those that are still under review. It should be noted that this does not include reviews of

EI-ERB advance payments, nor those that received both CERB and EI-ERB in the same period (double dippers). Future planned verifications (totaling 128,000) would add up to \$3.3B to this total, totaling the ~\$17.5B, however the CRA cannot provide a breakdown by benefit type until the verifications are complete.

| Programs | \$ Eligible | \$ Ineligible | \$ Under Review | \$ Total Reviewed |
|-----------------|--------------------|----------------------|------------------------|--------------------------|
| CERB | \$1.88B | \$3.28B | \$2.02B | \$7.19B |
| CESB | \$0.11B | Negligible | \$0.01B | \$0.12B |
| CRB | \$1.30B | \$3.06B | \$0.40B | \$4.76B |
| CRCB | \$0.29B | \$1.35B | \$0.09B | \$1.74B |
| CRSB | \$0.06B | \$0.20B | \$0.01B | \$0.27B |
| CWLB | \$0.03B | \$0.06B | \$0.01B | \$0.09B |
| Total | \$3.67B | \$7.96B | \$2.55B | \$14.17B |

As of December 31, 2023, approximately \$1.9B in COVID-19 individual benefit programs has been paid back by recipients.

A breakdown of recovered amounts by individual benefit type is provided below:

| COVID-19 benefit | Total Recovered by CRA (\$) |
|-------------------------|------------------------------------|
| CERB | \$1,577,186,594 |
| CESB | \$36,082,055 |
| CRB | \$245,481,974 |
| CRCB | \$45,054,821 |
| CRSB | \$20,996,214 |
| CWLB | \$6,784,250 |
| Total | \$1,931,585,908 |

The CRA is sensitive to the hardship that Canadians may still be facing as a result of the COVID-19 pandemic and payment arrangements have been expanded to allow the repayment of debt over a longer period of time. This approach takes into account the individual financial circumstances of the person and may include deferral of debt for those who cannot repay at that time.

The CRA has a progressive collection model to ensure all reasonable efforts to recover COVID benefit debts are made. However, when COVID benefit debts remain unpaid, the CRA follows a process of responsible enforcement. We are sensitive to Canadians who have financial difficulty and work with them to make payment arrangements based on their ability to pay. This is achieved through telephone contact and written correspondence. However, for those who seek to avoid payment of amounts due, the Agency takes firm and responsible action. If it is determined that a taxpayer has the ability to pay in full and the debt remains unpaid with no acceptable payment arrangement, the CRA may take legal action to collect the debt. This includes actions such as offset of future refunds and credits, garnishment of wages or other income sources, or use of any other means under any applicable statutes or laws to collect an amount owing.

Employment Insurance Emergency Response Benefit (EI-ERB) – Administered by ESDC

ESDC can confirm that as of December 31, 2023, 77,353 EI-ERB post-payment verifications have been finalized, representing an estimated overpayment value of \$250 million dollars. EI-ERB post-payment verifications will continue in fiscal year 2024-2025. As of the same date, \$133.9 million in overpayments has been recovered.

The following table provides the statistics requested in recommendation 5.2 regarding ESDC's EI-ERB post-payment verifications and recoveries. The data is cumulative from the start of post-payment activities. Please note that the statistics does not include ESDC efforts to reconcile recovery of lump sum payments.

As of December 31, 2023, 125,457 debts have been established representing an overpayment value of \$494M. To date, 53,805 debtors have repaid in full representing a dollar value of \$112.9M and 20,466 debtors have partially repaid, representing \$20.9M; for a total repayment of \$133.9M.

Amounts repaid include voluntary payments, EI recoupments if the debtor is in receipt of benefits, collection activities performed by CRA, including negotiated payment arrangements and CRA offsets.

EI-ERB post-payment verifications and recovery will continue throughout fiscal year 2024-2025.

| |
|--------------------------------|
| As of December 31, 2023 |
|--------------------------------|

| Category | # of Unique Debtors | Amounts Repaid |
|-------------------------------|----------------------------|-----------------------|
| Partially repaid debts | 20,466 | \$20,982,270 |
| Fully repaid debts | 53,805 | \$112,890,763 |
| Total | 74,271 | \$133,873,063 |

Canada Emergency Wage Subsidy (CEWS) – Administered by the CRA

The following table provides the statistics regarding the CRA’s post-payment verifications on the CEWS. The data is cumulative from the start of post-payment compliance activities, and does not include the CRA’s pre-payment compliance efforts, or cases where the claimant proactively reduced their claims.

For the purposes of this report, “post-payment verifications” encompasses both post-payment audits and post-payment validations. While these two compliance programs may differ in delivery, they were developed with the objective to maintain the integrity of the COVID-19 benefit programs and were undertaken using a risk-based approach which aligns with international best practices and existing compliance programs.

For the purposes of this report, an “ineligible recipient” is defined as an employer who was not eligible for any CEWS amounts; this means all the applicant’s claim amounts were denied in full by the CRA following compliance action. It is important to note that this categorization also includes cases where the claimant failed to provide documentation requested by the CRA to support their claim. In such cases, eligibility could not be confirmed; the determination of ineligibility may be reversed should the claimant provide the necessary supporting documentation while exercising their recourse rights.

| As of December 31, 2023 | | |
|---|-------------------------------|----------------------|
| Canada Emergency Wage Subsidy (CEWS) | # of Unique Applicants | Claim amounts |
| Post-payment audit | 3,471 | \$10.2B |
| Post-payment validations | 29,704 | \$1.2B |
| Post-payment verifications completed | 33,175 | \$11.4B |
| Claimants and claim amounts denied in full (ineligible recipients) | 1,010 | \$197M |

As of December 31, 2023, approximately \$1.55B in Canada Emergency Wage Subsidy has been collected as a result of collection activity. Includes the wage portions of Canada Recovery Hiring Program (CRHP), Tourism and Hospitality Recovery Program (THRP), Hardest-Hit Business Recovery Program (HHBRP) debts.

As stated in the Auditor General's Report 10 – Specific COVID-19 Benefits and in the CRA's *Canada Emergency Wage Subsidy – Post-payment audits – Status Update – March 2023*, (the latter tabled with PACP) a more definitive estimate of payments made to ineligible recipients, as required for recommendation 5.2, and amounts to be recovered by the government will only be determined after the CRA has completed all post-payment verification activities. Note that, through risk assessment and internal leads, the CRA has identified a subset of claimants that are suspected of willful and/or aggressive non-compliance, including certain third-party preparers of potentially ineligible business subsidy claims. The CRA will continue to review identified cases of aggressive non-compliance.

The CRA and ESDC acknowledges recommendation 5.3. However, please note that quarterly reporting may not always allow sufficient progress to occur between each quarterly report with regard to analysis and data reports on the findings of its post-payment verification activities of COVID-19 benefits. As such, it is possible that some quarterly reports may indicate that the data and analysis has remained unchanged or somewhat unchanged from the previous quarterly report.

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 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 Government of Canada agrees with this recommendation. The information in the following paragraphs represents the 29 February 2024 report requested by the Committee.

The functionality to offset available credits to individual COVID-19 debt has been implemented:

- In October 2022, the CRA began applying T1 income tax refunds to COVID-19 individual benefit debts.
- In February 2023, the functionality to apply GST credits, and other eligible credits, to COVID-19 individual benefit debts was successfully implemented.

This recommendation is complete for both individual COVID-19 benefit debts and business COVID-19 subsidy debts. Currently, the CRA applies all available and eligible payments and credits against COVID-19 benefit and subsidy amounts owed by an individual or business. If any new government payments, credits, and/or benefits become available in the future, the CRA will analyze them for possible offset eligibility and leverage this existing offset functionality.

As of November 30, 2023, the CRA had recovered almost \$600M from approximately 682,000 offsets; 450,000 T1 income tax refund offsets, and 232,000 benefit/credit offsets.

Internal offsets to individual COVID-19 benefit debt – as of November 30, 2023:

| | CERB (\$) | CESB (\$) | CRSB (\$) | CRCB (\$) |
|--------------------------------|-----------------------|---------------------|----------------------|----------------------|
| T1 refund offsets | 407,182,428.20 | 1,955,173.39 | 8,678,781.96 | 17,126,361.14 |
| Benefit /credit offsets | 68,371,350.52 | 213,790.97 | 1,658,164.94 | 2,719,978.51 |
| Totals | 475,553,778.72 | 2,168,964.36 | 10,336,946.90 | 19,846,339.65 |

| | CRB (\$) | CWLB (\$) | Totals all rows (\$) |
|--------------------------------|----------------------|---------------------|-----------------------------|
| T1 refund offsets | 75,703,916.66 | 2,062,064.15 | 512,708,725.50 |
| Benefit /credit offsets | 13,790,746.70 | 383,236.51 | 87,137,268.15 |
| Totals | 89,494,663.36 | 2,445,300.66 | 599,845,993.65 |

Notes:

- Table includes offsets from internal CRA sources to COVID-19 debt for programs administered by the CRA.
- Benefit/credit offsets are offsets of eligible credits such as the goods and services tax/harmonized sales tax credit (GSTC), and the Climate action incentive payment (CAIP) now referred to as the Canada Carbon Rebate (CCR).