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• (1300)

[English]

The Chair (Mr. John Williamson (New Brunswick Southwest, CPC)): Hello, everyone. Welcome back. Happy belated new year. It's nice to see everyone here, and so many people in person as well.

[Translation]

I call this meeting to order.

Welcome to meeting number 45 of the House of Commons Standing Committee on Public Accounts.

Pursuant to Standing Order 108(3)(g), the committee is meeting today to undertake a study on Report 10 by the Auditor General of Canada, entitled "Specific COVID-19 Benefits". The focus is on the Canada emergency wage subsidy.

[English]

I would now like to welcome our guests.

It's wonderful to see everyone in person today. From the Office of the Auditor General, we have Karen Hogan. It's nice to see you. I think we'll be seeing you and your team a fair bit in the next couple of weeks and months. We have Mélanie Cabana, principal, and Josée Surprenant, director.

From the Canada Revenue Agency, we have Bob Hamilton, commissioner of revenue and chief executive officer. Good day to you. We have 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.

We will hear from both the Auditor General and the CRA for five minutes each. Ms. Hogan, as a routine, you have the floor for five minutes, please.

[Translation]

Ms. Karen Hogan (Auditor General, Office of the Auditor General): Mr. Chair, thank you for this opportunity to discuss our report on specific COVID-19 benefits, which was tabled in the House of Commons on December 6, 2022. I'd like to acknowledge that this hearing is taking place on the traditional unceded territory of the Algonquin Anishinabe people.

Joining me today are Mélanie Cabana and Josée Surprenant, who were responsible for the audit. This audit focused on whether Employment and Social Development Canada and the Canada Revenue Agency managed COVID-19 benefits efficiently and effec-

tively, including whether the COVID-19 programs achieved their objectives and provided value for money outcomes.

We also looked at whether benefit payments were accurate, whether they were paid to those who were eligible to receive them, and whether the procedures to recover overpayments and payments made to ineligible recipients were timely.

Overall, the department and the agency effectively delivered COVID-19 programs to provide quick financial relief to individuals and employers. This helped prevent an increase in poverty and income inequalities, and helped the economy bounce back.

To issue payments quickly, the government decided to limit pre-payment controls by relying on information provided by applicants. In doing so, it recognized that post-payment verification work would be needed.

We looked at six programs and found that overpayments of \$4.6 billion were made to ineligible individuals. We also estimated that at least \$27.4 billion of payments to individuals and employers should be investigated further because we identified risks that they may not have been eligible for the benefits that they received.

However, the number of post-payment verifications that the department and the agency have planned are insufficient. They do not plan to verify payments made to all recipients identified as potentially ineligible.

• (1305)

[English]

At the committee's request, we will focus on the Canada emergency wage subsidy today.

We found that the program delivered support to employers in sectors most impacted by the pandemic. However, we could not assess the impact of the program, including whether objectives were met, because employers were required to provide only limited self-declared information in their applications.

To carry out our audit work, we used GST/HST returns, because they were the best information that was available. The agency did not have monthly revenue data for businesses, even though this information is critical, based on eligibility criteria for the benefit.

By analyzing the GST/HST returns filed with the Canada Revenue Agency in 2020 and 2021, we estimated that \$15.5 billion in benefits were paid to recipients of the Canada emergency wage subsidy who might not have been eligible to receive them. We concluded that all of those payments should be investigated further.

I am concerned about the limited progress in post-payment verification work for all the programs we looked at, including the Canada emergency wage subsidy. The government knew that significant postpayment work would be needed the moment the decision was made to limit prepayment controls; however, neither resources nor plans have been sufficiently adjusted to reflect the unprecedented circumstances brought on by the pandemic.

The federal government has spent billions of dollars and 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. If it chooses a different approach, then 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.

The Chair: Thank you, Ms. Hogan.

Mr. Hamilton, you have the floor now for five minutes, please. It's over to you.

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you, Mr. Chair.

We're pleased to be here today to discuss the Auditor General of Canada's "Report 10—Specific COVID-19 Benefits", with a focus today on the Canada emergency wage subsidy, or CEWS, as we may refer to it.

You've already introduced the three assistant commissioners who are joining me today.

First, I would just like to highlight the essential work the Auditor General does. This isn't the first time we've had the Auditor General come through and examine things we've done. It always produces useful insights that we can use. I thank her and her team.

We are very attentive to the recommendations that come out of it, particularly in something like these emergency benefits, where it was really a first-time thing for everybody, so there are a lot of lessons to be learned around it.

We also thank the committee for its review of "Report 7—Canada Emergency Wage Subsidy", of the 2021 reports of the Auditor General of Canada, as well as its subsequent recommendations and requests for progress reports.

The CRA provided a report on postpayment audits for the committee's attention in December 2022. In addition, the CRA will provide two further progress reports before May 31, 2023.

[*Translation*]

When the Canada emergency wage subsidy was first introduced, the urgent priority of the government was to assist the economy in an extremely volatile period at the onset of COVID-19, where both the future of many businesses and the Canadians they employed was in question.

The CEWS was designed to allow employers to keep workers on their payroll, bring back previously laid-off employees and help ease their businesses back into normal operations.

[*English*]

The CRA implemented this program within constrained timelines in order to meet urgent financial and economic needs. What's more, the CRA itself is not a policy-making body. It administered the CEWS according to the parameters set by the government and as passed by Parliament in enabling legislation.

With respect to report 10, the CRA accepts the majority of the recommendations, partially accepts one and is working to implement them. This is noted in the CRA's action plan, which has been shared with the committee.

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 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.

• (1310)

[*Translation*]

Indeed, in the audits to date, the majority of those businesses and employers applied the Canada emergency wage subsidy rules correctly and made every effort to comply.

[English]

That being said, it's too early in the compliance cycle of this program to provide concrete numbers on total ineligible claims with a degree of certainty. As noted by the Auditor General, a more definitive estimate of payments to potentially ineligible recipients will be determined only once the comprehensive postpayment audit activities are complete. We will continue to work diligently on our compliance efforts, including addressing the recommendations made by the Auditor General.

Before concluding, I want to take a moment to applaud the tremendous work of CRA employees during the pandemic. It was an extraordinary time for us at the agency, and these dedicated public servants delivered the COVID-19 programs in a matter of weeks, ensuring that Canadians received timely assistance in a period of much uncertainty. Their efforts continue as we focus on our compliance efforts.

With that, we thank the committee for the opportunity to appear before you today.

Thank you, Mr. Chair.

The Chair: Thank you very much.

Both presentations were spot-on within your time.

We're beginning the first round now. We're going to Mr. Chambers.

You have the floor for six minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you, Mr. Chair, and welcome to our guests today.

Mr. Hamilton, it's been about 15 years since we crossed paths at the Department of Finance. You've had an impressive career since then.

I wanted to spend a bit of time on this notion of “partially accepts” and the methodology around how the CRA is determining the amounts that need to be investigated. The Auditor General has outlined a methodology that seems to be rather reasonable.

On what methodology is the CRA basing its view of how many payments need to be verified post payment?

Mr. Bob Hamilton: I'll tackle that as two aspects, and I'll pull them apart a bit.

One is whether we should be going after all the places where there could be risk or whether we take a more risk-based approach. I think that's the question you're asking. The other is a specific methodology to project what we think the amounts of the ineligible payments were. I'll leave that aside for future questioning.

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.

• (1315)

Mr. Adam Chambers: It's not that you disagree with the \$15 billion of wage subsidy that ought to be reviewed. It's that you have limited resources to pursue 100% of what the Auditor General has identified.

Mr. Bob Hamilton: No. I wouldn't characterize it as not having enough resources. Certainly, it would take more resources to go after every single dollar—

Mr. Adam Chambers: Do you agree with the \$15 billion? Answer yes or no.

Is that the number you believe—

Mr. Bob Hamilton: No. We think that is an overestimate.

Again, I would acknowledge that we're early in the compliance program, so we don't know for sure where it's going to go. However, based on our evidence to date, we see businesses generally complying. Where they have made mistakes, they've been errors because of the complexity of the program or what have you. We have seen some pockets of people who have intentionally misled, and we're pursuing those.

Mr. Adam Chambers: You're doing an end result. You'll say, “Okay. We've done a certain number of postpayment verifications, and a certain percentage of those are ineligible,” and then you'll extrapolate them to say the total number. The Auditor General is saying, “Okay. We're looking at actual GST/HST returns. Here's the total pool that we think ought to be examined.”

Is that a fair description of how the CRA is approaching this?

Mr. Bob Hamilton: I'm not sure it's a fair description of how we're approaching it. Let me say that I think when you refer to the \$15.5 billion and using GST/HST... 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.

Mr. Adam Chambers: Thank you.

Can you provide to the committee the methodology that you're using to guesstimate the \$15 billion or what you believe to be the amount that ought to be investigated?

Mr. Bob Hamilton: We haven't actually estimated the \$15.5 billion. What we have we have on the ground. We've started audits and we've completed audits. We can see what we've done so far in some of the higher-risk cases that we've identified, and we don't think if you extrapolate that—

Mr. Adam Chambers: You don't agree with the \$15 billion. You think it's less, but you don't know how much it might be.

Mr. Bob Hamilton: It's hard to say at this stage. Even with the \$15.5 billion, I think the Auditor General would agree that's not a—

Mr. Adam Chambers: You can't provide a number that you think is—

Mr. Bob Hamilton: I can tell you that about 6% of complaints that we have had so far have been either adjusted or denied.

Mr. Adam Chambers: We also understand there's a limitation period during which some of these investigations or verifications need to be completed. Are you confident that you're going to be able to complete the ones that you want to within a legislated timeline?

Mr. Bob Hamilton: Yes, we're very confident of that.

It is true that there are some restrictions after three or four years, but those don't apply in cases where we see fraud or misleading information. In terms of collections, once we establish the debt, we have lots of time to collect. It's conceivable that in a certain circumstance you could run out of time, but we're very confident—

Mr. Adam Chambers: Would you have time to investigate the \$15 billion?

Mr. Bob Hamilton: I'm actually not 100% sure what you're referring to when you say—

Mr. Adam Chambers: The Auditor General suggests that \$15 billion of the wage subsidy ought to be investigated for verification. Would you be able to complete those audits within the legislated timeline?

Mr. Bob Hamilton: I would have to turn to my colleague, but if we wanted to, I would expect we could. As I said, if there are issues of fraud or other misappropriate information, then we can extend the time deadline. We'll face that three-year or four-year clock for the majority of the cases—

The Chair: That is the time, Mr. Hamilton.

Mr. Chambers, you can return to that line of questioning if you like.

We turn now to Mr. Fragiskatos.

It's good to see you, sir. You have the floor for six minutes.

Mr. Peter Fragiskatos (London North Centre, Lib.): It's good to see you, Mr. Chair.

Happy New Year to all colleagues. Thank you to all of you for being here today.

I'll begin my questions with Ms. Hogan.

Ms. Hogan, your report is extensive. There's no question about that. One of the things that stand out in the report is your point on what could have potentially happened—we can't know with absolute certainty—if the various emergency programs, of which the wage subsidy is one—admittedly a very important part of the overall picture, a signature response program on the part of the government—had not been introduced. As you said in the report and you articulated again here today, poverty would have increased very significantly, and the same is true for income inequality.

Can you expand on that?

• (1320)

Ms. Karen Hogan: 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. The subsidies followed the severity of health measures that were there, and so they allowed Canadians to stay home and allowed the economy to bounce back. We identified that there was an income disincentive to potentially going back to work, but we saw the government adjust for that as well.

Mr. Peter Fragiskatos: A former governor of the Bank of Canada, Stephen Poloz, is on record as saying—both in finance committee testimony when he appeared there when he was governor, and in subsequent interviews, writings and things of this nature—that had it not been for the emergency programs, Canada would have seen a situation approximating a depression.

Are you in a position to comment on that? Would you agree or disagree with that?

Ms. Karen Hogan: We analyzed the information that Statistics Canada had available and we provided that information. I believe that the Governor of the Bank of Canada is in a better position to talk about inflation and depressions, so I'll defer to his knowledge on that.

Mr. Peter Fragiskatos: In your report, in fact, you cite Statistics Canada, and you cite that between February and April 2020 the economy experienced an overall decline of 17% in GDP, and in dollar terms that is \$350 billion in terms of the decline for the overall economy. It's of quite a magnitude that we haven't seen, certainly in our lifetimes. Whether you disagree or agree, I take your point. I think a variety of economists and others have said that the situation was quite grave and that the emergency programs played an enormous role in helping Canadians get through.

Perhaps I could go to the CRA now. Thank you to all of you for being here again, because we've heard you at this committee before. Thank you, of course, for your service to Canadians during this time.

My first question goes to Mr. Hamilton. The types of businesses we're talking about are mom-and-pop businesses. We're talking about small businesses. I hesitate to speak for the entire committee, but I think all of us have small businesses in our communities that really looked to the wage subsidy as something that helped them get over to the other side, if I can put it that way. Are these the sorts of business that partook?

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

If you look at the businesses that benefited from the wage subsidy, you see a very broad cross-section of size of businesses in the economy.

I think the Auditor General, if I recall correctly in the report, has a table that shows the numbers by size of business. Certainly in number, lots of them are small businesses that are out there, as you've referred to, and certainly we take that into account in our compliance efforts as we sort out what we need to do and when. However, there are big businesses in there as well—multinationals. It's a spectrum. Some of the bigger value amounts are in the bigger businesses, but lots of the numbers are in the small businesses.

Mr. Peter Fragiskatos: Well, we've especially heard from restaurant owners in London, Ontario, about how valuable and important the wage subsidy was.

I'm low on time, so I will ask you this, because I think it's important to understand the policy design here. You talked about the wage subsidy. You talked about the verification system that in fact was set in place to ensure that eligibility was met. Can you talk about that, because sometimes there could be a perception out there that there wasn't a verification system with respect to the wage subsidy?

Mr. Bob Hamilton: Yes. If your time is short, so is mine, so let me just try to give you a very quick answer.

The Chair: There is a minute, so you can—

Mr. Bob Hamilton: Okay. That's perfect.

Yes, sometimes we don't talk about that as much. There were prepayment controls, particularly on the wage subsidy, where we took a look. I think we examined 100% of the applications automatically, and then put some aside. We said we were going to take a closer look at these ones if the people in the agency, based on whatever knowledge we had, said that something didn't look quite right. We'd look at them more in depth and either let them go through or hold them up. Those prepayment controls were used to try to control the money from going out in the first place.

I think, as indicated, we were operating in a very time-pressed environment, so maybe there weren't as many prepayment controls as we might have on the regular income taxes per se. We have compensated for that by having a little more on the postpayment controls, but there definitely were—certainly more than with the CERB—prepayment controls before businesses got the money.

• (1325)

Mr. Peter Fragiskatos: Thank you.

The Chair: Thank you very much.

[*Translation*]

Ms. Sinclair-Desgagné, you now have the floor for six minutes.

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

Good afternoon from afar, dear colleagues.

I'd like to begin by thanking the Auditor General and her team, and I wish them a happy new year.

I'd like to raise a point that may be important for today's meeting. When the Auditor General's report was released, comments by the Minister of National Revenue contradicted the figures that had been developed, studied and then presented by the Auditor General.

I'd like to quickly reread what was said in the House.

Mr. Speaker, the CRA does not agree with the Auditor General's calculations concerning recipients who were not eligible for the wage subsidy. The CRA's actual audits indicate that compliance with the subsidies was high and that the Auditor General's figure is exaggerated. This is not the Auditor General's fault. We all know that she was pressured by the opposition to produce this report.

In this context, there are eligibility criteria. An agency, an effective government, is able to determine how many people have qualified for the subsidy and how many have not. This has been done elsewhere in the world. In the United States, they have been able to determine the number of people and the amount of the overpayment. This is also the case in the United Kingdom, where they have been able to estimate the number of people who had received overpayments. I find it absolutely incredible that we have two versions of history in Canada. The question here is quantitative, not qualitative, so there is no room for interpretation. The criteria are strict.

So my first question, Madam Auditor General, is this. How do you explain the fact that today, in January 2023, we still don't know how many people and businesses have been overpaid?

Ms. Karen Hogan: I'd like to begin by saying that I found the minister's comments disappointing. I was asked to do the benefits audit under the provisions of an act passed by the Senate and the House of Commons. So all of Parliament asked me to do the audit that we're discussing today.

To answer your question, I will say that it's due to the decision to limit the information required of businesses and individuals when they were applying for benefits, as well as a lack of real-time information. For these reasons, we made two recommendations that the Government of Canada consider a system for obtaining real-time payroll and revenue information from businesses.

As you said, other countries use that system, and that's why they have a little more information about how much has been paid out to ineligible recipients.

Ms. Nathalie Sinclair-Desgagné: Can you tell us more about what other countries have done to recover these funds and whether they have used more resources to do so?

Ms. Karen Hogan: I admit that in our audit, we didn't really check to see what other countries were doing to recover the funds. That said, I know that several countries had access to real-time information, which had the effect of limiting payments to ineligible individuals or businesses. It has also sped up the process to identify payments made by mistake.

Ms. Nathalie Sinclair-Desgagné: Mr. Chair, how much time do I have left?

The Chair: You have two minutes left.

Ms. Nathalie Sinclair-Desgagné: I would like to direct my next questions to Mr. Hamilton of the Canada Revenue Agency.

It seems we have a twofold problem here. Clearly, a large amount of these public funds were overpaid. We can agree that this was to be expected in a context where demands had to be met quickly. We were in the very unique context of a pandemic.

The problem is that, at this point, we're unable to estimate how many individuals and businesses received money by mistake, and how much they received. Another issue the Auditor General has raised is that it seems we're unable to recover those funds. Other countries, for example, have created a commissioner position specifically for this purpose. They have put in the effort and, more importantly, they established the process to recover the funds long before July 2022.

How is it that we're unable to say how much was overpaid at this point?

• (1330)

Mr. Bob Hamilton: Mr. Chair, I will answer the question first. I will then ask my colleagues to add their comments.

The main reason we can't estimate the amount paid to ineligible recipients is that we're not far enough into the audit process. We're still analyzing taxpayer files and developing our risk model. It's too early, which is why the Auditor General has tried to come up with an estimate. We don't have an estimate because it's too early in the process, but we do have experience. It's early. As I said, about 6% of ineligible taxpayers received amounts for which adjustments or denials would have been necessary.

Then—

The Chair: I'm sorry, Mr. Hamilton, but the member's time is up. We may have an opportunity to come back to this during the rounds of questions.

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

[English]

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank you very much, Mr. Chair.

I want to thank all of the witnesses for being present and for their statements today.

I want to begin by acknowledging the tremendous human suffering that's taken place throughout the pandemic. I know people in

my community and right across the country from coast to coast to coast have had to deal with this. They've had to deal with the huge debt loads that they've been taking on due to the lack of assistance from other levels of government.

I am very pleased to see that in many ways this benefit, the Canadian emergency wage subsidy, and other benefits for COVID-19 were able to help people. I meet some of these people every single day, and the audit suggests that it was a good thing. I know that, on behalf of Canadians, this was a very good thing to do, particularly for our economy as it bounces back.

Of course, the work of continuing to ensure that there's accountability is the process that we're all here for today and one that I share.

I want to also recognize the folks, particularly within the Canadian Revenue Agency, the regular, everyday workers who were doing the work of making sure these benefits were provided to Canadians. They were there. When asked for assistance during one of our country's greatest times of need, the CRA did, in fact, do its job and did it well. I want to recognize that before I get into some of these questions.

I also want to recognize that the Auditor General clearly demonstrated in her audit that the programs that were offered—the Canadian emergency wage subsidy and others like the CERB—were really helpful for our economy. I want to keep that context in mind while talking specifically about work that we need to do to make sure there is further accountability for those who may have taken funds and may not have needed them.

I in particular want to recognize that the audit in many aspects was accepted by the CRA. One area that was not accepted by the CRA and was talked about by previous members of this committee was the conversation on capacity. Capacity, of course, is limited. The CRA does not have infinite resources. It does not have the ability to do everything that could be demanded of it in this scope. I want to recognize that as a real limit to this.

I also want to recognize that the CRA has a job to do in the sense that it not only has to do the work of making sure that there is, in fact, a risk-based approach in the analysis of the recovery of these funds, but there is also work to be done in making sure those who are going to be doing this work are best supported.

There's no question that the public service has, in fact, taken on far greater responsibility than we've ever asked it to. The pandemic forced every single one of us to step up, including and especially our public service. Public servants made sure they had the ability to do the things Canadians needed of them in one of our greatest times of need. The hard work of the civil service workers, with their skill and dedication to delivering this relief, is the reason Canadians got it. They provided critical support through a time when many folks couldn't find support elsewhere. The audit shows that Canadians, in fact, owe a great debt to the workers and the everyday folks of the CRA.

Now, more than ever, we need these workers to be respected. There are 35,000 employees at the CRA who are not getting that from their employer. We are hearing it time and time again. I'm concerned about this.

I'm concerned that the CRA's capacity could be even further limited in the investigation of this work, in particular the workers' conditions. The workers at the CRA have had no contract for over a year now. I can't anticipate how we can find ways to make recommendations on this audit without giving great consideration to the fact that our civil service is in desperate need of attention.

The CRA is being presented with shockingly low salary offers currently, right now. I can't foresee in the next little while how we're going to make sure our civil service this year is able to do the work that the Auditor General recommends. I recognize that the CRA has recognized that in its lack of acceptance of that recommendation in full.

I'd like to ask Commissioner Hamilton to please recognize that fact. Recognize that members of our national Parliament, me included, are concerned about our civil service. We're concerned about its stability and whether or not CRA employees will in fact have the future resources to do the job we're going to be asking them to do. That's an important and very worthwhile aspect to mention when we're talking about the recovery of these huge amounts of funds.

We just heard the Auditor General mention \$15.5 billion in the Canadian emergency wage subsidy payments that her office demands further scrutiny on from the Canadian Revenue Agency. That is a massive task and one that will require the great co-operation of management and labour to ensure that we have those outcomes. I agree with many folks, including the Auditor General, that we need those outcomes.

● (1335)

While I have no doubt that the CRA's auditors have incredible skills and perseverance in this work, I am concerned that the government isn't going to give the CRA and its workers the tools they need to do the work Canadians need them to do. The CRA, like I mentioned before, does not have unlimited resources. We must consider this, as parliamentarians and as members of this committee.

Recent reports from the CRA said there are extremely large amounts of uncollected taxes. There's already an existing capacity issue. A 2021 report estimated that the years between 2014 and 2018 saw uncollected corporate tax revenues of between \$4.6 billion and \$7.3 billion a year.

Commissioner, these are shocking numbers. The overwhelming majority of this is in relation to large-scale corporations. This was even before the unprecedented strain from the pandemic was placed on the CRA in terms of its workload, let alone the implications of verifying these payments after the fact that the CRA's capacity has been limited.

My questions are for the CRA commissioner—

The Chair: Mr. Desjarlais, I will cut you off right there, because there's no time for a response. You will have another round shortly.

Thank you very much.

We're turning again to Mr. Chambers. You have the floor for five minutes this time.

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

Commissioner, the Auditor General has identified about \$27 billion or, say, \$32 billion. We'll call that a potential error rate. You may not agree with the number, but that's a potential error rate of ineligible payments. That's about 15% of the total COVID payments from the wage subsidy and the CERB.

When the government made the decision to proceed with an attestation-based process to distribute benefits, were there any estimations made by the CRA about what error rate might arise from using what I will call a riskier process to distribute benefits?

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

I would certainly say there was a recognition that in going into an attestation-based approach, you were adding additional risks to the system. That was a decision that the government and others felt was a good balance. We needed to get the money out. There was definitely a recognition that this would require more compliance efforts down the road after we paid. I would say that particularly for the CERB and for the CEWS, but we felt like we had an opportunity to get a bit more prepayment control into the CEWS.

I'm not aware of any estimate that we produced. Had we done one—and I could check—it probably would have been based a bit on experience that we have, because we have a lot of experience with the income tax system, GST and others. We would have had to augment that a bit, but nobody knew quite how the pandemic was going to unfold and how many benefits were going to be there.

Again, I'm not aware of an estimate. I could certainly check.

● (1340)

Mr. Adam Chambers: Would you classify, though, a 15% error rate as something that deserves additional scrutiny?

Mr. Bob Hamilton: If you looked at a program and said you were going to put out 15% of the money to ineligible people, that would be high.

Mr. Adam Chambers: That would be high.

The Auditor General also produced an interim report about benefits and made some recommendations. Members of multiple opposition parties also raised some concerns about the potential for ineligible recipients. There are lots of stories about those in prison, etc.

Did you produce another estimate of what might be an acceptable error rate, or what you thought it might be, when the Auditor General released an interim report?

I'm trying to understand what the discussions were in the department and how a political decision is made to continue with a process that's obviously more risky than others.

Mr. Bob Hamilton: Mr. Chair, I think you have to recognize that as the pandemic went on, there were adjustments made to the compliance program and to different controls brought in place to try to make sure that we learned from what was going on. We put more controls in place to limit the amount of money that went out.

The other thing is that the Auditor General mentioned the GST data earlier on as being something to look at. We tried that in the rent subsidy study we did and found it wasn't a very good indicator for that one. That had some similarities to the CEWS.

Yes, we were trying where we could to introduce new controls, or change methods on the fly as the pandemic evolved. Benefits got extended and new benefits came in.

I would say to your point, though, when I look around internationally—I'm the chair of a forum of tax administrators of all my colleagues around the world—I think you would find a lot of similar experiences with trying to get money out the door fairly quickly. Everybody is dealing with the same reality.

Mr. Adam Chambers: Just quickly, because I have one minute left, I have a very quick question for you.

Are you able to provide to the committee how many payments you did stop with the prepayment controls for the wage subsidy? Is that something you could follow up with—yes or no?

Mr. Bob Hamilton: I would perhaps turn to my colleagues. They might have it here. If not, we'll—

Mr. Adam Chambers: Just a yes or no is okay. I don't need the number now. Thank you.

Mr. Bob Hamilton: We have it, if you want it. We'll get it to you.

Mr. Adam Chambers: I'll take that in writing. Thank you.

The Chair: That will be submitted. Thank you.

Mr. Adam Chambers: Auditor General, just briefly—I have about 30 seconds left—we all recognize that the attestation base was required in a time of crisis. We're past that now. Are you concerned that we're continuing to rely on an attestation-based approach to deliver rent subsidies and dental subsidies in a non-crisis time?

The Chair: Could you give us a very short reply? If you have more to say, we'll have to come back to you.

Ms. Karen Hogan: Something I think I mentioned in our first reports back in 2021 was that we recognize that the limitation of prepayment controls is the best practice in the time of crisis, but I agree that even as the pandemic continued on, and now that the

pandemic is sort of at the back end, a different approach is likely needed. I would have liked to see more rigour put into some of the prepayment controls, especially around key eligibility criteria like revenues.

The Chair: Thank you, Ms. Hogan. We appreciate that.

Ms. Shanahan.

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

I thank all the witnesses who are here with us today—Auditor General, Mr. Hamilton and your teams, and I wish everyone around the table a happy new year as well.

It was quite something to be back in my riding these last few weeks during the Christmas period, because it almost felt like normal. Stores were open. Restaurants were open. We were able to entertain. We were able to visit *salons de coiffure* and manicure places, boutiques and so on and so forth. I'm struck by the fact that you mention in your report, Auditor General, that the individuals from groups that were most impacted by the pandemic—low-income persons, women, visible minorities and youth—benefited from the programs to a much higher degree. We're talking about businesses here today. The businesses I've mentioned—the restaurants and the hairdressing establishments and boutiques and so on—largely would be owned and operated by exactly those vulnerable groups, and they were very pleased to be open again.

My concern back in March and April 2020 was that it would be difficult for these groups to access programs, and I was one of the people advocating for the minimal red tape, if you will. I know that's a favourite term with my Conservative colleagues—eliminate the red tape so those programs would be more accessible.

Auditor General, some prepayment verifications were applied, as is prudent for any program going out to businesses. Do you believe the government made the correct choice in the types of prepayment verifications that were made for the wage subsidy program, and do you think that these verifications helped overall compliance?

● (1345)

Ms. Karen Hogan: I'll keep my comments to looking at the Canada wage subsidy program, which was a business program, versus one for individuals, given the focus of today's hearing.

There were prepayment controls for some of the wage subsidies. There was a check that a business had an active payroll account or an active business account, so there were some automated and some manual prepayment controls. I acknowledge that, in line with the member's comments about limiting it at the beginning of the pandemic when there was a lot of uncertainty and chaos. However, in my view, that needed to be adjusted as the pandemic continued. There were opportunities, as the program was extended and businesses were open and a little more able to operate, to bring in some controls.

The control I would have liked to see would have been one around revenues. That is the main eligibility criterion for the wage subsidy program and that was based solely on attestations. With limited information on monthly revenue of businesses, a very rigorous postpayment approach is required, because there is no way to verify eligibility other than by doing those postpayment audits.

Mrs. Brenda Shanahan: I heard your answer to a previous colleague's question referring to the fact that other countries have real-time data. That would represent a significant investment, but it's one that personally, as a former tax practitioner, I would certainly look forward to as well.

I'd like to turn now to Commissioner Hamilton. I want to thank you for the work that the CRA performed in this regard, because we don't typically think of the Canada Revenue Agency as being a service agency. There was a lot of care, from what I could see in the casework that we were involved with in helping our business owners access the program.

You have provided some progress reports to this committee in regard to previous questions. Can you please go over that and put it on the record for the committee? Perhaps you could go over those comprehensive verification steps that recipients underwent.

The Chair: I'll need a fairly brief response, please.

Mr. Bob Hamilton: First off, in terms of the prepayment controls on the wage subsidy, yes, we did have some. Could there have been more? Sure. It was what it was, and we tried to adjust it as time went on.

The other thing we did at the beginning to try to make it more accessible was we had a lot of outreach with businesses—CFIB and others. We actually produced a calculator that said here's how you calculate it, because this was a complex program. That was on the prepayment side.

I take your point and that of the Auditor General that an e-payroll system, a real-time payroll system or an invoicing system would be advantageous. We're doing work on both of those, with very significant work being done on the e-payroll side. I know that a couple of countries that sit on the global table I'm on have found it to be helpful. That is a recommendation that we agree with, and we're actually far along on the e-payroll side, but it's a big system.

On our progress report—

• (1350)

The Chair: We'll have to come back to that in the next follow-up. Thank you.

[*Translation*]

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

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

I'd like to continue along the same lines as my previous questions.

Mr. Hamilton, you mentioned something that I'm a little concerned about. You said that it was too early in the process to be able to estimate the overpayments. Isn't it actually too late?

As you know, since you chair an international committee, other countries have quite complex tax systems. If other countries are more advanced than Canada, it's probably because they started earlier and put in more effort to do so.

How is it that we started trying to recover the amounts so late, in July 2022?

Mr. Bob Hamilton: First, I don't entirely agree that Canada is behind other countries.

It's true that it's very early in the process. We're going to continue the audit process until 2025. That will give us plenty of time to complete the audit process. That's why I said that it's a little too early to give an estimate of the final amount.

In auditing, it's important to take into account the situation that prevailed during that period. Economic sensitivity has to be taken into account. In some cases, businesses are more vulnerable because of the difficulties created by the pandemic. We are taking that into account in our audit efforts.

As mentioned earlier, we are trying to increase the number of services, even in terms of audits. During the time period we're looking at, some individuals and businesses were struggling. That delays the audit process somewhat. However, I'm very comfortable with our objective.

We'll have the opportunity to complete the process. It is not a question of resources. We need to look at the slightly more complex cases of some larger businesses.

The Chair: Thank you very much. Time is up again.

[*English*]

Mr. Desjarlais, you have the floor for two and half minutes. Go ahead, please.

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

I'm going to go back to Mr. Hamilton in regard to my previous statement. If we were to follow through with the Auditor General's recommendations and ensure that all of the \$15.5 billion was further investigated by the CRA's auditors, would it jeopardize the CRA's ability to address other long-standing issues, such as the tax gap due to corporate evasion?

Mr. Bob Hamilton: Mr. Chair, I would say there's obviously an opportunity cost to everything—if you do more of one thing, you're going to have to do less of another—but I don't characterize this as an issue of resources from the CRA's perspective. We were given the resources to carry out a compliance program consistent with what you would see in international best practices.

Again, there's just a bit of confusion around the \$15.5 billion. That's an estimate of what might potentially be out there, based on GST monthly data from the pandemic. I'm just not sure that it's worthwhile investigating all of those cases, because when we have looked at the GST monthly data, we have found that it's not a great indicator of whether or not someone's eligible for the CEWS. Obviously there's some overlap, but we don't find that it's a great indicator.

If we were to go down that route and probe into all of the cases that make up that \$15.5 billion—and that number itself is an extrapolation of a small sample—that would take more effort and, in my view, based on what we've seen so far, it wouldn't be worth the effort. As I said, we have found some cases, particularly in the promoter space, of people misrepresenting or committing fraud, and we're going after those people, but for the vast majority of people we're finding it's more within the realm of what you might expect, particularly with some of the prepayment controls we had and some of the education we did to help people fill out their forms.

Yes, everything has an opportunity cost, but I think at this stage it wouldn't be worth it based on what we have seen so far.

• (1355)

Mr. Blake Desjarlais: In terms of the adequacy of support or resources that are required for the CRA—and you mentioned the opportunity costs—are you being given adequate levels of funding to carry out these tasks and to continue to do the work of investigating existing corporate tax evasion?

The Chair: Could we have a brief answer, please, Mr. Hamilton?

Mr. Bob Hamilton: Yes, I would say that we are. I would always say that with more resources you could do more, and you referenced the numbers for uncollected debt. There are always more things we could do if we had more resources, but in this context right here, I think we were resourced appropriately for the task. That may change as we see more things as we do our work, but I—

The Chair: Thank you very much. We turn now to Mr. McCauley.

You have the floor for five minutes. Go ahead, please.

Mr. Kelly McCauley (Edmonton West, CPC): Thanks, Mr. Chair.

Witnesses, thanks for being with us today. Ms. Hogan and team, welcome back.

Ms. Hogan, in your opening statement you noted your concern regarding CRA's limited progress on postpayment verification—despite the government's knowing the importance of it—because of the limited controls. You stated that plans and resources haven't been adjusted to reflect the importance.

Now, we've looked, and there was over a \$100 billion in CEWS. Some of it went to very wealthy, very profitable foreign companies, foreign-controlled multinationals. Some went to Chinese state-owned companies and Chinese state-owned banks. As I mentioned, it's \$100 billion. What more should the CRA be doing? You mentioned that there's limited progress on the verification. What should it be doing to protect taxpayers?

Ms. Karen Hogan: What we were looking for was, perhaps, an earlier start or more resources devoted to doing more work. For a typical program the government has—and I'll use, for example, the employment insurance program—there's very rigorous vetting of an application before an individual receives benefits, and there is still some postpayment work done, even after all of that rigorous prepayment verification.

In this instance, there were very limited prepayment controls, with the intention that rigorous postpayment work would be done. In our view, that should be more than you would typically do on a program. Here we identified with the monthly GST filers, who received 64% of the wage subsidy, that there were some risks that required further investigation. The only way you could find out whether or not a business was eligible would be to do that postpayment work, because there was no other information to verify eligibility.

Mr. Kelly McCauley: Mr. Hamilton, considering what the AG has stated—and we've seen, in one report, \$27 billion as well as the \$15 billion—do you not think that is a large enough number to further investigate based on the GST numbers? I'm just aghast. We've all experienced CRA, and, let's be honest, Canadians don't view it as a service. As MPs, we've experienced CRA going after small businesses for tiny amounts. We've seen CRA go after regular Canadians.

This is potentially a huge amount of money. Who at the CRA is making the decision that we're willing to risk writing off \$15 billion, \$20 billion or \$25 billion of taxpayers' money?

Mr. Bob Hamilton: Mr. Chair, first I would say that we are trying to change people's impressions to see the CRA as being a bit more service-oriented, but that's a journey.

On the issue of whether we should be worried about it, I think we are doing the work that's necessary to uncover where there are risks and where money went to ineligible people.

• (1400)

Mr. Kelly McCauley: What if you're wrong?

Mr. Bob Hamilton: I maybe would ask my colleagues to expand on it, but we have filed a progress report with the committee. We're examining, as we go, what we see and what it tells us—through our business intelligence and other models—about where we need to look next and where we need to look after that. I think—

Mr. Kelly McCauley: Let me just interrupt, Mr. Hamilton.

The CRA's position, then, is that it's comfortable dismissing, for lack of a more polite word, the AG's concerns about \$15 billion or \$20 billion of money that should be clawed back for taxpayers.

Mr. Bob Hamilton: Mr. Chair, I wouldn't interpret it that way at all. We're actually moving towards the same goal. We both want to have effective compliance to ensure that Canadians have a fair tax system or benefit system at their disposal.

Where we might differ is on how valuable that monthly GST data is and then going to the \$15.5 billion with respect to determining our compliance efforts.

Mr. Kelly McCauley: Thank you, Mr. Hamilton.

Who decided to set it up as an attestation for the CEWS? Was that Finance? Who made the final decision? It could not have been a group decision. Someone would have had to make the decision. You mentioned earlier, I think, that you would have liked controls that were a bit stronger. Who made the final decision to set it up as it was?

Mr. Bob Hamilton: Well, I think it was the government's decision, and it was set out in the legislation that was put forward.

Mr. Kelly McCauley: Did CRA put forward recommendations regarding a different way to set up stronger fencing around it to protect Canadian taxpayers?

Mr. Bob Hamilton: Mr. Chair, we would have identified—

Mr. Kelly McCauley: I'm assuming CRA was part of the consultation, so did you recommend stronger fencing?

The Chair: Mr. McCauley, the time is almost done, so why don't you allow an answer?

Mr. Bob Hamilton: Yes, we were definitely part of the conversations around that. I'm not going to talk about who said what and who didn't say what in that conversation, but the risks were—

Mr. Kelly McCauley: I think it's important. Did the CRA recommend stronger—

The Chair: Mr. McCauley, your time is done. You can come back. You will have another round.

I'd like to hear from Mr. Hamilton, and then I want to go to Ms. Yip.

Please finish up, sir.

Mr. Bob Hamilton: As you're sitting around that table, you would always expect the administrator to try to make it as tight as possible. You would expect that, but we're also all human beings,

and we all understood the situation and the need to get the money out. We felt as though it was an appropriate balancing. Really, the key in this thing is balancing.

The Chair: Thank you very much.

Pardon me. I misspoke. It's Mr. Dong who is next.

You have the floor for five minutes.

Mr. Han Dong (Don Valley North, Lib.): Thank you very much, Mr. Chair, and happy new year. I want to say happy new year to the Auditor General and all the public servants from CRA.

I also want to share with you that during the new year, I held my new year levee. There were local small business people coming from Bayview Village and Fairview Mall in my district. They wanted me to extend a sincere thank you to CRA. Your various subsidy programs, including the emergency wage subsidy program, really helped them get through the pandemic. If not for those, they told me in their own words, they would have folded their businesses and probably moved on to work for somebody else instead of being employers creating jobs in my riding.

So thank you very much. I know you have to come in and answer a lot of tough questions at this committee, but I also wanted to take this opportunity to ask you to pass on this gratitude to folks in your department. Thank you.

My first question is for Ms. Cathy Hawara. Could you explain to the committee how or whether or not CRA experimented with the GST/HST revenue model? Did it work or did it not work? Would you explain that to us?

Ms. Cathy Hawara (Assistant Commissioner, Compliance Programs Branch, Canada Revenue Agency): I'm happy to expand on that.

One of the recommendations the Auditor General made to us in her first report regarding the wage subsidy was to look at other data sources, including in particular the GST data. We incorporated the GST data as a prepayment verification control in the context of the Canada emergency rent subsidy.

We found that it identified a high number of claims that appeared to be ineligible, that appeared not to meet the revenue-drop criteria, but upon a manual review of those claims, we found that in fact they were eligible, so we concluded that, on its own, the GST data was not a good indicator of ineligibility. Because we were trying to strike a balance between protecting the integrity of the programs and delivering the funding that was urgently needed, the decision was made not to incorporate the GST data as a prepayment control in the context of the wage subsidy.

However, I think it is important to be clear that the GST data is an important risk indicator. We use it in the context of our postpayment risk assessment, but not on its own. We consider it alongside other data sources in order to identify risk and build our audit plans as a result.

• (1405)

Mr. Han Dong: Thank you.

I was listening to my Conservative colleague's question, and I want to ask you something also. On November 4, the Conservative Party of Canada passed an opposition day motion calling on the CRA to delay its CEWS postpayment audits. How did the CRA respond to that motion? Of course, that motion was passed, but it's non-binding, so how did the CRA respond to that motion?

That's for Mr. Hamilton.

Mr. Bob Hamilton: Thank you, Chair.

We remember that. Actually, as part of the wage subsidy, we started the audits quite early, with a pilot project in 2020, and there was some push-back on that. We carried on with it because we thought that even though it was early, it would give us some information we could use down the road, as Cathy said, to build into our audit plan as we go forward, so we basically carried on with that. That was what we called the phase one pilot project. We're now into phase two and have a number of audits under way.

Cathy was just mentioning to me, in the context of earlier conversations, that we have almost \$15 billion under audit right now, so, again, to the question of whether we are ignoring it, the answer is no. We have a lot that's under audit right now, and we took a phased approach that started in 2020, as you mentioned.

Mr. Han Dong: Okay. This is for the Auditor General.

Auditor General, at the House of Commons finance committee on December 13, 2021, you confirmed that stopping the audit would be a bad idea. I want you to tell us this: Had the CRA followed the motion that was proposed and passed in the House by the Conservatives, what would have happened to the overall integrity of the program and would it have seriously damaged the reputation of the CRA in terms of accountability when it comes to these payments?

The Chair: Thank you, Mr. Dong.

Could you give us a brief response, Ms. Hogan?

Ms. Karen Hogan: It's very difficult for me to speculate as to what would have happened if someone had not done work they set out to do.

What I would offer up is that needing to do postpayment verification work is essential when you have limited prepayment controls. The clock is ticking on when you can do that. There's a limitation, so the sooner you get to high-risk files, the better.

The last point I'd offer up is that we have a table in our appendix, and I would point members to exhibit 10.F-7, in which we analyze the CRA's second phase of results. While dollar values might be low, it points to the fact that there is an issue with almost two out of three files. When you're doing some sampling, whether it be risk-

based or not, that's an indicator that you need to do more work, and that's why more work is being done.

The Chair: Thank you very much.

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

Mr. Kelly McCauley: Thanks, Chair.

Mr. Hamilton, I want to get back to you. Who will make the final decision to pursue the path that you've stated you're taking on the audits? Is that a CRA decision—

Mr. Bob Hamilton: Mr. Chair, the decision to carry on with the plan we have—

Mr. Kelly McCauley: —as opposed to what the AG has recommended? Is that purely the CRA's decision?

Mr. Bob Hamilton: I would say it's largely the CRA's decision. I suppose somebody else within government could have a different view and tell us not to do anything, but I think in this domain, it is largely we who decide.

Mr. Kelly McCauley: That's great.

At any point during the program—because the program was updated and extended and changed—did the CRA come back and say, “We've had time—it's been two or three months—so let's seriously up the fencing for the wage subsidy?”

• (1410)

Mr. Bob Hamilton: Mr. Chair, I don't recall our doing that with the wage subsidy, I'd have to say, because, again, we felt relatively comfortable, given the circumstances, that we had some prepayment checks that were kicking out a lot of claims before we made the payments. We felt we had a pretty good system in place. That was in contrast with the CERB, for which we had fewer prepayment controls. I don't recall our ever saying that. I do recall talking about how we were going to do the postpayment verifications and what the time frame for those was going to be. As the Auditor General said, if you see areas that need more work, then we will do that work.

Mr. Kelly McCauley: I don't want to put words in your mouth. It sounds as though the CRA is looking at it and saying that this is not an issue. Personally, I think there is a very low bar for accessing the subsidy—an attestation program that is not really based on a lot of proof of dropped revenue or payroll numbers and so on.

Was the CRA comfortable with that?

Mr. Bob Hamilton: Mr. Chair, I would say there's a lot of space between being comfortable in thinking you have a good plan and not caring or not worrying about it. We care. We worry about this. At the CRA, we have responsibility for delivering benefits, as well as a big responsibility for enforcing compliance so that it's a fair tax system.

Mr. Kelly McCauley: Was there any discussion about using SIN numbers, as has been suggested by the AG? We've seen Chinese state-owned companies receive this subsidy, but we have been giving money, subsidies, to non-Canadians on payrolls. We saw other issues, such as dead people receiving the CERB, and people outside the country.... Is that an opportunity? Why didn't we use social insurance numbers?

Mr. Bob Hamilton: Mr. Chair, at the beginning we thought about whether we could use social insurance numbers. 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.

You also have to recognize that once you have a program in place, coming in with different measures can be complicating at that stage. Even if you think you might want to do something, once you have it in place and it's running and you're largely comfortable that you'll be able to deal with—

Mr. Kelly McCauley: A fair amount in subsidies went to companies that ended up insolvent and that were in long arrears with respect to HST/GST remittances or other remittances to the government. Was there discussion or were red flags raised by the CRA, knowing that these were strong indicators of eventual insolvency and that we were subsidizing people who owed the government significant amounts of money?

Mr. Bob Hamilton: Mr. Chair, we certainly take account of what we observe and factor that in. Where is the risk? Will a company present, potentially, a particularly high risk?

I want to make sure we don't confuse administrative issues with policy issues, because you can get both in here. People might think from a policy perspective that a company should not have been eligible. We administer the legislation as it is drafted, and if it's permitted—

Mr. Kelly McCauley: I realize you're implementing a policy. Did you recommend to the policy-makers that we shouldn't extend the subsidy to companies that looked as though they were insolvent? I think it was the AG report that said that as of last year subsidy recipients owed \$4 billion to the Government of Canada but still got subsidies. Was the recommendation, when this program was being developed, not to subsidize companies that owed the government billions of dollars and therefore—

The Chair: I'm going to cut it off there, Mr. McCauley. You will have another round and you can come back to this question.

I want to make sure we get another full round in, so I have to be a little more judicious with the time.

We're turning now to Ms. Yip.

You have the floor for five minutes. Go ahead, please.

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

Like many of my colleagues who have also expressed thankfulness from the small businesses in their ridings, I will say that the small businesses in my riding are very grateful too. I'd like to just acknowledge the Auditor General's comments about how quickly the government issued this program and how grateful the small businesses are that the CRA was able to roll out supports.

Mr. Hamilton, how comprehensive or vigorous do you feel the CEWS compliance program is? Is it effective enough to collect on the remaining outstanding amounts?

• (1415)

Mr. Bob Hamilton: Mr. Chair, as I've indicated, we feel comfortable with the compliance program and that we will be able to deliver to Canadians an effective compliance program that, using a risk-based method, will get the money back from people who didn't deserve it. I would say that ranges from, as I mentioned, people who were promoting schemes that we know were just trying to work around the system—we need to focus on those—to people who might have just made mistakes. It's a complex program, and they might have a complex business.

We feel that with more time and more resources one could do even more in that space, but we feel as though the balance is pretty good right now in terms of what we had in prepayment and our plan to go into postpayment. In an ideal world, we might have been able to get a quicker start on the compliance just from a CRA perspective, but there was a recognition that, at that time, we had to be sensitive in terms of how we went in and verified businesses and individuals, given the fragile financial state of some of those individuals and businesses. That played into it as well.

There was a reference earlier to the fact that we're going to run out of time. We're not going to run out of time for the reasons I've given, but it is true that the longer you wait, the harder it can be sometimes to collect on a debt or what have you. From our perspective, we might have preferred to start earlier and be a bit more advanced than we are now, but we think we have the time to assess the risks and go after the places that we think present the highest risk. As I said, we have about \$15 billion under audit right now, so we're looking at a lot of money out there and testing it to make sure the people or the organizations were eligible for it.

I don't have a degree of discomfort with where we are and where we're going. I think the Auditor General makes some good points about there being risks out there. It's a program that went out quickly. We put some prepayment controls in, but I think there's always an opportunity to look back and learn some lessons about what we might have done a bit better on the prepayment side. We think we're still learning on the compliance side. We're picking up some lessons as we look at companies and assess them—things we can do to improve our audit plan—but beyond that I think we're feeling pretty good that we're doing a good job of striking that balance on behalf of Canadians.

Ms. Jean Yip: Thank you.

Ms. Pranke, could you go into more detail about the risk-based model to determine who gets audited and who doesn't at this stage? In particular I'm curious about how you calibrate that risk and how you adapt your metrics as the audits progress.

Ms. Cathy Hawara: I think that question might be for me, if that's all right, Mr. Chair.

Our approach when we establish our compliance programs and our audit plans is always to take a risk-based approach. The purpose of taking the risk-based approach is to ensure that we are identifying the highest-risk cases, so that we can deploy our resources there first.

We have access to a number of sources of data or business intelligence, and our job is to deploy a variety of tools that we have available to us—our business intelligence tools—to look at that data, analyze it and identify cases in which we believe there is non-compliance. Some of the things we might look at are tax filings by the claimants or their payroll data as it is updated. We might look at claim periods over the course of time to see trends in terms of the amounts that are being reported as revenues drop from one claim to another, etc., all in view of identifying cases that are risky and that should be audited.

That's the approach we take. As the commissioner mentioned, that approach allows us to evolve our understanding of the risk and adjust our plans as we see the need emerge, so that we can expand our focus in some areas and reduce it in other areas, and so that we are always targeting the highest-risk files.

• (1420)

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

[*Translation*]

Go ahead, Ms. Sinclair-Desgagné. You have two and a half minutes.

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

Madam Auditor General, can you very briefly confirm or deny the main findings of your report? It's important to reiterate that at this point.

You mentioned that potentially \$27 billion in benefits were overpaid to individuals who were not eligible and that this should be verified. You also mentioned that with the resources available to CRA, at the current rate, it may not be able to recover the amounts that were overpaid, potentially because of a lack of rigour and data.

Have I understood the main findings of your report?

Ms. Karen Hogan: In the interest of time, I'll say yes. You've clearly understood the gaps that we found.

Ms. Nathalie Sinclair-Desgagné: Thank you very much.

Mr. Hamilton, you say that things aren't so bad, that everything is going well, that we still have a lot of time and that we're still at the beginning of the process. I'm sorry, but you're completely contradicting the Auditor General's findings. We have to put things in context. We're talking about a lack of rigour at the CRA. It's bigger than what you seem to be describing today.

Mr. Bob Hamilton: I don't think there's a lack of rigour. The program is very rigorous in terms of the wage subsidy. As Ms. Hawara said, it's a process that focuses on high-risk applications, but it's not a lack of rigour. There has been a lot of rigour.

For some programs, such as the emergency wage subsidy and the Canada emergency response benefit, there is a time constraint, but we at CRA believe that we will be able to continue the audits after three or four years, if necessary. So it's not a constraint.

As I said, it may be difficult to recover some amounts, but there's no statute of limitations in this area.

The Chair: Thank you, Mr. Hamilton.

[*English*]

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

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

I'd like to begin with a quote: When CEWS was first introduced, the urgent priority of the government was to assist the economy in an extremely volatile period at the onset of COVID-19 where both the future of many businesses and that of the Canadians they employed were in question.

That was from this morning's statement by Commissioner Hamilton of the CRA.

The Canadian emergency wage subsidy has, in fact, been used by companies to attack workers in the middle of a labour dispute. This was most evident in my community here in Edmonton, where a large corporation known as Cessco, a manufacturing company, received the wage subsidy while also locking out their 40-year, long-time employees, who are boilermakers fighting for a fair contract.

Because of how poorly this program was designed, Cessco's management was able to use the Canadian emergency wage subsidy to hire replacements, scab workers, at the expense of the company's 40-year-plus employees, locking them out.

My question is for the Auditor General. Do you think there was “value for money” in allowing the Canadian emergency wage subsidy to subsidize replacement labour to undermine locked-out workers at Cessco who were exercising their right for a fair deal?

Ms. Karen Hogan: Unfortunately, I can't comment on what the wage subsidy was used for by businesses. The way the wage subsidy program was designed didn't discriminate against a business based on its size or its industry. Every employer was eligible if they saw a revenue decline.

It is really through postpayment work that the government can verify that the wage subsidy was truly used to subsidize the wages of workers and that it truly went to businesses that were eligible.

• (1425)

Mr. Blake Desjarlais: Now for the Commissioner of the CRA, do you believe that, in your risk assessment, this is an important factor to consider when looking at some of the abuses of funds that I believe have taken place to force workers out of their workplace? In your very own words, this was designed to help workers and the people who were employed. Do you think this is a good way to do that?

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

While I can't comment on the specific case you've raised, what I would say is that if we look at that case, we would have to see what the legislation passed by Parliament says. Does it restrict that kind of thing or does it not? Our role as administrator is to make sure we implement it in a way that's consistent with the legislation.

Without commenting on the specific case you've raised, that would be our approach to looking at an issue and deciding whether it was something that we could do something about or should do something about, or whether it's something that is really just the legislation unfolding the way it—

The Chair: Thank you very much.

Mr. Desjarlais, you'll have one more opportunity for two and a half minutes.

I'll turn now to Mr. Chambers.

You have the floor for five minutes, please.

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

Ms. Hogan, how rare is it that the department does not fully accept an Auditor General's finding?

Ms. Karen Hogan: Just on paper, most departments usually say “agree”—

Voices: Oh, oh!

Ms. Karen Hogan: In reality, I don't know—

Mr. Adam Chambers: I know there's a back-and-forth. There's a draft report and a discussion—

Ms. Karen Hogan: There's absolutely a back-and-forth, and we agree that the recommendation is one that can be implemented and so on and so forth.

The concern here is that... We don't take issue with the risk-based approach that the department has made. It's really the amount

of work and the extent of work that we don't believe is sufficient in order to meet that fairness threshold of treating every taxpayer—whether they be an individual or a business—fairly. If you've identified the potential 100,000 businesses that are not complying, to look at only a fraction of those is not treating every taxpayer fairly.

The first step is to identify payments to ineligible recipients. Then the decision can be made to go after collection or not collection.... There could be all kinds of choices made for compassionate reasons and so on, but I'd just encourage the government to be a lot more transparent in what they're doing, and I think they need to do more work.

Mr. Adam Chambers: Thank you.

Given there's a bit of a delta or some discussion about the amount, are you planning to follow up with the CRA at the end of their postpayment verification to see whether you're satisfied with the work and the methodology they use?

Ms. Karen Hogan: The work we plan on doing in the coming years, I think, will depend on the results of some of their postpayment work, because that is the only way to truly know whether businesses or individuals are ineligible.

Mr. Adam Chambers: Thank you.

Commissioner Hamilton, given there's a discussion and some discrepancies, will the CRA commit to producing for this committee the results of its postpayment verification work in terms of how much you've identified, ineligible recipients and what you believe to be the error rate? Is that work that you'll produce for this committee?

Mr. Bob Hamilton: Mr. Chair, yes, we would.

We've been pretty transparent thus far with our progress reports—early days—but I think we would continue that pattern of reporting back on this area, for now but also, frankly, for the future, because if this or something similar ever happened again, it would be nice for people to be able to learn from what we've gone through, and I wouldn't over-exaggerate or partially disagree. We always learn something when the Auditor General comes in and pushes it to maybe a different place, and maybe the Auditor General learns something. I don't know. I don't want to speak for them.

It's not black and white. There's a question of degree, and I think we are doing some things a little more aggressively as a result of the Auditor General's report, but I'm comfortable with where we are.

Mr. Adam Chambers: That's fair enough.

I have a final question, Ms. Hogan. On the amount of \$27 billion or \$32 billion, however you'd like to cut it, would you say that's the minimum amount that you feel the highest confidence in that ought to be investigated?

Ms. Karen Hogan: I think it's important to distinguish the amounts. There is \$4.6 billion that was overpayments to individuals. Distinguishing it from the \$27.4 billion requires further investigation.

In our work, we always try to take the most favourable approach to a taxpayer. For example, with an individual, if they had earned \$5,000 over two years, we said, well, you were eligible, when it's really only over one year. We always give the benefit of the doubt, which is why we landed on at least \$27.4 billion that requires investigation. There are individuals and businesses in there that are eligible for this, but you don't know until you've done the work to identify.

• (1430)

Mr. Adam Chambers: Thank you very much.

Mr. Chair, in my remaining minute, I'd like to do a little math. Of the wage subsidy in the CEWS, \$32 billion has been identified as potentially having gone to ineligible recipients. That doesn't include money that went to eligible recipients whom many would deem unworthy. There was \$6 billion to \$7 billion paid to publicly traded corporations that continued to pay dividends to shareholders. There was about \$10 billion paid to students to not work when the economy opened up in the summer of 2021. If you add those amounts together, then we're talking about almost \$50 billion, somewhere between \$40 billion and \$50 billion of the largest benefits that went to Canadians for COVID. That could be anywhere between 20% to 25%. That's why this is an important discussion to have. That's why I think Canadians deserve follow-up information from the Canada Revenue Agency.

I thank the Auditor General for her work and her office's report on this. I thank the CRA for attending today and look forward to a future discussion on this.

Thank you.

The Chair: Thank you, Mr. Chambers.

You'll actually have another round, if you stop talking.

I'm going to turn it over to Ms. Bradford.

Ms. Valerie Bradford (Kitchener South—Hespeler, Lib.): Thank you, Mr. Chair, and thank you to our witnesses today, from both the Auditor General's office and the CRA.

This far out from the onset of the COVID pandemic—I think it's two and a half years out—it's easy to forget what a time of great uncertainty that was for Canadians. It was a very stressful time. As we look at these things now, it's important to keep in mind that this was really a bit of a crisis economically, or it could have been much worse. I just wanted to put that in perspective.

There has been a lot of reference in previous questioning to the prepayment verification process. I was wondering, Commissioner Hamilton, if you could perhaps elaborate on that. There were both the automatic and manual processes. What was involved in that prepayment process?

Mr. Bob Hamilton: I'll ask one of my colleagues to elaborate a bit on what I'm going to say.

I would just mention that on the prepayment side—this is the wage subsidy we're talking about, which I would distinguish from the CERB—we had people who are very familiar with corporate tax filings, the corporate tax community and small businesses, look at the applications as they came in. We did a 100% review of them.

A lot went through, because nothing looked too bad in the first run. We did kick out some, but then those experts looked at them and said, “Well, I don't know. Does this payroll number match up with what we've seen?” We did that. That was the nature of the prepayment controls.

I would just add—because it gets lost—that on the prepayment side we also communicated with taxpayers. I said, “Put a calculator out.” That's a bit like the software for people who do their taxes. It eliminates a lot of errors and mistakes. We found that was helpful. I know the business community found it....

Let me turn to either Cathy or Marc to elaborate, if there's more to be said about that prepayment. Again, I'm talking about the wage subsidy here and not some of the other programs.

Ms. Cathy Hawara: The commissioner has covered the most important parts of this, but just to reiterate, 100% of the applications that were received for the wage subsidy were automatically reviewed for risk indicators. We looked at things like how reasonable the number of employees was and the remuneration that was being claimed based on T4 filings that we had for the entity. We looked at the lists of high-risk taxpayers as potential flags, for example.

We also had a monetary threshold. If the claim was over a certain dollar amount then it was automatically sent for manual review. That was the second part of the prepayment control process we had in place, the manual review. We had our officers look at the files considering past compliance history, information that we had on file, and the GST data at that phase of the process. When necessary, they could communicate with the claimant and obtain additional information to allow them to determine whether they were eligible and whether the amounts were accurate.

It was an opportunity, again, to review. About \$33 billion out of the \$100 billion that was paid out as the wage subsidy was manually reviewed by the agency.

• (1435)

Ms. Valerie Bradford: It certainly wasn't an attestation process. There was a process that went through...a review.

Ms. Cathy Hawara: I would say the attestation process was the first part—the first step as part of the application, in addition to providing the information that was required. The claimant had to attest that they were eligible and that the information was accurate. That was the first step.

Ms. Valerie Bradford: It wasn't just granted.

Ms. Cathy Hawara: No. Then it went through the automated review and, where appropriate, where risk was identified, it went through manual review as well.

Ms. Valerie Bradford: That's great. Thank you for that clarification.

What percentage of CEWS went to small businesses as opposed to larger corporations? Can someone give us some idea?

Mr. Bob Hamilton: Mr. Chair, I don't have the figures right in front of me, but I know that they are in the Auditor General's report, so she may be able to beat me to the punch on this one.

Ms. Karen Hogan: Absolutely: I would point you to page 80 in the report. Exhibit 10.F-6 will show you the percentage of subsidy paid to businesses based on size and based on the number of employees.

Ms. Valerie Bradford: In the interests of time, because I don't want to take time looking it up now, can you give us that figure for the record?

Ms. Karen Hogan: The figure of how many went to small businesses...? What would you deem a small business? Fewer than 500 employees...?

Ms. Valerie Bradford: Yes.

Ms. Karen Hogan: If my math works, it's about 20-odd per cent.

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

We have our next full round.

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

Mr. Kelly McCauley: Thanks, Chair.

For the CRA, previously you were talking about risk indicators when we were doing the applications. I want to get back to that. Is a high risk of insolvency one of the risk indicators that CRA used?

Mr. Bob Hamilton: Mr. Chair, I'll ask Cathy to elaborate on that, but I don't think that the defined financial condition of the company was a consideration—

The Chair: Just hold on. Just so everyone knows, we're all on the clock now, so when your time's up, your time's up.

Mr. Kelly McCauley: I'm fine. I think I have the answer there.

Did the CRA recognize that would be a risk issue? Did they push that forward to Finance or the discussion group in saying that we shouldn't have made the subsidy available to people who owe billions to the Government of Canada, because it's a high-risk indicator of insolvency?

Mr. Bob Hamilton: Mr. Chair, I keep getting pushed to talk about what recommendations we might have made within the confines of discussions, so I'm not going to go there, but suffice it to say that we were part of the discussions and as we saw things we took note of them.

You're right: If a company looks like it's going to be insolvent, that makes the prospect of collection, should there be a problem, riskier.

Mr. Kelly McCauley: Yes, it's throwing good money after bad.

Do we know how much money went to these companies? How much went to them and how many are actually still solvent right now?

Also, how much do these companies still owe the Government of Canada? If you don't know, maybe you can get back to us.

Mr. Bob Hamilton: Yes. I guess we may need to go back and forth about exactly which companies you're talking about at risk of going insolvent—

Mr. Kelly McCauley: They're the ones that haven't remitted their GST or HST, or that owe the Government of Canada.

Mr. Bob Hamilton: Yes. Maybe all I would say is that how one judges whether a company is about to go insolvent is a judgment call in terms of where you sit. I don't have that number here with me.

We can go back and see if we can construct, but again, I think it's going to be loose. How do you determine, "This company looks like it's going to go insolvent"? That's a judgment, and then, how many of them actually went.... We may be able to get some figures on that.

Mr. Kelly McCauley: It doesn't look like we're coming to a solution today between the AG's recommendations and the CRA's agreement.

Let me ask you this. The minister intimated that the AG's report...that how much went to ineligible companies was politically motivated. Do you agree with that?

• (1440)

Mr. Bob Hamilton: Mr. Chair, I don't have a view on that, about what's politically motivated or what isn't, but to your comment I would say that the reason there might still be a difference of opinion—and it might not even be just between the AG and ourselves; it could be between two other reasonable people—is that we're pretty early in the process. I think there's a lot of work that needs to get done and that we are doing, and probably down the road we'll see those differences reduced—

Mr. Kelly McCauley: If we're early in the process, how many months will it be before we're well into the process? Is it six months? Is it one year before you feel comfortable that we'll have a much better idea?

Mr. Bob Hamilton: Mr. Chair, that's probably a better question for Cathy to answer, but we are into the process. Don't forget that we started in October 2020.

Mr. Kelly McCauley: You've stated repeatedly that we're too early into the process.

Mr. Bob Hamilton: Yup.

Mr. Kelly McCauley: When will we have a better idea? Will it be six months from now, one year from now, two years...? I just don't know. I'm not being.... I'm just trying to get a better idea, then.

Mr. Bob Hamilton: No, no. Fair enough.

We're into phase two now of our audit. We've done some and we're completing them. We know we're going to be in this until 2025. Cathy's probably going to kick me here, but I would say that by the end of the year we will have a much better sense of whether we're getting on top of most of it or whether we need to do some further work.

I don't know, Cathy, if that—

Mr. Kelly McCauley: That's a fair answer. Ballpark is just fine for me.

How much time do I have, Mr. Chair?

The Chair: You have one minute.

Mr. Kelly McCauley: Okay.

AG Hogan, you say in paragraph 10.45 of your report that you cannot determine the number of employees who benefited from this program, whether employees remained working for the same company or whether those laid off were rehired. This is over 100 billion dollars' worth of taxpayers' money. How is it that we don't have this information? How do we not know this?

I recognize that at the very beginning of COVID, stuff had to be done immediately, but six months in, one year in, we still seem to be operating as if to say, well, let's just get money out the door as opposed to putting up, again, better fencing to protect taxpayers.

Ms. Karen Hogan: One of the requirements in the legislation when they asked us to do this audit was to conclude on whether or not the programs met their intended objectives. When it came to the wage subsidies, some of those objectives included helping the employer to retain their employees throughout the pandemic and to rehire the employees potentially laid off as businesses closed, but also seeing businesses be sustained throughout the pandemic. Because of the lack of information gathered about employees, such as not having SIN numbers, we were unable to conclude whether or not the same employees were working or remained.

We know from Statistics Canada information that while the number of businesses stayed the same or went up, they are different businesses in some industries. We were unable to conclude on whether the intended objectives of CEWS were met, because of the limited information gathered.

The Chair: Thank you very much.

Mr. Fragiskatos, you have the floor for five minutes.

Mr. Peter Fragiskatos: Thank you, Chair. In fact, I will be splitting my time with Ms. Bradford, who will go first.

Ms. Valerie Bradford: Thank you, Mr. Fragiskatos.

Very quickly, Commissioner Hamilton, in the audits you completed as of January 3, 94.2% of the amounts reviewed were allowed. The CRA denied or adjusted 5.8% of the dollar value of these claims. How does that compare with the usual compliance rates?

Mr. Bob Hamilton: Mr. Chair, again, I'll defer to my colleagues to elaborate and to make that comparison.

I would say that it's not very different from what we would have expected. In terms of our normal experiences, it's probably a bit higher, but I'll let Cathy or Marc take that.

Ms. Cathy Hawara: It's hard to compare this particular program with the other compliance programs that we run. We have such a wide variety of programs. The error or change or reassessment rate really depends on the nature of the taxpayer and the nature of the tax issues we're looking at. It's very hard to draw a comparison.

I have to say that this program was quite unique. It was one reason we wanted to start our audit so quickly and to better understand what the risks were. It was quite unusual for the CRA to be starting an audit before the end of a tax year and before a tax return had been filed. I think it's very difficult to draw comparisons with our regular audit programs.

Ms. Valerie Bradford: Thank you.

Mr. Peter Fragiskatos: That didn't take any time at all; no problem.

This goes to Ms. Hawara as well. In the report, the Auditor General makes it clear that on its own, postpayment verification of the type that's being pursued by the CRA—leaving aside the specifics in terms of how it's going, the various mechanics, the policy design and this type of thing—is completely in line with international best practices that are in place and recognized on how verification ought to proceed in emergencies.

My question for you stems from the very detailed explanation that you've outlined here today, and that the commissioner has as well, as far as verification is concerned and how it's being carried out. To what extent is that approach in line with international best practices from an audit perspective?

● (1445)

Ms. Cathy Hawara: The findings in the report tied the need for postpayment compliance work, given the attestation-based approach that was taken. Certainly, that is our view as well. A postpayment compliance program is going to be needed, and that's what we're working on now.

We agree. This was the right approach to ensure the integrity of the program, both with prepayment controls, which we feel were appropriate in the case of the wage subsidy, and with the postpayment audit program that's currently under way.

Mr. Peter Fragiskatos: What we've also had emphasized here today is that, unlike with the CERB, while attestation may have played a minimal role in the wage subsidy, this was not an attestation-based model. The policy design here was quite different, with verification built in from the beginning.

My question relates to the whole approach when it comes to verification, where things are going as far as the assessment of risk is concerned and how you take that into account.

I'm running out of time, but could you also take a moment to clarify a few things? It's a different topic, but with the dental benefit, for example, or the housing benefit, yes, there's an attestation-based approach, but there are verification processes built in to check. There are a number of things that people are asked beforehand. There's postverification that can take place. Could you touch on that as well?

There are two questions built into one.

Mr. Bob Hamilton: Mr. Chair, maybe I'll take the second question. You'll have to remind me of the first one, but the second question is on the dental and the housing benefit.

I would say there's more prepayment verification in the dental and the housing, partially because of what we've learned through the CERB. What we have with those programs is tax filings from people. If you recall in the CERB situation, it was a rolling amount. You earned a certain amount—\$5,000 over 12 months—but we didn't have tax filing information at that time. This time we do. It's linked through the Canada child benefit, which is, again, information we have.

We have more information. It's a bit closer to the kind of regular program that we would run, but it is attestation-based.

The Chair: Thank you very much. You'll have to come back for the first part of that question.

[*Translation*]

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

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

Since this is my last turn, I will let the Auditor General tell us why it's important that more rigorous work, based on better collected data and on 21st century computer systems, be put in place so that the CRA's fiscal responsibility to Quebeckers and Canadians is maintained. It's very important that Quebeckers and Canadians hear this from her.

Madam Auditor General, I would like to mention that I am giving you this time to speak so that it can't be said later that you were forced to give partial answers. Your work is very honourable, and I must maintain it. The Bloc Québécois supports you and thanks you for your work.

Ms. Karen Hogan: I'll answer your question in two parts.

First, I'd like to talk about two recommendations aimed at improving the country's approach to managing health crises like the ones we've just experienced, but also at improving the country's tax system, quite simply. We need real-time information on wages and business revenues. 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.

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.

• (1450)

The Chair: Thank you very much.

[*English*]

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

Mr. Blake Desjarlais: Thank you very much, Mr. Chair. I also want to thank all the witnesses for being present with us again today and for being able to answer so many of our questions.

In my final round, I want to mention and reiterate how important this work is to Canadians. Canadians are good people. They show up to work; they pay their taxes and they hope that when they pay their taxes the money goes to helping their neighbours, particularly in a time of need. However, when huge sums of taxpayer dollars are sent to profitable publicly traded companies, they're rightfully concerned. I'm sure—and I hope—you'd agree, Commissioner.

On behalf of Canadians, what percentage of the wage subsidy went to publicly traded companies that made profits during the pandemic?

Mr. Bob Hamilton: Mr. Chair, I would have to get back to the committee with those statistics, and I'm happy to do so.

The Chair: It's noted. Thank you very much.

Mr. Blake Desjarlais: In addition to that information, it would be valuable, I think, for Canadians to know how much money went to companies that paid executive bonuses. Do you have that number with you?

Mr. Bob Hamilton: Mr. Chair, no, I do not have it with me. Again, I can go back, and we can send that to the committee afterwards.

Mr. Blake Desjarlais: Please do. I believe it's valuable information. Canadians deserve to know where their taxpayer dollars go; they deserve to know which companies have taken this support, and they deserve to know exactly which ones profited. I think those are fair questions. I'll be happy to see that report.

Now, for the Auditor General, what would be the fiscal impact of requiring that money to be repaid?

Ms. Karen Hogan: I'm not sure that I could predict what the fiscal impact would be. It would depend on the ability to collect payment, wouldn't it?

The first question is identifying how much was paid to ineligible recipients, whether they be individuals or businesses, and then making a decision on efforts to collect, or on collection at all. Those are decisions that the government should make, but the first step is to identify those that are ineligible before you make a decision otherwise.

Mr. Blake Desjarlais: My final question for the CRA is in relation to the limited capacity.

There are only so many investigations you can conduct. I understand that and your partial agreement with that recommendation, but given the fact that there are some offenders benefiting disproportionately with larger sums of taxpayer dollars for their publicly traded corporations, wouldn't it be valuable and important to ensure we investigate those first to ensure Canadians get their value retained?

The Chair: Please give a brief answer, Mr. Hamilton. Thank you.

Mr. Bob Hamilton: You can rest assured that at the CRA we identify large, medium and small corporations that have gotten money they're not eligible for. That would apply to this program, and that would apply to the income tax and to the GST.

Yes, we believe that it's our duty to Canadians to have a fair compliance regime that tries to distribute the tax breaks fairly and to make sure people are not getting money they're not eligible for.

• (1455)

The Chair: Thank you very much.

Mr. Chambers, you have the floor for five more minutes, and then I'm turning to Ms. Shanahan for the final five minutes.

It's over to you.

Mr. Adam Chambers: I will yield my time to the committee or to one of my colleagues if they have more questions, but I am done, Mr. Chair.

The Chair: Mr. McCauley or Mr. Williams, do have you any questions?

Mr. Kelly McCauley: Sure. I'll take a couple of seconds and we'll go to Ms. Shanahan.

I want to follow up on one of Ms. Shanahan's comments about using the SIN numbers. In your words, you talked about the amount of resources needed to better track some of the information—

Mrs. Brenda Shanahan: No. It was real-time information.

Mr. Kelly McCauley: Real-time.... Is that possible? Is that such a significant investment that it's for something further down the road, or is it possible with our current resources? Is it a fantasy wish at this time?

It was, in fact, about real-time.

Mr. Bob Hamilton: I'm sorry. Between the two, I'm not sure I'm tracing together the actual question. Was it to do with SIN numbers...?

It looks like my colleague got it.

Ms. Cathy Hawara: I think the question was about the ability for the government to have access to real-time data, in the form of

either e-invoicing or e-payroll, and there were two recommendations from the Auditor General in that regard.

There's a significant amount of work under way—certainly on e-payroll—as the commissioner mentioned earlier. Commitments have been made in that regard. We're still a way away, as I understand it. It's the same for e-invoicing. We are currently examining the options for Canada to adopt an e-invoicing solution, but it's quite a significant undertaking. It's an area in which we're learning from what other countries are doing.

As part of our action plan, we will report back on our findings from the studies we're doing now.

Mr. Kelly McCauley: Okay. I apologize. I mixed it up with a previous question I had about the social insurance numbers. I will follow up on that.

Go ahead, Mr. Hamilton.

Mr. Bob Hamilton: To add to that and to reinforce what Cathy said, now that I understand the question, both on e-payroll.... Real-time payroll data is something we are working on. The government has made a commitment. We're in the process of building a business case.

However, I would say to your point that those are big structural changes within the system, so they're not going to happen in a year or two. They are going to take time, but we have started the work on them. We've made a commitment to go. That's on the e-payroll side.

There are advantages to it. There are advantages beyond the CRA. There are advantages for the records of employment and other data that gets used, but we have to consult with businesses and think about the structural changes.

On the e-invoicing side, again that's something that different countries use to get real-time invoicing data, and we see that as being quite attractive. It also has big issues that need to be resolved systemically, with partners and consultation. We are a little less advanced on that, but we're still pursuing that as well. It will come to what the capacity is at the CRA to do these big structural changes together. That is something we'll have to come to grips with.

Mr. Kelly McCauley: I have a couple of quick questions. How many people are working on the postpayment verification? I think you have some 57,000 employees. Is this taking away from other audits?

Mr. Bob Hamilton: On the postpayment verification for the CEWS, we received resources when the programs were implemented to have auditors and to do the compliance work, so it's not necessarily taking away, but at the end of the day it's probably a bit at the margin.

In terms of the numbers of people, I may have to get back to you with that. Yes, we'll get back to you on exactly how many we have in the compliance base. I don't know if we'd be able to distinguish between the wage subsidy and the other benefits, but if we can, we will.

Mr. Kelly McCauley: Sure. You can lump them all in with the other benefits as well. That's fine. Thanks for your time.

AG Hogan and your team, thanks always for your time as well. We appreciate it.

Thanks, Ms. Shanahan, for clarifying my question.

The Chair: Thank you so much.

For clarification, Mr. Hamilton, on the report you're going to provide for the verification recovery efforts, can those be provided quarterly to the committee?

Mr. Bob Hamilton: In theory, yes. The only question I'm asking myself as you ask the question is on quarterly reports. Is enough going to happen in a quarter to justify it as a report, or would we be better off using a different time frame?

If you like, I can certainly get back to the committee.

• (1500)

The Chair: Yes, or if you'd like, we might come back to you. If you give us the cut you're going to, I might come back to you and ask for the quarterly numbers if there are questions around it.

How does that sound?

Mr. Bob Hamilton: Yes, because you may want quarterly, whether I think it's a good idea or not.

Voices: Oh, oh!

The Chair: That sounds good. Thank you.

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

Mrs. Brenda Shanahan: Thank you, Chair.

I for one am feeling very reassured, having learned that much more about both the pre- and postverification work and the compliance trend that was observed in the December 2 progress report. I'm looking forward to hearing more real results in that regard.

Apparently in that report there was the identification of about 2,000 high-risk files relating to CEWS preparers. Can you tell us more about this work and how you plan to tackle this problem? I think we know what we're talking about: When any program comes out, there are always a few operators who figure out how to work the system, right?

Ms. Cathy Hawara: We did find a pocket of more serious non-compliance in the course of our audit work. These are claims that have been made where we believe they were false or contained inaccurate information, and the claimants were actually assisted by a third party in making those claims. We would call them a "preparer", for example.

We are pursuing all those cases. The December report uses the figure of 2,000. We're up to 3,800. As we are discovering more, we are identifying them, and we will be auditing all those claims. We will also be auditing the preparers who supported the claimants and considering the application of third party penalties.

This is an area we are concerned about, and we will be continuing our work in that regard.

Mrs. Brenda Shanahan: That's very interesting. You were able to identify a further 1,800, so there are 3,800. It's always handy to have that list close by for future projects.

You mentioned penalties. My understanding is that over \$11 million in penalties has been applied against ineligible recipients. Can you tell us a bit more about that and how that's done? Also, is there criminal action that's taken in these cases?

Ms. Cathy Hawara: We have the ability under the Income Tax Act to apply penalties in the context of the wage subsidy program. The penalties you mentioned were applied against the claimants themselves, so these are gross negligence penalties that we applied.

There are a number of penalties, but the other ones that we are going to be pursuing are the third party penalties, which I just mentioned. We will be looking at both the claimants and the individuals who supported the claimants in making those false claims.

In terms of criminal investigations, which was the second part of your question, there is the ability on the part of the agency to pursue criminal investigations where we believe criminal activity has taken place in the context of the wage subsidy—if there has been fraud—and our auditors are able to refer cases to our criminal investigations program. There are some investigations under way.

Mrs. Brenda Shanahan: It's safe to say that the agency commissioner takes this very seriously, Ms. Hawara, and pursues every avenue for anyone who has committed fraud against the agency.

Mr. Bob Hamilton: Yes, I can say that definitively. Even though earlier on I talked about education, compliance and sensitivity to taxpayers in a situation, when we see something that's wrong, we go after it. We have to have that ability for strong enforcement in cases like those Cathy has raised and even in criminal investigations.

There's a spectrum out there of the kinds of things we do in the compliance world, but definitely, as with all parts of the tax system, we need to have that strong enforcement in cases in which people are doing things inappropriately and, in this case, potentially fraudulently.

• (1505)

Mrs. Brenda Shanahan: Thank you. That's very reassuring indeed.

I have one last question. What is the "public-facing CEWS registry"?

Mr. Bob Hamilton: I'll go first, and Cathy may correct me.

As part of the legislation for the wage subsidy, the government committed to putting a registry out publicly that says who got the wage subsidy. We were in charge of putting together that list, and it was on the website. I assume it's still up there—I don't know now—but it tells you who received the wage subsidy. That was just part of the transparency for this program.

Mrs. Brenda Shanahan: That's fully available. It was fully available from the beginning of the program, and is it still there today?

Mr. Bob Hamilton: It probably was available. It took us a bit of time to get it, but, yes, it was essentially from the beginning of the program. What I'm not sure of is if it's still available today.

Ms. Cathy Hawara: Because the application period for the CEWS closed in May 2022, we stopped updating the registry. However, it is still available to be consulted. It's a snapshot in time.

The information is still available. It's no longer updated, primarily because the program is no longer available.

Mrs. Brenda Shanahan: That's excellent. Thank you very much.

The Chair: Thank you.

Is it available publicly online, or do we have to request it?

It is. We can find it online. If we have trouble finding it, I might reach out for a copy.

Thank you. I appreciate everyone's coming in today.

I will adjourn the meeting.

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